

MID AND WEST WALES FIRE AND RESCUE AUTHORITY



STATEMENT OF ACCOUNTS

2020/21

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Narrative Report

Introduction

Strategic guidance for Fire and Rescue Authorities in Wales is detailed in the Fire and Rescue National Framework which has been produced by Welsh Government. The National Framework seeks to expand the role of Fire and Rescue Authorities in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive firefighting capability is not compromised.

Organisational Overview

Mid and West Wales Fire and Rescue Authority was created in 1996 by the Local Government (Wales) Act 1994, following the merger of Dyfed, Powys and West Glamorgan Brigades. The Service makes up almost two-thirds of Wales, covering a predominantly rural area of 12,000 square kilometres, comprising 58 fire stations, and employing approximately 1,350 staff. It is the third largest Service in the United Kingdom, behind the Scottish and Northern Ireland Fire Services.

There are a variety of risks found within the Service area, ranging from the petrochemical industries in Milford Haven, to the risks associated with heavily populated areas such as Swansea and Neath Port Talbot. There is also a large farming community and many other light industries throughout the area. These, together with an extensive coastline and inland waterways, form some of the specialised risks found within the Service.

Our Corporate Plan sets out our vision for the future, which is “to be a World Leader in Emergency Response and Community Safety”, and how this will be achieved through our Strategic Aims and Well-being Objectives. The Authority also produces annual plans for managing down risks and improving services with an increasing emphasis on prevention and education.

The Service is actively engaged in working with the communities it serves, an example of which is carrying out Home Safety checks. The Authority works in partnership with other emergency services, for example, the Welsh Ambulance Service Trust (WAST), Dyfed Powys Police and South Wales Police with some of their resources being located at several of our properties; also the WAST through the Co-Responder scheme which enables On-Call firefighters to respond to certain medically related calls as agents of WAST. Other initiatives include our participation in the community through fire cadets operated by off duty firefighters with branches across Mid and West Wales, the Phoenix project which has proved very successful with youth groups in the area, and community volunteers; as well as participating in Public Services Boards formed under the Wellbeing of Future Generations Act.

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 and the financial performance of Mid and West Wales Fire and Rescue Authority for the financial year 2020/21.

The statements and their purposes are as follows:

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.

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both Expenditure and Funding Analysis and the Movement in Reserves Statement.

Fire and Rescue Authorities are considered to be "one service" entities and the "provision of Fire Services" is presented as one-line in the CIES.

Movement in Reserves Statement (MiRS)

The MiRS 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 or reduce local taxation) and other 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 Balance, and the Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Fire and Rescue Authority.

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 (for example the 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement (CFS)

The Cash Flow Statement shows the changes 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 taxation and 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.

Firefighters Pension Fund Account

This shows the financial position of the Firefighters pension fund account, indicating whether the Authority owes, or is owed money by the Welsh Government to balance the account, together with details of its net assets.

Expenditure and Funding Analysis (EFA)

The EFA is a disclosure note, it brings together Authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund.

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 but is relevant to an understanding of them.

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, to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses.

The Annual Governance Statement accompanies the Statement of Accounts but is not part of the Statement.

Summary of the Financial Year

The Revenue Budget and Capital Programme for 2020/21 were approved by Fire Authority on 3rd February 2020.

The Revenue Budget approved was £52.360m. For monitoring purposes reserve-funded expenditure relating to 2020/21 of £322k has also been included in the Revenue Budget providing a total Revenue Budget of £52.682m.

The net revenue expenditure for the year was £49.652m, the contributions received from Unitary Authorities totalled £50.550m. During the year the net transfer to reserves was £2,604k this included £1.409m appropriation to the Capital Fund which was budgeted for under Capital Financing and Leasing. The surplus of £202k been transferred to the General Fund Balance.

Revenue for the year compared to budget is detailed in the following table:

| Outturn for the year 2020/21 | Budget £000 | Actual £000 | Variance £000 |
|--|------------------------|------------------------|--------------------------|
| Revenue | | | |
| Expenditure including grants | 56,723 | 53,209 | (3,514) |
| Income including grants | (4,041) | (3,557) | 484 |
| Net Expenditure including grants | 52,682 | 49,652 | (3,030) |
| Unitary Authority contributions | (50,550) | (50,550) | 0 |
| WG funding - Firefighter Pension Scheme additional Employer Contributions | (1,810) | (1,908) | (98) |
| Transfer to / (from) Reserves | (322) | 2,604 | 2,926 |
| (Surplus) / Deficit | 0 | (202) | (202) |

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six constituent local authorities in proportion to population. For 2020/21, the proportions were as follows:

| Constituent Local Authorities | Values £000 | Proportion % |
|--|------------------------|-------------------------|
| Carmarthenshire County Council | 10,400 | 21 |
| Ceredigion County Council | 4,277 | 8 |
| Neath and Port Talbot County Borough Council | 7,890 | 16 |
| Pembrokeshire County Council | 6,918 | 14 |
| Powys County Council | 7,324 | 14 |
| City and County of Swansea Council | 13,741 | 27 |
| Total | 50,550 | 100 |

Revenue Sources of Funding

The Authority receives revenue from the following sources:

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|--|-------------------------|
| 3,516 | Revenue Grants | 2,676 |
| 44 | Interest | 14 |
| 895 | Fees & Charges / Reimbursements | 867 |
| 4,455 | Sub Total | 3,557 |
| 1,775 | WG funding - Firefighter Pension Scheme additional Employer Contributions | 1,908 |
| 47,818 | Unitary Authority Contributions | 50,550 |
| 54,048 | Total Revenue Funding | 56,015 |

Capital Expenditure

Capital expenditure in the year totalled £8.095m. The following table sets out expenditure by category and financing for 2020/21.

| | Estimate 2020/21 £000 | Revised Estimate 2020/21 £000 | Actual 2020/21 £000 | Estimate 2021/22 £000 |
|---|--------------------------------------|--|------------------------------------|--------------------------------------|
| Expenditure: | | | | |
| Property – Refurbishments, adaptations, new buildings | 4,450 | 4,012 | 289 | 3,398 |
| Infrastructure | 35 | 30 | 0 | 35 |
| Vehicles, Plant & Equipment | 9,258 | 11,754 | 4,649 | 5,563 |
| Assets under Construction | 0 | 0 | 3,121 | 0 |
| Intangible Assets | 0 | 87 | 36 | 175 |
| Total Capital Expenditure | 13,743 | 15,883 | 8,095 | 9,171 |
| Financed by: | | | | |
| Capital Grants & Contributions | 80 | 556 | 235 | 373 |
| Capital Donations | 0 | 0 | 0 | 0 |
| Capital Receipts | 0 | 0 | 90 | 0 |
| Earmarked Reserves | 3,158 | 3,372 | 2,167 | 1,222 |
| Borrowing | 10,505 | 11,955 | 5,603 | 7,576 |
| Total Financing | 13,743 | 15,883 | 8,095 | 9,171 |

The Capital Programme of £13.743m was approved by Fire Authority in February 2020 and subsequently revised for slippage and reprofiling of projects to £15.883m as approved by Fire Authority in December 2020.

The variance between the original budget and actual outturn is attributable, in part, to the following projects: Northern Area Development £1.4m which has been delayed due to a statutory requirement for sustainable drainage which presented itself at Royal Institute of British Architects (RIBA) stage four; Earlswood Development £0.9m relating to the refurbishment of the recently acquired Dafen site; and Haverfordwest Upgrade £0.3m project which is being reviewed alongside the Earlswood Development project. Covid-19 has impacted on lead-in times for the purchase of ICT equipment £0.8m, Vehicles £1.8m, and Structural Personal Protective Equipment £0.3m. The Assets Under Construction include fourteen rescue pumps, six Ford Ranger response vehicles and the new Transport Hub at Dafen. Slippage for ongoing projects will be rolled forward where appropriate.

Capital Borrowing

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer deeming it to be prudent, sustainable and affordable. All loans are from the Public Works Loan Board (PWLb) except for two Invest to Save loan from Welsh Government which were repaid in full during the year. There were no new external loans raised

in the year with the PWLB and £1.268m was repaid to the PWLB. The total principal outstanding as at 31 March 2021 is £18.47m.

Treasury Management

The Authority's Treasury Management Strategy Statement (TMSS) 2020/21 was approved by Fire Authority on 3rd February 2020.

The TMSS sets out the Capital Prudential Indicators including Minimum Revenue Provision Policy, Borrowing, and Annual Investment Strategy. Included within the TMSS are the Prudential Indicators and Treasury Management Indicators.

For the year ended 31st March 2021 borrowing transactions were within approved limits and all investments met the creditworthiness criteria at the date of deposit.

The table below details the Capital Financing Requirement (CFR) compared to External Debt.

| | Estimate 2020/21 £000s | Actual 2020/21 £000s |
|--|---------------------------------------|-------------------------------------|
| Capital Financing Requirement | | |
| Opening 1st April 2020 | 27,175 | 27,963 |
| Movement in CFR represented by: | | |
| Net financing need for the year | 10,505 | 8,095 |
| Direct Revenue Contributions / Capital Receipts / Grants & Contributions | 0 | (2,492) |
| Less Minimum Revenue Provision / Voluntary Revenue Provision | (2,169) | (2,008) |
| Movement in CFR | 8,336 | 3,595 |
| Closing 31st March 2021 | 35,511 | 31,558 |
| External Debt | | |
| External Borrowing | 28,592 | 18,470 |
| Finance Lease Liabilities | 4,425 | 2,925 |
| Total External Debt | 33,017 | 21,395 |
| Under / (Over) Borrowed | 2,494 | 10,163 |

Pension liability

In 2020/21, twenty-six members of staff retired. The net cost of the Firefighters Pension Scheme to the revenue budget continues to grow, and the liability in terms of future pension commitments has increased due to adjustments made by the Actuaries to their assumptions. The actuarially assessed liability as at 31 March 2021 was £530.877m for the Firefighters Pension Scheme and £24.497m for the Local Government Pension Scheme.

Under International Accounting Standard 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 30.

Reserve Accounting

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2021/22. 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.

Capital Financing Costs

The charge made to the Service revenue accounts to reflect the cost of non-current assets used in the provision of services was £3.585m. This is a notional charge for depreciation and amortisation, and an adjustment is made to the year-end balance, so the contributions required to fund the service are not affected. The actual cost to the Service for financing capital is £745k for loan and finance lease interest, £2.008m Minimum Revenue Provision and £2.167m revenue contribution.

Impact of the Current Economic Climate

For over a decade the public sector has been subject to the Government's austerity agenda and despite recent signals that the situation is easing, settlements and resources for local government in particular remain very tight. The financial climate we are currently operating in continues to place pressures on the levels of service we provide as we stretch our resources ever further. We continue to critically review our budget by having ongoing, open discussion with the staff and the public around how we can continue to make improvements and future efficiencies.

The accounting statements are required to reflect the conditions applying at the end of the year. Whilst the Covid-19 pandemic significantly affected almost all service areas during the year, the scale and pace of national vaccine rollout, and consequent roadmap of restrictions easing, is significantly more positive. The unprecedented level of additional financial support provided to local authorities through the Welsh Government hardship scheme has mitigated the overwhelming majority of additional costs.

However, this and wider public sector financial support measures such as the Job Retention Scheme have been funded through government borrowing at a UK Treasury level. The increase in UK Government debt is comparable only to historic events such as World War II. It seems likely that financial support will continue in the short term, but there will need to be fiscal and spending measures to address the current imbalance over the decades to come.

All property assets of the Authority are re-valued on a five-year cyclical basis and a full revaluation exercise was undertaken in 2020/21. All assets are held for service delivery and therefore any changes in commercial sales market conditions do not affect values in these accounts.

After months of negotiations the UK and European Union finally agreed a deal that defines their future relationship, which came into effect at 23:00GMT on the 31 December 2020. Major changes came into effect on 1 January 2021, the financial implications had been considered by the Authority's Business Risk Management Group who determined at its March 2021 meeting, that due to the limited impact experienced at that time, to remove "Brexit" from the risk register. Departments continue to monitor for the financial impacts of Brexit recognising that changes on both revenue and capital may materialise over the coming months and years.

Strategy and Resource Allocation

Our Medium-Term Financial Strategy (MTFS) pulls together in one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term. The MTFS balances the financial implications of objectives and policies against constraints in resources and provides the basis for decision making.

The Capital Programme and Revenue Budgets are prepared to support the delivery of the authority's strategies and plans:

The Corporate Plan sets out our vision for the future and identifies how this will be achieved through our Strategic Aims and Improvement and Well-being Objectives.

The Annual Performance Assessment informs our staff, communities and stakeholders what outcomes and benefits have been delivered against the previous year's Improvement Objectives. It also identifies how we have contributed to the Well-being goals, set out within the Well-being of Future Generations (Wales) Act 2015.

The Sustainability and Environment Plan sets out the main principles, proposals and required actions to reduce the environmental impacts of the Service's activities and operations.

The Strategic Equality Plan conveys the continued commitment of the Authority and the Chief Fire Officer to promote equality of opportunity across Mid and West Wales Fire and Rescue Service's functions, policies, practices and procedures and sets out how the Service will seek to fulfil this commitment.

The Authority's Plans are available on its website.

We have continued to maintain a level of service which has ensured the communities of Mid and West Wales remain safe places to live, work and visit. Our overall financial standing has been maintained at a prudent level with a small increase in the level of general balances at the year end. The majority of our reserves are earmarked for specific purposes, whether this is to address liabilities now or in the future e.g. Employee and Pensions reserve, or for financing specific capital schemes. The Authority has been able to augment these balances at the year end to provide additional resources towards recovery activities, risk mitigation, and future legislative and regulatory pressures.

Additional Information

Additional information about these accounts is available from the S151 Officer to the Authority and the Head of Finance. 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 Mid and West Wales Fire and Rescue Authority website.

Acknowledgements

Finally, I wish to thank all Finance staff within the Resources Directorate, 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 the leadership team for their assistance and co-operation throughout this process.

Chris Moore FCCA – Section 151 Officer

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 Chief Financial Officer,
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

PERFORMANCE, AUDIT & SCRUTINY COMMITTEE APPROVAL

Approval of Statement of Accounts post audit.

Signature:  _____

Deputy Chair of Performance, Audit & Scrutiny Committee

Date: 26/7/21

The Chief Financial Officer's Responsibilities

The Chief Financial Officer 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 ("the Code").

In preparing this statement of accounts, the Chief Financial Officer 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 Chief Financial Officer 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 CHIEF FINANCIAL OFFICER

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2021 and its income and expenditure for the year then ended.

Signature:  Chief Financial Officer

Date: 26/07/21

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

Opinion on financial statements

I have audited the financial statements of Mid and West Wales Fire and Rescue Authority for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Mid and West Wales Fire and Rescue Authority financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Expenditure and Funding Analysis, 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

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

Basis of opinion

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

Conclusions relating to going concern

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

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

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise

explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
- 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 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:

- adequate 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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the 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.

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

My procedures included the following:

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

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

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

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

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

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Mid and West 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.



Adrian Crompton
Auditor General for Wales
28 July 2021

24 Cathedral Road
Cardiff
CF11 9LJ

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

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (contributions from constituent authorities, 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.

The EFA is a note to the financial statements not a primary statement. However, it has been positioned with the primary statements to aid the readers understanding.

| 2019/20 | | | 2020/21 | | |
|--|--|---|--|--|---|
| Net Expenditure Chargeable to the General Fund Balance £000 | Adjustments between the Funding & Accounting Basis £000 | Net Expenditure in Comprehensive Income and Expenditure Statement £000 | Net Expenditure Chargeable to the General Fund Balance £000 | Adjustments between the Funding & Accounting Basis £000 | Net Expenditure in Comprehensive Income and Expenditure Statement £000 |
| 44,640 | 3,961 | 48,601 | 45,006 | 8,569 | 53,575 |
| (44,695) | 10,542 | (34,153) | (45,645) | 7,047 | (38,598) |
| (55) | 14,503 | 14,448 | (639) | 15,616 | 14,977 |
| | | | | | |
| General Fund Balance £000 | Earmarked General Fund Reserves £000 | Total General Fund Balance £000 | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Total General Fund Balance £000 |
| (880) | (7,725) | (8,605) | (1,131) | (7,529) | (8,660) |
| (55) | 0 | (55) | (639) | 0 | (639) |
| (196) | 196 | 0 | 437 | (437) | 0 |
| (1,131) | (7,529) | (8,660) | (1,333) | (7,966) | (9,299) |

Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

| 2019/20 | | | 2020/21 | | | |
|-------------|----------|--------|---|-------------|---------|----------|
| Expenditure | Income | Net | | Expenditure | Income | Net |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 54,787 | (6,186) | 48,601 | Provision of Fire Services | 59,026 | (5,451) | 53,575 |
| 54,787 | (6,186) | 48,601 | Cost of Services | 59,026 | (5,451) | 53,575 |
| | | 20 | Other Operating Income and Expenditure | | | (52) |
| | | 13,843 | Financing and Investment Income and Expenditure (Note 10) | | | 12,239 |
| | (48,016) | | Taxation and Non-Specific Grant Income (Note 11) | | | (50,785) |
| | | 14,448 | (Surplus) or Deficit on Provision of Services | | | 14,977 |
| | | 0 | (Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 18a) | | | (10,294) |
| | (43,112) | | Remeasurement of the net defined benefit liability / (asset) (Note 18c) | | | 30,935 |
| | (43,112) | | Other Comprehensive Income and Expenditure | | | 20,641 |
| | (28,664) | | Total Comprehensive Income and Expenditure | | | 35,618 |

Movement in Reserves Statement (MiRS)

| Movement in Reserve Statement 2020/21 | General Fund Balance | General Fund Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Fire Authority Reserves |
|--|----------------------|-----------------------|--------------------------|-----------------------|-------------------|-------------------------------|
| Balance 31 March 2020 | (1,131) | (7,529) | 0 | (8,660) | 475,463 | 466,803 |
| Movements: | | | | | | |
| (Surplus) / Deficit on provision of services | 14,977 | 0 | 0 | 14,977 | 0 | 14,977 |
| Other CIES | 0 | 0 | 0 | 0 | 20,641 | 20,641 |
| Total CIES | 14,977 | 0 | 0 | 14,977 | 20,641 | 35,618 |
| Adjustments accounting & funding (Note 8) | (15,616) | 0 | 0 | (15,616) | 15,616 | 0 |
| Net (Increase) / Decrease before transfer | (639) | 0 | 0 | (639) | 36,257 | 35,618 |
| Transfers To / (From) Reserves (Note 9) | 437 | (437) | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in 2020/21 | (202) | (437) | 0 | (639) | 36,257 | 35,618 |
| Balance 31 March 2021 | (1,333) | (7,966) | 0 | (9,299) | 511,720 | 502,421 |

| Movement in Reserves Statement 2019/20 | General Fund Balance | General Fund Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Fire Authority Reserves |
|--|----------------------|-----------------------|--------------------------|-----------------------|-------------------|-------------------------------|
| Balance 31 March 2019 | (880) | (7,725) | 0 | (8,605) | 504,072 | 495,467 |
| Movements: | | | | | | |
| (Surplus) / Deficit on provision of services | 14,448 | 0 | 0 | 14,448 | 0 | 14,448 |
| Other CIES | 0 | 0 | 0 | 0 | (43,112) | (43,112) |
| Total CIES | 14,448 | 0 | 0 | 14,448 | (43,112) | (28,664) |
| Adjustments accounting & funding (Note 8) | (14,503) | 0 | 0 | (14,503) | 14,503 | 0 |
| Net (Increase) / Decrease before transfer | (55) | 0 | 0 | (55) | (28,609) | (28,664) |
| Transfers To / (From) Reserves (Note 9) | (196) | 196 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in 2019/20 | (251) | 196 | 0 | (55) | (28,609) | (28,664) |
| Balance 31 March 2020 | (1,131) | (7,529) | 0 | (8,660) | 475,463 | 466,803 |

Balance Sheet

| 31 March 2020 £000 | Balance Sheet | 31 March 2021 £000 |
|--------------------------|--|--------------------------|
| 61,114 | Property, Plant & Equipment (Note 12) | 72,427 |
| 1,489 | Assets Under Construction (Note 12) | 3,121 |
| 493 | Intangible Assets (Note 13) | 450 |
| 18 | Long Term Debtors (Note 15) | 36 |
| 63,114 | Long Term Assets | 76,034 |
| 766 | Inventories | 911 |
| 7,430 | Short Term Debtors (Note 15) | 3,890 |
| 838 | Cash and Cash Equivalents (Note 16) | 678 |
| 9,034 | Current Assets | 5,479 |
| (1,326) | Short Term Borrowing (Note 14) | (261) |
| (4,695) | Short Term Creditors (Note 17) | (6,270) |
| (653) | Revenue Grants Receipts in Advance (Note 25) | (410) |
| (559) | Capital Grants Receipts in Advance (Note 25) | (420) |
| (527) | Other Short-Term Liabilities (Note 28) | (407) |
| (7,760) | Current Liabilities | (7,768) |
| (18,470) | Long Term Borrowing (Note 14) | (18,274) |
| (2,925) | Other Long-Term Liabilities (Note 28) | (2,518) |
| (509,796) | Liability related to defined benefit pension schemes (Note 30) | (555,374) |
| (531,191) | Long Term Liabilities | (576,166) |
| (466,803) | Net Liabilities | (502,421) |
| (8,660) | Usable Reserves (Note 9) | (9,299) |
| 475,463 | Unusable Reserves (Note 18) | 511,720 |
| 466,803 | Total Reserves | 502,421 |

Cash Flow Statement

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|---|-----------------|
| 14,448 | Net (surplus) or deficit on the provision of services | 14,977 |
| (13,366) | Adjustment to surplus or deficit on the provision of services for noncash movements | (24,857) |
| 214 | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 325 |
| 1,296 | Net cash (inflow) / outflow from operating activities | (9,555) |
| 4,958 | Net cash (inflow) / outflow from investing activities | 8,023 |
| (2,517) | Net cash (inflow) / outflow from financing activities | 1,692 |
| 3,737 | Net (increase) or decrease in cash and cash equivalents | 160 |
| 4,575 | Cash and cash equivalents at the beginning of the reporting period | 838 |
| 838 | Cash and cash equivalents at the end of the reporting period | 678 |

A detailed breakdown of the Cash Flow is provided in Notes 19 to 21.

Notes to the Core Financial Statements

Note 1 - Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end. 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. 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 mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies, 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 prior period.

5. Charges to Revenue for Non-current Assets

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 relevant 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 a levy 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 equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring. 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

Employees of the Authority are members of two separate pension schemes:

- the Local Government Pensions Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council
- the Firefighter Pension Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the Local Government Pension Scheme is funded through the ownership of assets, the Firefighter Pension Scheme is unfunded.

The Local Government Pension Scheme LGPS

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Dyfed Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Dyfed Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Dyfed Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The Firefighter Pension Scheme FFPS

The FFPS is accounted for as an unfunded defined benefits scheme, the scheme has no assets and no investment income:

- The liabilities of the Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (based on Government bond yields of appropriate duration plus an additional margin).

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period

to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS and FFPS.

7. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. 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.

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at 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 most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be

consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

10. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement over a range of 3 to 15 years.

11. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in, First Out (FIFO) costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

12. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly

- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Assets disposed of under finance leases shall be written out of the Balance Sheet and an amount recognised in the Balance Sheet as a receivable debtor that reflects the net investment in the lease as defined by the appropriate accounting standard.

The capital element of any rental due under a finance lease shall be accounted for as a capital receipt, the debtor and the equivalent liability being written down by that amount. The finance element shall be treated as revenue income.

14. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as 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 asset's 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 collective cost of a full asset refresh of personal protective equipment is at least £40,000
- the items form a group of assets which:
 - individually have a cost of at least £500 and collectively have a cost of at least £40,000
 - the assets are functionally interdependent
 - have broadly simultaneous purchase dates
 - are anticipated to have simultaneous disposal dates
 - are under single managerial control
- 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.
- the items form part of the initial equipping and setting-up cost of a new appliances or vehicle, irrespective of their individual or collective cost.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred while 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 and Expenditure 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 and 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:

- Infrastructure – depreciated historical cost
- Assets under construction – historical cost
- Authority offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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 that have short useful lives or low values (or both), 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be not insignificant, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets 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:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation as advised by a suitably qualified officer
- infrastructure – straight-line allocation (5-40 years)

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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 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 a disposal are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Receipts under £10,000 and miscellaneous receipts not related to disposal of assets cannot be treated as capital items and shall be credited to the CIES.

15. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

16. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. These reserves are explained in the relevant notes to the Balance Sheet.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority.

17. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Note 2 - Accounting Standards that have been issued but have not yet been adopted

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The changes that are introduced by the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- 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 a need to reduce levels of service provision.
- As required under the Authority's accounting policy for "Property, Plant and Equipment", a five-year revaluation of all property assets was undertaken as at 1st April 2020. The revaluation exercise was conducted by Carmarthenshire County Council Valuers. In accordance with the RICS Valuation Practice Alert – Coronavirus – 6 November 2020, and in particular reference to inspections, investigations and valuation information, it was agreed that the nominated Valuer would not be undertaking any inspections of the client's properties. The Valuer did not undertake any site inspections.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – Non-current Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of the asset is reduced depreciation increases and the carrying amount of the asset falls.
- Pensions liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local Government pension scheme, the expected returns on pension fund assets. Consulting Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. Please refer to Note 30 for Pension liability sensitivity analysis.

Note 5 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer as per date noted on page 10. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events after the balance sheet date.

Note 6 - Note to the Expenditure and Funding Analysis

| | 2020/21 | | | |
|---|---|--|------------------------------|------------------------------|
| | Net Capital Statutory Adjustments £000 | Net Pensions Statutory Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| Provision of Fire Services | 5,449 | 3,134 | (14) | 8,569 |
| Net Cost of Services | 5,449 | 3,134 | (14) | 8,569 |
| Other Income and Expenditure | (4,462) | 11,509 | 0 | 7,047 |
| Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement | 987 | 14,643 | (14) | 15,616 |

| | 2019/20 | | | |
|---|---|--|------------------------------|------------------------------|
| | Net Capital Statutory Adjustments £000 | Net Pensions Statutory Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| Provision of Fire Services | 3,852 | 0 | 109 | 3,961 |
| Net Cost of Services | 3,852 | 0 | 109 | 3,961 |
| Other Income and Expenditure | (2,701) | 13,243 | 0 | 10,542 |
| Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement | 1,151 | 13,243 | 109 | 14,503 |

Net Capital Statutory Adjustments – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year, to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Pensions Statutory Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 7 - Expenditure and Income Analysed by Nature

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| | Expenditure | |
| 43,265 | Employee Costs | 45,332 |
| 13,176 | Other Operating Costs | 11,728 |
| 7,669 | Support Services | 8,027 |
| 3,852 | Depreciation, Amortisation, Impairment & Revaluation | 5,449 |
| 711 | Interest Paid | 745 |
| 20 | Loss on disposal of assets | (52) |
| 68,693 | Total Expenditure | 71,229 |
| | Income | |
| (895) | Fees, Charges, & Other Service Income | (867) |
| 0 | Gains on disposal of Assets | 0 |
| (44) | Interest & Investment Income | (14) |
| (47,818) | Levies from Unitary Authorities | (50,550) |
| (5,488) | Government Grants, Contributions & Donations | (4,821) |
| (54,245) | Total Income | (56,252) |
| 14,448 | (Surplus) or Deficit on Provision of Services | 14,977 |

Revenue from Contracts with Service Recipients

The Authority has undertaken a review of its income streams that meet the requirements for IFRS 15 Revenue Contracts. Due to the value as at 31 March 2021 it was deemed immaterial to include in the accounts and Note 7 provides sufficient information.

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

- **General Fund Balance** - The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.
- **Capital Receipts Reserve** – holds the proceeds from the disposal of land and other non-current assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the the year end.

| 2019/20 | | | | Adjustments between Accounting Basis and Funding Basis under Regulations | 2020/21 | | | |
|---|------------------------|-----------------------|-------------------------|--|---|------------------------|-----------------------|-------------------------|
| General Fund & Earmarked Reserves £000s | Capital Receipts £000s | Usable Reserves £000s | Unusable Reserves £000s | | General Fund & Earmarked Reserves £000s | Capital Receipts £000s | Usable Reserves £000s | Unusable Reserves £000s |
| (2,859) | 0 | (2,859) | 2,859 | Depreciation | (3,506) | 0 | (3,506) | 3,506 |
| (573) | 0 | (573) | 573 | Impairment & Non- enhancing | (160) | 0 | (160) | 160 |
| 0 | 0 | 0 | 0 | Revaluation gains / (Losses) on Property | (1,704) | 0 | (1,704) | 1,704 |
| (75) | 0 | (75) | 75 | Intangible Amortisation | (79) | 0 | (79) | 79 |
| (345) | 0 | (345) | 345 | Intangible Assets Impairment | 0 | 0 | 0 | 0 |
| (20) | (16) | (36) | 36 | Disposal of non-current assets | 52 | (90) | (38) | 38 |
| 595 | 0 | 595 | (595) | Capital Expenditure Funded Earmarked Reserves CERA | 2,167 | 0 | 2,167 | (2,167) |
| 198 | 0 | 198 | (198) | Capital Expenditure Funded Grants | 235 | 0 | 235 | (235) |
| 0 | 16 | 16 | (16) | Capital Expenditure Funded Receipts | 0 | 90 | 90 | (90) |
| 1,928 | 0 | 1,928 | (1,928) | Financing Capital MRP | 2,008 | 0 | 2,008 | (2,008) |
| (1,151) | 0 | (1,151) | 1,151 | | (987) | 0 | (987) | 987 |
| (30,914) | 0 | (30,914) | 30,914 | Reversal of retirements benefits in CIES | (31,497) | 0 | (31,497) | 31,497 |
| 17,671 | 0 | 17,671 | (17,671) | Employer's Pension Contributions & payments to pensioners | 16,854 | 0 | 16,854 | (16,854) |
| (13,243) | 0 | (13,243) | 13,243 | | (14,643) | 0 | (14,643) | 14,643 |
| (109) | 0 | (109) | 109 | Movement in Accumulated Absence accrual | 14 | 0 | 14 | (14) |
| (14,503) | 0 | (14,503) | 14,503 | Adjustments between accounting basis & funding basis under regulation | (15,616) | 0 | (15,616) | 15,616 |

Note 9 – Usable Reserves

| | Balance at 1 April 2019 | Transfers In 2019/20 | Transfers Out 2019/20 | Appropri- ation to Capital | Balance at 31 March 2020 | Transfers In 2020/21 | Transfers Out 2020/21 | Appropri- ation to Capital | Balance at 31 March 2021 |
|---|-------------------------------|----------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------|-----------------------------|----------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund Balance | (880) | (251) | 0 | 0 | (1,131) | (202) | 0 | 0 | (1,333) |
| Earmarked Reserves: | | | | | | | | | |
| Invest to Save Fund | (351) | 0 | 74 | 0 | (277) | 0 | 0 | 0 | (277) |
| Minimum Revenue Provision | (648) | 0 | 0 | 0 | (648) | 0 | 0 | 648 | 0 |
| Capital Fund | (1,400) | (392) | 0 | 392 | (1,400) | (1,649) | 0 | 1,409 | (1,640) |
| Major Incidents | (400) | 0 | 0 | 0 | (400) | 0 | 0 | 0 | (400) |
| Fundraising & Miscellaneous Ring-Fenced | (305) | (93) | 112 | 26 | (260) | (84) | 64 | 0 | (280) |
| Levy Equalisation Reserve | (1,000) | 0 | 0 | 0 | (1,000) | 0 | 0 | 0 | (1,000) |
| Software & Communication | (1,121) | (100) | 0 | 177 | (1,044) | 0 | 0 | 110 | (934) |
| Risk Management | (500) | 0 | 0 | 0 | (500) | 0 | 0 | 0 | (500) |
| Managing Change - Employees & Pensions | (2,000) | 0 | 800 | 0 | (1,200) | 0 | 0 | 0 | (1,200) |
| Employee Safety | 0 | (800) | 0 | 0 | (800) | (735) | 0 | 0 | (1,535) |
| Service Reconfiguration | 0 | 0 | 0 | 0 | 0 | (200) | 0 | 0 | (200) |
| Earmarked Reserves | (7,725) | (1,385) | 986 | 595 | (7,529) | (2,668) | 64 | 2,167 | (7,966) |
| Capital Receipts | 0 | (15) | 0 | 15 | 0 | (90) | 0 | 90 | 0 |
| Total Usable Reserves | (8,605) | (1,651) | 986 | 610 | (8,660) | (2,960) | 64 | 2,257 | (9,299) |

An overview of the purpose of the Usable Reserves held by the Authority is detailed in the following table:

| Name | Purpose |
|---|--|
| General Fund Balance | Non-Earmarked Reserve maintained to cushion the impact of emergencies, to offset the impact of unforeseen events. |
| Levy Equalisation | To be used to "smooth" the changes in the levy charged each year to the constituent Unitary Authorities. |
| Invest to Save | Maintained to provide resources to allow the Authority to invest in the transformation of its services and to realise future cost reductions/efficiencies. |
| Capital Fund | Maintained to provide additional resources for the capital programme, providing flexibility to the financing of capital investment. |
| Major Incidents | Funding set aside for one-off incidents outside routine service delivery activity. Replenished through base budget in future years to maintain the level required to manage major incidents. |
| Fundraising & Miscellaneous Ring-fenced | Surpluses generated by various schemes e.g. car salary sacrifice scheme and money raising events to be used for specific purposes. |
| Software & Communication | Maintained to provide resources to fund one-off ICT infrastructure investment, and future emergency services network. |
| Risk Management | Maintained to meet the Authority's exposure to claims under its insurance arrangements; to provide flexibility to meet the volatility of the insurance market and to provide resources to take any measures to improve the Authority's risk exposure position. |
| Minimum Revenue Provision | Reserve set up as a consequence of prior year adjustment to MRP which will be used to support capital financing charges. |
| Employees & Pension | Maintained to meet one off costs associated with employees: e.g. pensions ombudsman, employment tribunals, redundancy. |
| Employee Safety | Created to meet demands for ensuring and improving Firefighter safety including both equipment and training requirements. |
| Service Reconfiguration | Created to support the Authority in addressing future pressures arising from regulatory and legislative requirements. |
| Capital Receipts | Holds the receipts from the sale of assets and are available to finance capital expenditure in future years. |

Note 10 - Financing and Investment Income and Expenditure

| 2019/20 | | 2020/21 |
|---------------|---|---------------|
| £000 | | £000 |
| 710 | Interest payable and similar charges | 745 |
| 13,243 | Net interest on the net defined benefit liability (asset) | 11,509 |
| (471) | Movement in Bad Debt Provision | (4) |
| 405 | Bad Debts Written Off | 3 |
| (44) | Interest receivable and similar income | (14) |
| 13,843 | Total | 12,239 |

Note 11 - Taxation and Non-Specific Grant Income

| 2019/20 | | 2020/21 |
|-----------------|-------------------------------------|-----------------|
| £000 | | £000 |
| (47,818) | Levies from constituent authorities | (50,550) |
| (198) | Capital grants and contributions | (235) |
| (48,016) | Total | (50,785) |

Note 12 - Property, Plant and Equipment

| Movements to 31 March 2021 | Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|----------------------------|--|-------------------------------|-----------------------------------|---|
| Cost or Valuation: Gross Book Value as at 31 March 2020 | 54,665 | 28,316 | 344 | 1,489 | 84,814 |
| Additions | 289 | 4,649 | 0 | 3,121 | 8,059 |
| Non-Enhancing Expenditure | (18) | 0 | 0 | 0 | (18) |
| Accumulated Depreciation & Impairment written off to Gross Book Value | (6,069) | 0 | 0 | 0 | (6,069) |
| Revaluation increases / (decreases) recognised in the revaluation reserve | 10,372 | 0 | 0 | 0 | 10,372 |
| Revaluation increases / (decreases) recognised in the surplus / deficit on provision of services | (1,704) | 0 | 0 | 0 | (1,704) |
| Derecognition – disposals | 0 | (1,124) | 0 | 0 | (1,124) |
| Reclassifications and transfer | 0 | 1,489 | 0 | (1,489) | 0 |
| Other movements in cost or valuation: | (5) | 0 | 0 | 0 | (5) |
| Cost or Valuation: Gross Book Value as at 31 March 2021 | 57,530 | 33,330 | 344 | 3,121 | 94,325 |
| Accumulated Depreciation and Impairment as at 31 March 2020 | (6,069) | (16,025) | (117) | 0 | (22,211) |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | (1,753) | (1,744) | (9) | 0 | (3,506) |
| Accumulated Depreciation & Impairment written off to Gross Book Value | 6,069 | 0 | 0 | 0 | 6,069 |
| Impairment losses / (reversals) recognised in the Revaluation reserve | (78) | 0 | 0 | 0 | (78) |
| Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services | (142) | 0 | 0 | 0 | (142) |
| Derecognition – disposals | 0 | 1,086 | 0 | 0 | 1,086 |
| Other movements in depreciation and impairment | 2 | 1 | 2 | 0 | 5 |
| Accumulated Depreciation and Impairment as at 31 March 2021 | (1,971) | (16,682) | (124) | 0 | (18,777) |
| Net Book Value at 31 March 2020 | 48,596 | 12,291 | 227 | 1,489 | 62,603 |
| Net Book Value at 31 March 2021 | 55,559 | 16,648 | 220 | 3,121 | 75,548 |

| Movements to 31 March 2020 | Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|------------------------------------|--|---------------------------------------|---|---|
| Cost or Valuation: Gross Book Value as at 31 March 2019 | 54,217 | 26,795 | 344 | 225 | 81,581 |
| Additions | 1,021 | 2,573 | 0 | 1,489 | 5,083 |
| Non-Enhancing Expenditure | (573) | 0 | 0 | 0 | (573) |
| Derecognition – disposals | 0 | (1,277) | 0 | 0 | (1,277) |
| Reclassifications and transfer | 0 | 225 | 0 | (225) | 0 |
| Cost or Valuation: Gross Book Value as at 31 March 2020 | 54,665 | 28,316 | 344 | 1,489 | 84,814 |
| Accumulated Depreciation and Impairment as at 31 March 2019 | (4,803) | (15,682) | (108) | 0 | (20,593) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (1,266) | (1,584) | (9) | 0 | (2,859) |
| Derecognition – disposals | 0 | 1,241 | 0 | 0 | 1,241 |
| Accumulated Depreciation and Impairment as at 31 March 2020 | (6,069) | (16,025) | (117) | 0 | (22,211) |
| Net Book Value at 31 March 2019 | 49,414 | 11,113 | 236 | 225 | 60,988 |
| Net Book Value at 31 March 2020 | 48,596 | 12,291 | 227 | 1,489 | 62,603 |

Capital Commitments

At 31 March 2021, the Authority had the following major commitments:

- £2.515m for frontline appliances
- £1.075m for building projects

Revaluations

The Authority revalues its Land and Buildings at least once every five years, the last valuation being carried out as at 1 April 2020.

The revaluation was carried out by a member of the Royal Institution of Chartered Surveyors employed by Carmarthenshire County Council. The revaluation was carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Non-operational Property, Plant and Equipment (Surplus Assets)

The Authority does not have surplus assets.

Impairments

An impairment review was conducted by a member of the Royal Institution of Chartered Surveyors employed by Carmarthenshire County Council and it was advised that there were no significant changes in build costs which would indicate a material change. It was also advised that where Existing Use valuations have been undertaken, there is no evidence available in the areas concerned since the valuation date to indicate a revaluation loss.

A separate impairment report was provided for Llandysul and Gorseinon Fire Stations due to flood and fire damage respectively.

In February 2021 Llandysul Fire Station was flooded and although the building was damaged the station remained operational. The valuer has valued the site in accordance with CIPFA's Code of Practice on Local Authority Accounting resulting in an impairment loss of £120k.

In February 2021 there was a fire at Gorseinon Fire Station and although the building was damaged the station remained operational. The valuer has valued the site in accordance with CIPFA's Code of Practice on Local Authority Accounting resulting in an impairment loss of £100k.

Note 13 - Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority is 10 years.

The movement on Intangible Asset balances during the year is as follows:

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|------------------------------------|-----------------|
| | Gross Book Value | |
| 1,135 | Opening Balance at 1 April | 786 |
| 38 | Additions | 36 |
| (387) | Impairment | 0 |
| 0 | Derecognition | 0 |
| 786 | Closing Balance at 31 March | 822 |
| | Accumulated Amortisation | |
| (260) | At 1 April | (293) |
| (75) | Amortisation | (79) |
| 42 | Impairment | 0 |
| 0 | Derecognition | 0 |
| (293) | Closing Balance at 31 March | (372) |
| | Net Book Value | |
| 875 | Opening Balance at 1 April | 493 |
| 493 | Closing Balance 31 March | 450 |

Note 14 - Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

| | Long-term 31 March 2020 £000 | Long-term 31 March 2021 £000 | Current 31 March 2020 £000 | Current 31 March 2021 £000 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Financial Assets at Amortised Cost: | | | | |
| Cash & Cash Equivalents | 0 | 0 | 838 | 678 |
| Total Debtors | 18 | 36 | 7,430 | 3,890 |
| Financial Liabilities at Amortised Cost: | | | | |
| Borrowing | (18,470) | (18,274) | (1,268) | (196) |
| Accrued Interest | 0 | 0 | (58) | (65) |
| Total Borrowing | (18,470) | (18,274) | (1,326) | (261) |
| Finance Lease liabilities | (2,925) | (2,518) | (527) | (407) |
| Creditors | 0 | 0 | (4,695) | (6,270) |

| Income, Expense, Gains and Losses | 2019/20 | | 2020/21 | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | Financial Liabilities | Financial Assets | Financial Liabilities | Financial Assets |
| | measured at amortised cost | measured at amortised cost | measured at amortised cost | measured at amortised cost |
| | £000 | £000 | £000 | £000 |
| Interest expense | 710 | 0 | 745 | 0 |
| Total expense in Surplus or Deficit on the Provision of Services | 710 | 0 | 745 | 0 |
| Interest income | 0 | (44) | 0 | (14) |
| Total income in Surplus or Deficit on the Provision of Services | 0 | (44) | 0 | (14) |
| Net (gain)/loss for the year | 710 | (44) | 745 | (14) |

Financial Instruments - Fair Value

Financial liabilities and financial 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 from the Public Works Loan Board (PWLB) and other loans payable, borrowing from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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.

The fair values calculated are as follows:

| | 31 March 2020 | | 31 March 2021 | |
|----------------------------|-----------------|---------------|-----------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Long Term Creditors – PWLB | 19,697 | 28,230 | 18,470 | 24,729 |
| Non-PWLB Debt | 41 | n/a | 0 | 0 |
| Total | 19,738 | 28,230 | 18,470 | 24,729 |

The fair value is greater than the carrying amount because early repayment of PWLB debt will incur an early repayment premium, the fair value takes account of the early repayment premium. Loans are at level 2 in the Fair Value Hierarchy, that is they are valued at prices that are observable either directly or indirectly.

Note 15 - Debtors

| 31 March 2020 £000 | Short Term Debtors | 31 March 2021 £000 |
|-----------------------|-----------------------------------|-----------------------|
| 6,344 | Central Government Bodies | 2,780 |
| 137 | Other Local Authorities | 330 |
| 38 | NHS Bodies | 112 |
| 442 | Other Entities and Individuals | 205 |
| 493 | Payments in Advance | 483 |
| (24) | Provision for Irrecoverable debts | (20) |
| 7,430 | Total Debtors | 3,890 |

| 31 March 2020 £000 | Long Term Debtors | 31 March 2021 £000 |
|-----------------------|--------------------------------|-----------------------|
| 0 | Other Local Authorities | 0 |
| 18 | Other Entities and Individuals | 36 |
| 18 | Total Debtors | 36 |

Note 16 - Cash and Cash Equivalents

| 31 March 2020 £000 | | 31 March 2021 £000 |
|-----------------------|--|-----------------------|
| 838 | Cash and Bank balances | 678 |
| 0 | Short-term Deposits | 0 |
| 838 | Total Cash and Cash Equivalents | 678 |

Note 17 – Creditors

| 31 March 2020 £000 | | 31 March 2021 £000 |
|-----------------------|--------------------------------|-----------------------|
| (692) | Central Government Bodies | (1,708) |
| (284) | Other Local Authorities | (569) |
| (3,709) | Other Entities and Individuals | (3,848) |
| (10) | Receipts in Advance | (145) |
| (4,695) | Total Creditors | (6,270) |

Note 18 - Unusable Reserves

| 31 March 2020 £000 | 31 March 2021 £000 |
|-------------------------------------|-----------------------|
| (14,397) Revaluation Reserve | (23,920) |
| (20,731) Capital Adjustment Account | (20,515) |
| 509,796 Pension Reserve | 555,374 |
| 795 Accumulated Absences Account | 781 |
| 475,463 Total | 511,720 |

Note 18a - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment and intangible assets.

The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2019/20 £000 | 2020/21 £000 |
|---|-----------------|
| (14,786) Balance 1 April | (14,397) |
| 0 Upward revaluation of assets | (13,102) |
| 0 Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services | 2,808 |
| 0 Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services | (10,294) |
| 389 Difference between fair value depreciation and historical cost depreciation | 771 |
| 0 Accumulated gains on assets sold or scrapped | 0 |
| 389 Amount written off to the Capital Adjustment Account | 771 |
| (14,397) Balance 31 March | (23,920) |

Note 18b - 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| (21,493) | Balance 1 April | (20,731) |
| 3,432 | Charges for depreciation and impairment of non-current assets | 3,666 |
| 420 | Amortisation & Impairment of intangible assets | 79 |
| 0 | Revaluations losses on property, plant & equipment | 1,704 |
| 36 | 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 | 38 |
| 3,888 | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | 5,487 |
| (389) | Adjusting Amounts written out of the Revaluation Reserve | (771) |
| 3,499 | Net written out amount of the cost of non-current assets consumed in the year | 4,716 |
| (16) | Use of Capital Receipts Reserve to finance new capital expenditure | (90) |
| (198) | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (235) |
| (1,928) | Statutory provision for the financing of capital investment charged against the General Fund | (2,008) |
| (595) | Capital Expenditure charged against the General Fund | (2,167) |
| (2,737) | Capital financing applied in year: | (4,500) |
| (20,731) | Balance 31 March | (20,515) |

Note 18c - Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different 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 as 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 benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any 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.

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 539,665 | Balance 1 April | 509,796 |
| (43,112) | Remeasurements of the net defined benefit (liability)/asset | 30,935 |
| 30,914 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 31,497 |
| (17,671) | Employer's pensions contributions and direct payments to pensioners payable in the year | (16,854) |
| 0 | Other movements | 0 |
| 509,796 | Balance 31 March | 555,374 |

Note 18d - 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.

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|---|-----------------|
| 686 | Balance 1 April | 795 |
| 109 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements | (14) |
| 795 | Balance 31 March | 781 |

Note 19 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|-------------------|-----------------|
| (44) | Interest received | (14) |
| 711 | Interest paid | 737 |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| (2,859) | Depreciation | (3,506) |
| (573) | Impairment | (160) |
| 0 | Downward valuations | (1,704) |
| (75) | Amortisation | (79) |
| (345) | Impairment of Intangibles | 0 |
| (150) | (Increase)/decrease in creditors | (1,332) |
| 3,790 | Increase/(decrease) in debtors | (3,540) |
| 125 | Increase/(decrease) in inventories | 145 |
| (13,243) | Movement in pension liability | (14,643) |
| (36) | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (38) |
| (13,366) | Total | (24,857) |

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 198 | Capital Grant / Contributions / Donations Applied | 235 |
| 16 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 90 |
| 214 | Total | 325 |

Note 20 - Cash Flow from Investing Activities

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 5,121 | Purchase of property, plant and equipment, investment property and intangible assets | 8,095 |
| (16) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (90) |
| (147) | Other receipts for investing activities | 18 |
| 4,958 | Net cash flows from investing activities | 8,023 |

Note 21 - Cash Flow from Financing Activities

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|---|-----------------|
| (4,000) | Cash receipts of short-term and long-term borrowing | 0 |
| (477) | Other receipts from financing activities | (96) |
| 638 | Cash payments for the reduction of outstanding liabilities relating to finance leases | 527 |
| 1,322 | Repayments of short-term and long-term borrowing | 1,261 |
| (2,517) | Net cash flows from financing activities | 1,692 |

Note 22 - Members' Allowances

The Authority paid the following amounts to elected members during the year:

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|----------------------------------|-----------------|
| 57 | Salaries | 64 |
| 8 | Expenses | 0 |
| 65 | Total Members' Allowances | 64 |

Note 23 - Officers' Remuneration

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

| | Note Ref | Year | Salary, Fees and Allowances | Other Payments | Expenses Allowances | Benefit in Kind * | Employers' Pension Contribution | Total |
|--|----------|---------|-----------------------------|----------------|---------------------|-------------------|---------------------------------|----------------|
| | | | £ | £ | £ | £ | £ | £ |
| Chief Fire Officer | | 2020/21 | 156,180 | 0 | 0 | 0 | 0 | 156,180 |
| | | 2019/20 | 153,107 | 0 | 81 | 0 | 0 | 153,188 |
| Temporary Deputy Chief Fire Officer 1 | 2 | 2020/21 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2019/20 | 599 | 0 | 0 | 0 | 0 | 599 |
| Deputy Chief Fire Officer 2 | | 2020/21 | 128,056 | 0 | 107 | 0 | 37,520 | 165,683 |
| | | 2019/20 | 125,463 | 0 | 349 | 0 | 36,761 | 162,573 |
| Assistant Chief Fire Officer | | 2020/21 | 108,557 | 0 | 63 | 0 | 29,636 | 138,256 |
| | | 2019/20 | 108,001 | 0 | 0 | 0 | 29,484 | 137,485 |
| Assistant Chief Officer (Director of Resources) | 1 | 2020/21 | 108,130 | 216 | 514 | 9,425 | 16,436 | 134,721 |
| | | 2019/20 | 105,980 | 216 | 1,590 | 12,799 | 14,943 | 135,528 |
| Clerk | | 2020/21 | 38,104 | 0 | 252 | 0 | 5,792 | 44,148 |
| | | 2019/20 | 37,084 | 0 | 697 | 0 | 5,229 | 43,010 |

* Benefit in Kind - from 1st April 2018 the P11d classification of Operational senior officers leased vehicles was amended and agreed with the HMRC. This has resulted in no requirement to produce P11d's for these officers, as they have no benefit in kind.

Notes

1. Unlike the other Senior Officers, the Assistant Chief Officer (Director of Resources) is required to purchase car fuel for business mileage and then claim back expenses. Also, tax on benefit in kind is calculated on a different basis to other Senior Officers, which results in much higher expenses and benefits in kind figures.
2. Temporary Deputy Chief Fire Officer 1 retired from the Service on 29th March 2019 on an annualised salary of £122,482. The payment made in 2019/20 relates to arrears of a pay award for 2018/19 received post year end and applied retrospectively.
3. The S151 Officer is appointed under a Service Level Agreement (SLA) with Carmarthenshire County Council. The SLA costs for 2020/21 were £36,682. (2019/20 £35,700).

Officers Remuneration

The Authority's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

| | Number of Employees | |
|--------------------|----------------------------|----------------|
| | 2019/20 | 2020/21 |
| £60,001 to £65,000 | 14 | 12 |
| £65,001 to £70,000 | 1 | 2 |
| £70,001 to £75,000 | 2 | 2 |
| £75,001 to £80,000 | 3 | 4 |
| Total | 20 | 20 |

In 2020/21 the ratio of the Chief Fire Officer to the median remuneration of all employees full time equivalent salary of £32,234 is 4.82:1 (in 2019/20 the median full time equivalent salary was £31,371 and the ratio was 4.86:1).

Exit Packages

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band (£) | |
|--|--|----------------|--|----------------|---|----------------|---|----------------|
| | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 |
| £0-£20,000 | 0 | 3 | 1 | 1 | 1 | 4 | 9,301 | 10,538 |
| £20,001 - £40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 to £200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total cost included in CIES | 0 | 3 | 1 | 1 | 1 | 4 | 9,301 | 10,538 |

Note 24 - External Audit Costs

The following fees are payable in relation to the audit of the Statement of Accounts, statutory inspections and other non-audit services provided by the Authority's external auditors:

| Actual Fee 2019/20 £000 | | Proposed Fee 2020/21 £000 |
|--|---|--|
| | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year for: | |
| 49 | Financial Audit Work | 50 |
| 15 | Performance Audit Work | 15 |
| 64 | Total | 65 |

Note 25 - Grant Income

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|---|-------------------------|
| (198) | Capital Grants, Contributions and Donations | (235) |
| (198) | Total | (235) |

Credited to Services

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|--------------------------------|-------------------------|
| | Welsh Government: | |
| (106) | Arson Reduction | (111) |
| (273) | Home Safety Equipment | (267) |
| (117) | Other Community Safety | (103) |
| (522) | New Dimensions, USAR and MTFA | (480) |
| (592) | Airwave (Firelink) | (592) |
| (243) | Joint Emergency Services Group | (245) |
| (683) | GovTech | (477) |
| (1,775) | SCAPE Pension Funding | (1,908) |
| 0 | Covid-19 Hardship Fund | (248) |
| (87) | Other * | (153) |
| (4,398) | Total | (4,584) |

* Other Grants (external funding) comprise funding for small, non-recurring projects.

In 2020/21 Mid and West Wales Fire and Rescue Authority co-ordinated the Home Safety grant of £670k and Arson Reduction grant of £390k on behalf of Welsh Government who therefore allocated £1.060m (£1.272m in 2019/20) to the three Fire Services in Wales.

The Authority acts as an agent on behalf of Welsh Government in administering these two grant schemes for all of the Fire Services in Wales. The approved grants are paid to Mid and West Wales Fire and Rescue Service, who are then responsible for distributing the grants to the other two Welsh Fire Services. The grant values paid out to the other two Welsh Fire Services for the two schemes are as follows:

Grants Administered on behalf of other Fire and Rescue Services

| 2019/20 | | 2020/21 |
|--------------|-----------------------|--------------|
| £000 | | £000 |
| | Welsh Government: | |
| (241) | Arson Reduction | (279) |
| (652) | Home Safety Equipment | (403) |
| (893) | Total | (682) |

The Authority has received the following capital grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not satisfied. The balances at the year-end are as follows:

Current Liabilities - Capital Grants Receipts in Advance

| 2019/20 | | 2020/21 |
|--------------|--|--------------|
| £000 | | £000 |
| (279) | New Dimensions, USAR and MTFA (Welsh Government) | (140) |
| (280) | Storm Callum (Welsh Government) | (280) |
| (559) | Total | (420) |

The Authority has received the following revenue grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not satisfied. The balances at the year-end are as follows:

Current Liabilities – Revenue Grants Receipts in Advance

| 2019/20 | | 2020/21 |
|--------------|---|--------------|
| £000 | | £000 |
| (566) | GovTech (Welsh Government) | (89) |
| (57) | Storm Callum (Welsh Government) | 0 |
| (30) | Y Lab (Nesta) | 0 |
| 0 | National Resilience (Welsh Government) | (15) |
| 0 | Apprentice Laptops (Gower College) | (11) |
| 0 | Covid-19 Hardship Fund (Welsh Government) | (295) |
| (653) | Total | (410) |

Note 26 - 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 operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Welsh Government (WG)

Welsh Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates and provides some funding in the form of grants. The grants received from government departments are set out in note 25.

Members

Members of the Fire and Rescue Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 22.

The Authority has arrangements in place requesting Members and Officers to identify and disclose related party transactions.

Officers

No Officer declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

Other Public Bodies

The Authority receives the majority of its revenue funding by charging a levy, based on population, to the six Unitary County Authorities in its area. Details of the amounts received by way of levy are shown within the narrative of the Statement of Accounts.

The Authority has a Service Level Agreement (SLA) with Carmarthenshire County Council for Financial Services including Section 151 Officer services. The Section 151 Officer responsibility is provided by the current Director of Resources for Carmarthenshire County Council.

The Authority is the Administering Authority for the Firefighters' Pension Fund. Details of the Firefighters' Pension Fund are shown in note 30 and the Firefighters' Pension Fund Accounts which are on pages 59 to 67 and 71 to 73.

The following tables details transactions and balances with Related Parties as at 31 March 2021:

| Related Party | In Year Transactions | | Balance 31 March 2021 | |
|--|----------------------|---------------------|--|--|
| | Income £000 | Expenditure £000 | Owed to Authority (Debtor) £000 | Owed by Authority (Creditor) £000 |
| | | | £000 | £000 |
| Welsh Government | (11,567) | 0 | 1,044 | (1,211) |
| Carmarthenshire County Council | (10,400) | 603 | 0 | (177) |
| Ceredigion County Council | (4,277) | 79 | 0 | 0 |
| Neath Port Talbot County Borough Council | (7,890) | 128 | 0 | 0 |
| Pembrokeshire County Council | (6,919) | 133 | 0 | 0 |
| Powys County Council | (7,324) | 263 | 0 | 0 |
| City and County of Swansea Council | (13,749) | 164 | 9 | (5) |
| | (62,126) | 1,370 | 1,053 | (1,393) |

Joint Operations

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

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

In accordance with accounting policy 12, the main financial statements of the Authority have been consolidated with the relevant entries. 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 | Joint Operation Total £000 | 2019/20 MAWWFRS Share £000 | Joint Operation Total £000 | 2020/21 MAWWFRS Share £000 |
|-----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Revenue | | | | |
| Staff Expenditure | 2,717 | 1,087 | 2,686 | 1,074 |
| Non-Staff Expenditure | 124 | 62 | 167 | 84 |
| Total Expenditure | 2,841 | 1,149 | 2,853 | 1,158 |
| Intangible Asset | | | | |
| Command & Control System | | | | |
| Gross Book Value | 680 | 340 | 680 | 340 |
| Accumulated Amortisation | (176) | (88) | (248) | (124) |
| Net Book Value | 504 | 252 | 432 | 216 |

Note 27 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 25,579 | Opening Capital Financing Requirement | 27,963 |
| | Capital Investment: | |
| 5,083 | Property Plant and Equipment | 8,059 |
| 38 | Intangible Assets | 36 |
| 5,121 | Total Capital Spending | 8,095 |
| | Sources of Finance: | |
| (16) | Capital receipts | (90) |
| (198) | Government Grants and other contributions/ donations | (235) |
| | Sums set aside from revenue: | |
| (595) | Direct Revenue Contributions | (2,167) |
| | Minimum revenue provision: | |
| (220) | Option 1 – expenditure pre 31 March 2009 | (211) |
| (1,070) | Option 3 – expenditure post 1 April 2009 | (1,270) |
| (638) | Finance Leases | (527) |
| (2,737) | Total Sources of Finance | (4,500) |
| 27,963 | Closing Capital Financing Requirement | 31,558 |

Explanation of movements in year

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 2,384 | Increase in underlying need to borrow (unsupported by government financial assistance) | 3,595 |
| 2,384 | Increase / (decrease) in Capital Financing Requirement | 3,595 |

Note 28 – Leases

Authority as a Lessor – Finance Leases

Finance lease debtors are not material as consideration payments were made at inception of the leases and applied to writing down the lease liability, no liability is outstanding.

Authority as a Lessee – Finance Leases

The Authority has acquired a number of vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| 31 March 2020 £000 | | 31 March 2021 £000 |
|--------------------------|---|--------------------------|
| 0 | Other Land and Buildings | 0 |
| 3,037 | Vehicles, Plant, Furniture, Equipment and Other | 2,544 |
| 3,037 | Total | 2,544 |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts

| 31 March 2020 £000 | Finance lease liabilities (net present value of minimum lease payments): | 31 March 2021 £000 |
|--------------------------|--|--------------------------|
| 527 | - Current | 407 |
| 2,925 | - Non-current | 2,518 |
| 480 | Finance costs payable in future years | 371 |
| 3,932 | Minimum lease payments | 3,296 |

The minimum lease payments will be payable over the following periods:

| Minimum Lease Payments | | | Finance Lease Liabilities | |
|---------------------------|---------------------------|---|---------------------------|---------------------------|
| 31 March 2020 £'000 | 31 March 2021 £'000 | | 31 March 2020 £'000 | 31 March 2021 £'000 |
| 636 | 499 | Not later than one year | 527 | 407 |
| 1,724 | 1,588 | Later than one year and not later than five years | 1,440 | 1,357 |
| 1,572 | 1,209 | Later than five years | 1,485 | 1,161 |
| 3,932 | 3,296 | Total | 3,452 | 2,925 |

Authority as Lessee - Operating Leases

The Authority has acquired a number of light vehicles by entering into operating leases, with typical lives of 5 to 7 years.

The future minimum lease payments due under non-cancellable operating leases in future years are:

| 31 March 2020 £000 | | 31 March 2021 £000 |
|-----------------------------------|---|-----------------------------------|
| 63 | Not later than one year | 101 |
| 72 | Later than one year and not later than five years | 239 |
| 0 | Later than five years | 0 |
| 135 | Total | 340 |

Note 29 - Termination Benefits

The Authority terminated the contract of four employees in 2020/21 incurring liabilities of £11k (£9k in 2019/20), see note 23 for the number of exit packages and total cost per band. This included one firefighter who was paid pay in lieu of notice and three support staff who were made redundant.

Note 30 - Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that the employees earn their future entitlement.

The Local Government Pension Scheme (LGPS) is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Dyfed Pension Fund, Carmarthenshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee of Carmarthenshire County Council. The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the amounts required by statute as described in the accounting policies note. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against levy is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the

General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Firefighters Pension Scheme (FPS) is an unfunded defined benefit scheme meaning that no investments are held to fund the liabilities. Contributions, at a rate set by the Welsh Government, made by the employer and employees are held in a pension fund account, benefits paid are charged to the account with any balance on the account being received from, or paid to, the Welsh Government.

Guaranteed Minimum Pension (GMP) equalisation and indexation - The Government has recently published a further consultation (7 October 2020) on indexation and equalisation of Guaranteed Minimum Pension (GMP), with the proposal being to extend the 'interim solution' to those members who reach State Pension Age after 5 April 2021. A past service cost was included in for 2019/20 for extending the equalisation to all future retirees.

There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETV's) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. For public service pension schemes, GAD expect that this ruling will be taken forward on a cross scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV was equalised. The scope of any costs are yet to be determined and GAD does not have data on historic CETV's to estimate the potential impact, but they expect it will be a relatively small uplift for a relatively small subset of members (i.e. those who took a CETV and are in scope for a top up).

Survivor benefit legal challenges – In 2020 a legal challenge was brought against the Teachers Pension Scheme regarding the provision of survivor benefits to a male spouse of a female member. In that scheme, dependant benefits for a male spouse of a female member are based on service from 1988 and do not include service before 1988.

Welsh Government have advised GAD that due to the historic equal benefit structure in the 1992 Firefighters Pension scheme they do not believe there is a similar situation in the Fire Pension Scheme in Wales and therefore there is no requirement to allow for this legal challenge in our 2020/21 accounting disclosures.

An additional legal challenge has been brought against the Police Pension Scheme (Northern Ireland) in regard to historic provision of survivors benefits for unmarried partners. This is an ongoing claim but the ruling in the case could have a read across to all public sector schemes. At this stage GAD have made no allowance for this case in the 2020/21 disclosures.

COVID-19 implications – The current population mortality projections make no specific allowance for the impact of COVID19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on

mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. GAD's view is that it is too early to determine whether COVID19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

| 2019/20 | | General Fund Transactions | | 2020/21 | |
|---|--|--|--|--------------|--|
| LGPS £000 | Firefighter Pension Scheme £000 | Comprehensive Income and Expenditure Statement - Cost of Services | | LGPS £000 | Firefighter Pension Scheme £000 |
| | | Service cost comprising: | | | |
| 2,137 | 16,760 | Current service cost | | 2,172 | 16,540 |
| 239 | (1,780) | Past service cost | | 0 | 0 |
| 0 | 290 | Transfers In | | 0 | 1,250 |
| 0 | 0 | (Gain) / loss from curtailments | | 0 | 0 |
| 0 | 0 | (Gain) / loss from settlements | | 0 | 0 |
| 25 | 0 | Administration expenses | | 26 | 0 |
| | | Financing and Investment Income and Expenditure: | | | |
| 373 | 12,870 | Net interest expense | | 509 | 11,000 |
| 2,774 | 28,140 | Total charged to (Surplus) and Deficit on Provision of Services | | 2,707 | 28,790 |
| Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement | | | | | |
| | | <i>Re-measurement of the net defined benefit liability comprising:</i> | | | |
| 5,372 | 0 | Return on plan assets (excluding the amount included in the net interest expense) | | (11,102) | 0 |
| 1,048 | (10,070) | Actuarial (gains) and losses – experience | | (1,280) | (22,170) |
| (1,812) | (16,150) | Actuarial (gains) and losses arising on changes in demographic assumptions | | 0 | 0 |
| 0 | (21,500) | Actuarial (gains) and losses arising on changes in financial assumptions | | 13,497 | 51,990 |
| 0 | 0 | Other movements in the liability / (asset) | | 0 | 0 |
| 4,608 | (47,720) | Total charged to Other Comprehensive Income and Expenditure Statement | | 1,115 | 29,820 |
| 7,382 | (19,580) | Total charged to the Comprehensive Income and Expenditure Statement | | 3,822 | 58,610 |
| Movement in Reserves Statement | | | | | |
| (2,774) | (28,140) | Reversal of net charges made to the Surplus or (Deficit) on the Provision of Services | | (2,707) | (28,790) |
| Actual amount charged against the general fund balance for pensions in the year: | | | | | |
| 1,001 | | Employers' contributions payable to scheme | | 1,084 | |
| | 16,670 | Retirement Benefits payable to pensioners | | | 15,770 |

| 2019/20 | | | 2020/21 | | |
|-----------------|----------------------------|--|-----------------|----------------------------|--|
| LGPS | Firefighter Pension Scheme | Pensions Assets and Liabilities Recognised in the Balance Sheet | LGPS | Firefighter Pension Scheme | |
| £000 | £000 | | £000 | £000 | |
| (67,328) | (488,037) | Present value of the defined obligation | (82,483) | (530,877) | |
| 45,569 | 0 | Fair value of plan assets | 57,986 | 0 | |
| (21,759) | (488,037) | Net (liability) / asset arising from the defined benefit obligation | (24,497) | (530,877) | |

| 2019/20 | | | 2020/21 | | |
|---------------|----------------------------|--|---------------|----------------------------|--|
| LGPS | Firefighter Pension Scheme | Movement in the Value of Scheme Assets | LGPS | Firefighter Pension Scheme | |
| £000 | £000 | | £000 | £000 | |
| 49,672 | 0 | Opening fair value of scheme assets | 45,569 | 0 | |
| 1,242 | 0 | Interest income | 1,097 | 0 | |
| | | Remeasurement gain / (loss): | | | |
| (5,372) | 0 | - The return on plan assets, excluding the amount included in the net interest expense | 11,102 | 0 | |
| 1,001 | 16,670 | Contributions from employer | 1,084 | 15,770 | |
| 414 | 0 | Contributions from employees into the Scheme | 438 | 0 | |
| (1,363) | (16,670) | Benefits / transfers paid | (1,278) | (15,770) | |
| (25) | 0 | Administration expenses | (26) | 0 | |
| 45,569 | 0 | Closing value of scheme assets | 57,986 | 0 | |

| 2019/20 | | Movements in the Fair Value of Scheme Liabilities | 2020/21 | |
|---------------------------------|----------------------------------|---|----------|----------------------------------|
| LGPS | Firefighter Pension Scheme | | LGPS | Firefighter Pension Scheme |
| £000 | £000 | | £000 | £000 |
| | | | | |
| (65,050) | (524,287) | Opening balance at 1 April | (67,328) | (488,037) |
| (2,137) | (16,760) | Current service cost | (2,172) | (16,540) |
| 0 | (290) | Transfers In | 0 | (1,250) |
| (1,615) | (12,870) | Interest cost | (1,606) | (11,000) |
| (414) | 0 | Contributions from scheme participants | (438) | 0 |
| Remeasurement gains and losses: | | | | |
| 1,812 | 10,070 | - Actuarial gains / (losses) - experience | 0 | 22,170 |
| (1,048) | 16,150 | - Actuarial gains / (losses) from changes in demographic assumptions | 1,280 | 0 |
| 0 | 21,500 | - Actuarial gains / (losses) from changes in financial assumptions | (13,497) | (51,990) |
| 0 | 0 | - Other | 0 | 0 |
| (239) | 1,780 | Past service cost | 0 | 0 |
| 0 | 0 | Gains / (losses) on curtailments | 0 | 0 |
| 0 | 0 | Other Movement | 0 | 0 |
| 1,363 | 16,670 | Benefits / transfers paid | 1,278 | 15,770 |
| (67,328) | (488,037) | Balance as at 31 March | (82,483) | (530,877) |

LGPS - Pension Scheme - Assets comprised of:

| 2019/20 | | | Fair value of scheme assets | 2020/21 | | |
|----------------|------------------|---------------|------------------------------------|----------------|------------------|---------------|
| Quoted £000 | Unquoted £000 | Total £000 | | Quoted £000 | Unquoted £000 | Total £000 |
| | | | Cash and cash equivalents: | | | |
| 228 | 0 | 228 | Cash accounts | 678 | 0 | 678 |
| 228 | 0 | 228 | Subtotal Cash and cash equivalents | 678 | 0 | 678 |
| | | | Equities: | | | |
| 10,627 | 0 | 10,627 | UK Quoted | 12,346 | 0 | 12,346 |
| 0 | 0 | 0 | Global Quoted * | 15,076 | 0 | 15,076 |
| 0 | 10,832 | 10,832 | Overseas Pooled-unquoted | 0 | 0 | 0 |
| 5,117 | 0 | 5,117 | US | 6,286 | 0 | 6,286 |
| 205 | 0 | 205 | Canada | 255 | 0 | 255 |
| 1,527 | 0 | 1,527 | Japan | 1,954 | 0 | 1,954 |
| 0 | 469 | 469 | Pacific | 0 | 597 | 597 |
| 0 | 3,345 | 3,345 | Emerging markets | 0 | 4,952 | 4,952 |
| 1,239 | 0 | 1,239 | European ex UK | 1,490 | 0 | 1,490 |
| 18,715 | 14,646 | 33,361 | Subtotal Equities | 37,407 | 5,549 | 42,956 |
| | | | Bonds: | | | |
| 1,795 | 0 | 1,795 | UK Government indexed | 1,508 | 0 | 1,508 |
| 0 | 4,598 | 4,598 | UK Corporate | 0 | 0 | 0 |
| 0 | 0 | 0 | Other Class 1 * | 5,219 | 0 | 5,219 |
| 1,795 | 4,598 | 6,393 | Subtotal Bonds | 6,727 | 0 | 6,727 |
| | | | Property: | | | |
| 0 | 5,587 | 5,587 | Property Funds | 0 | 6,407 | 6,407 |
| 0 | 5,587 | 5,587 | Subtotal Property | 0 | 6,407 | 6,407 |
| | | | Alternatives: | | | |
| 0 | 0 | 0 | Class 1 * | 1,218 | 0 | 1,218 |
| 0 | 0 | 0 | Subtotal Alternatives | 1,218 | 0 | 1,218 |
| 20,738 | 24,831 | 45,569 | Total Assets | 46,030 | 11,956 | 57,986 |

* New category for 2020/21

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Mercer's an independent firm of actuaries and the Firefighters Pension Scheme has been valued by the Government Actuary's Department (GAD). Estimates for the Dyfed Pension Fund (the LGPS) are based on the latest full valuation of the scheme as at 1 April 2019.

The significant assumptions used by the actuary have been:

| 2019/20 | LGPS | 2020/21 |
|---|---|---------|
| Mortality assumptions | | |
| <i>Longevity at retirement for current pensioners</i> | | |
| 23.0 | Men | 23.1 |
| 24.9 | Women | 25.0 |
| <i>Longevity at retirement for future pensioners</i> | | |
| 24.5 | Men | 24.7 |
| 27.1 | Women | 27.2 |
| <i>Other assumptions</i> | | |
| 2.1% | Rate of inflation | 2.7% |
| 3.6% | Rate of increase in salaries | 4.2% |
| 2.2% | Rate of increase in pensions | 2.8% |
| 2.4% | Rate for discounting scheme liabilities | 2.1% |
| 2.1% | CARE revaluation rate | 2.7% |
| 2019/20 | Firefighter Pension Scheme | 2020/21 |
| Mortality assumptions | | |
| <i>Longevity at retirement for current pensioners</i> | | |
| 21.3 | Men | 21.4 |
| 21.3 | Women | 21.4 |
| <i>Longevity at retirement for future pensioners</i> | | |
| 23.0 | Men | 23.1 |
| 23.0 | Women | 23.1 |
| <i>Other assumptions</i> | | |
| 2.00% | Rate of inflation | 2.40% |
| 4.00% | Rate of increase in salaries | 4.15% |
| 2.00% | Rate of increase in pensions | 2.40% |
| 2.25% | Rate for discounting scheme liabilities | 2.00% |
| 4.00% | CARE revaluation rate | 4.15% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The estimated weighted duration of the defined benefit obligation is 20 years for the Firefighter Scheme and 20 years for the Local Government Pension Scheme.

Alternative forms of remedy may have different levels of sensitivity to these assumptions, therefore the sensitivity analyses below have been determined based on reasonably possible

changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact of assumptions on the obligation – LGPS

| | As Reported | Discount Rate | Inflation | Pay Growth | Life Expectancy | +/-1% change in 2020/21 investment returns | |
|---|-------------|---------------|---------------|---------------|-----------------|--|----------|
| | | 0.1% Increase | 0.1% Increase | 0.1% Increase | 1 Year Increase | +1% | -1% |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Liabilities | (82,483) | (80,888) | (84,109) | (82,755) | (84,945) | (82,483) | (82,483) |
| Assets | 57,986 | 57,986 | 57,986 | 57,986 | 57,986 | 58,567 | 57,405 |
| (Deficit) / Surplus | (24,497) | (22,902) | (26,123) | (24,769) | (26,959) | (23,916) | (25,078) |
| Projected Service Cost for Next Year | 2,794 | 2,717 | 2,874 | 2,794 | 2,884 | 2,794 | 2,794 |
| Projected Net Interest Cost for Next Year | 504 | 492 | 538 | 510 | 556 | 491 | 516 |

| | As Reported | Discount Rate on Liabilities | Increase in Salaries | Life Expectancy | Increase in Pensions |
|------|-------------|------------------------------|----------------------|-----------------|----------------------|
| | £000 | 0.5% Increase | 0.5% Increase | 1-year Increase | 0.5% Increase |
| | £000 | £000 | £000 | £000 | £000 |
| FFPS | (530,877) | (480,877) | (541,877) | (549,877) | (573,877) |

Impact on the Authority's Cash Flows

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the levy is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The table above shows the amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans.

'McCloud / Sargeant' case

On 18 December 2018, the Court of Appeal handed down its judgement, upholding the view that the transitional protections introduced with the new Firefighters Pension 2015 were unlawfully discriminatory on the grounds of age. The judgement remitted the case to the Employment Tribunal to consider remedy for the outcome. However, prior to this step being taken, the Government submitted an application to the Supreme Court seeking permission to appeal the Court of Appeal's decision. This was denied on the 27 June 2019.

On 15 July 2019 the Government released a written statement accepting the Court's decision in the Firefighters Transitional Protection Challenge. The Employment Tribunal subsequently made an interim Order on 18 December 2019 which relate to claimants only. The Order treats claimants as satisfying the age criteria regardless of their actual age provided that they were in the scheme as at 31 March 2012 and 31 March 2015.

The Order does not specify the treatment of non-claimants at this time. However, Government have confirmed their intent that the same treatment will apply to all members of the public service pension schemes, including Firefighters' scheme (whether claimants or not) who are in the same legal and factual position as the claimants.

In July 2020 HM Treasury consulted on changes to the transitional arrangements to the 2015 schemes as a result of this judgment and, at the same time, an update on the Cost Control Element of the 2016 valuations was published. In this update, the Government announced that the pause should be lifted and the cost control element of the 2016 valuations could be completed. This update also set out that the McCloud costs would fall into the 'member cost' category of the cost control element of the valuations process. It is also noted that by taking into account the increased value as a result of the McCloud remedy, scheme cost control valuation outcomes will show greater costs than otherwise would have been expected.

HM Treasury will set out in the Directions how these costs should be taken into account. GAD will then be able to complete the 2016 valuation calculations and will liaise with scheme managers and Scheme Advisory Boards to agree the underlying valuation assumptions and corresponding results. This will confirm whether there is a breach of the cost control element of the 2016 valuation for each of the public service pension schemes and GAD expects that these results will be available by Summer 2021.

If a breach is confirmed, scheme benefits may be amended to rectify the breach, which would impact on the benefits to be valued for the 2020/21 Resource Accounts. If there is no breach, there would be no change to scheme benefits.

At present, the Service is unable to implement the remedy due to the unavailability of the necessary technical guidance and appropriate software systems to complete the calculations.

The Service is actively seeking solutions to this matter and engages with Officers from other Fire and Rescue Services in Wales and Scheme Advisory Board Wales Members to try and obtain the technical advice required to feed into the drafting of the Regulations as well as to identify and evaluate the potential implications and practicalities of implementing scheme regulations.

The Service continues to work through the member records for those scheme members affected by the judgement to ensure the Service is prepared to implement the judgement once all of the necessary information and guidance is made available.

Note 31 - Nature & 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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles to overall risk management, as well as written guidance covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, the value of credit exposure to the Authority's customers is low and considered not to pose a risk.

This risk is minimised through the Annual Investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The amounts invested are restricted to prudent and affordable amounts as set out in the approved strategy.

The current strategy is to invest internally as far as possible, thus reducing the need to borrow and reducing the cash surplus available for investment and the period those surpluses are available.

The Authority's maximum exposure to credit risk is in relation to its investments with its bank. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

Liquidity Risk

The Authority monitors its cash balance to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the UK Debt Management Office. 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 borrowings at a time of unfavourable interest rates. The strategy is to ensure that loans mature within the approved limits shown in the table below through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

| | Approved minimum limits | Approved maximum limits | Actual 31 March 2021 £000 | % 31 March 2021 |
|------------------------|--|--|--|--------------------------------|
| Less than 1 year | 0% | 30% | 196 | 1% |
| Between 1 and 2 years | 0% | 30% | 153 | 1% |
| Between 2 and 5 years | 0% | 50% | 2,656 | 14% |
| Between 5 and 10 years | 0% | 75% | 3,000 | 16% |
| More than 10 years | 25% | 90% | 12,465 | 68% |
| Total | | | 18,470 | 100% |

| | Approved minimum limits | Approved maximum limits | Actual 31 March 2020 £000 | % 31 March 2020 |
|------------------------|--|--|--|--------------------------------|
| Less than 1 year | 0% | 30% | 1,268 | 7% |
| Between 1 and 2 years | 0% | 30% | 196 | 1% |
| Between 2 and 5 years | 0% | 50% | 2,809 | 14% |
| Between 5 and 10 years | 0% | 75% | 3,000 | 15% |
| More than 10 years | 25% | 90% | 12,465 | 63% |
| Total | | | 19,738 | 100% |

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, 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 receivable on variable rate investments will be posted to the surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Price Risk

The Authority does not invest in equity shares and has no exposure to price risk.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 32 - Contingent Liability

'O'Brien' case

Following the introduction of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, a claim was made by a number of retained firefighters that they should receive equal treatment with full-time regular firefighters and therefore be able to access pension benefits under the Firefighter Pension Scheme 1992. The claim proceeded through the Employment Tribunal and Court of Appeal before judgement was given in the House of Lords on 01 March 2006 in favour of the retained firefighters.

The House of Lords judgement allowed those who were serving during the period 01 July 2000 to the date on which they elected to join the New Firefighters Pension Scheme 2007 to have special provisions which generally reflect the rules of the Firefighters Pension Scheme 1992. The options exercise commenced on 01 February 2015 and an election to join the Modified Pension Scheme had to be made by no later than 29 February 2016.

Following the European Court of Justice's decision in O'Brien v Ministry of Justice, which is a case concerning fee paid Judges in the Judicial Pension Scheme, the UK Government have recognised the right for retained firefighters employed before 01 July 2000 to elect to become a special member from the start of their employment. This will necessitate a second options exercise, for which legal discussions have commenced between central government, the Local Government Association on behalf of Fire and Rescue Authority's and Trade Union legal representatives to consider who is in scope and the details of the settlement exercise. At this stage the value and timing of any outflow is unknown.

Urban Search and Rescue (USAR) Allowances (Booth & Others v MAWWFRA)

The outcome of the High Court Judgement on 29 March 2019 concerning the treatment of pensionable pay ruled that Urban Search and Rescue remains not pensionable under the Firefighter Pension Scheme(s).

However, following the outcome of this, an enquiry was submitted to the Service to seek further legal advice on this matter stating that the Service has an obligation to provide members of the USAR team with access to a Workplace Pension in respect of this allowance under the provisions that it is a secondary contract.

At present, discussions are ongoing with the Service's Employment Law specialists regarding this matter to look at what options are available to proceed with it moving forward. At this stage the value and timing of any outflow is unknown.

Firefighters Pension Fund Accounts

Firefighters Pension Fund Account for the year ended 31st March 2021

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| | Contributions Receivable: | |
| | Employer: | |
| (5,513) | - Normal | (5,626) |
| (420) | - Early retirements (ill health) | (499) |
| (2,754) | - Members | (2,717) |
| <u>(8,687)</u> | | <u>(8,842)</u> |
| (294) | Individual Transfers in from other schemes | (1,248) |
| (8,981) | | (10,090) |
| | Benefits Payable: | |
| 12,144 | - Pension | 12,664 |
| 3,878 | - Commutations and lump-sum retirement benefits | 2,104 |
| 232 | - Lump sum death | 30 |
| <u>16,254</u> | | <u>14,798</u> |
| | Payments to and on account of leavers: | |
| 411 | - Individual transfers out to other schemes | 939 |
| 16,665 | | 15,737 |
| 7,684 | Deficit for year before grants receivables from the Welsh Government | 5,647 |
| (7,684) | Top up grant Receivable from the Welsh Government | (5,647) |
| <u>0</u> | Net amount payable / receivable for the year | <u>0</u> |

NET ASSETS STATEMENT AS AT 31ST MARCH 2021

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|------------------------------------|-----------------|
| | <u>Current Assets:</u> | |
| 0 | Amount owed by General Fund | 1,211 |
| 2,967 | Amount owed by Welsh Government | 0 |
| 2,967 | Total Current Assets | 1,211 |
| | <u>Current Liabilities:</u> | |
| (2,967) | Amount owed to General Fund | 0 |
| 0 | Amount owed to Welsh Government | (1,211) |
| (2,967) | Total Current Liabilities | (1,211) |

NOTES TO THE FIREFIGHTERS PENSION FUND ACCOUNT

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and the Modified Firefighters' Pension Schemes and is administered by the Authority. The 2015 scheme introduced new contribution rates for both employers and employees and reduced pension benefits. Members of the 1992 and 2006 schemes who do not meet the prescribed criteria, will transition into the 2015 scheme under a tapering arrangement. On 1 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 On-Call 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 contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (WG) and 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 Top Up Grants 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. The Authority is responsible for paying the employer's contributions into the fund and these are the costs that are identified in the accounts for the Authority.

At the beginning of the financial year an assessment is made of the amount of Top Up Grant required from Welsh Government and 80% of the estimate is paid in addition to the surplus/deficit (asset/liability) which is payable / receivable from the previous year, this is paid in April of each year. As such, any asset / liability on the Pension Fund is matched by a corresponding value on the Authority balance sheet. The 2020/21 estimate included an assessment of the number of firefighters due to retire within the year based on age and years' service, from this an estimate can then be made of the commutation payments that would fall due and the additional pension payments.

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 Firefighters' Pension Regulations, the employer's contribution rate for the 2015 scheme was 27.3% of pensionable pay with employee's rates as per the pensionable pay banding detailed below:

| Pensionable Pay Band | 2020/21 Contribution Rate % |
|--|--|
| Up to and including £27,818 | 11.0 |
| More than £27,818 and up to and including £51,515 | 12.9 |
| More than £51,515 and up to and including £142,500 | 13.5 |
| More than £142,500 | 14.5 |

For the 2006 scheme the employer's contribution was 26.6% of pensionable pay with employee's rates as per the pensionable pay banding detailed below:

| Pensionable Pay Band | 2020/21 Contribution Rate % |
|---|--|
| Up to and including £15,609 | 8.5 |
| More than £15,609 and up to and including £21,852 | 9.4 |
| More than £21,852 and up to and including £31,218 | 10.4 |
| More than £31,218 and up to and including £41,624 | 10.9 |
| More than £41,624 and up to and including £52,030 | 11.2 |
| More than £52,030 and up to and including £62,436 | 11.3 |
| More than £62,436 and up to and including £104,060 | 11.7 |
| More than £104,060 and up to and including £124,872 | 12.1 |
| More than £124,872 | 12.5 |

For the 1992 and Modified schemes the employer's contribution rate was 29.3% of pensionable pay with employee's rates as per the pensionable pay bandings detailed below:

| Pensionable Pay Band | 2020/21 Contribution Rate % |
|---|--|
| Up to and including £15,609 | 11.0 |
| More than £15,609 and up to and including £21,852 | 12.2 |
| More than £21,852 and up to and including £31,218 | 14.2 |
| More than £31,218 and up to and including £41,624 | 14.7 |
| More than £41,624 and up to and including £52,030 | 15.2 |
| More than £52,030 and up to and including £62,436 | 15.5 |
| More than £62,436 and up to and including £104,060 | 16.0 |
| More than £104,060 and up to and including £124,872 | 16.5 |
| More than £124,872 | 17.0 |

The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long-term pension obligations can be found in Note 30 to the core financial statements (£530.877m at 31 March 2021 and £488.037m at 31 March 2020).

Glossary of Terms used in the Statement of Accounts

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

These specify policies and procedures used by the Authority to prepare its Financial Statements, including methods, measurement systems and procedures for presenting disclosures.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

ASSET

An item having value to the Authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a fire station, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events 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 arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of the defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value, but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

IMPAIRMENT

A reduction in the value of a non-current asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Non-current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are hydrants.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, Authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

OPERATING LEASE

A lease where the ownership of the non-current asset remains with the lessor.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

A Central Government Agency, which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the government can borrow itself.

RELATED PARTIES

There is a detailed definition of related parties in IAS 24. For the Authority's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Capital Adjustment account cannot be used to meet current expenditure.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of a non-current asset.

Annual Governance Statement

For the year ended 31 March 2021

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 (SOLACE), the 'Delivering Good Governance in Local Government Framework' 2016. This Annual Governance Statement explains how the Authority has complied with the framework and its seven core principles of good governance to ensure that resources are directed in accordance with agreed policy and priorities.

Scope of Responsibility

Mid and West Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and appropriately accounted for; and used economically, efficiently and effectively.

The Authority has a duty under the Local Government (Wales) Measure 2009 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.

The Well-being of Future-Generations (Wales) Act 2015 also introduced new governance arrangements for public services in Wales. The Act places a well-being duty on public bodies to set and publish well-being objectives, designed to maximise their contribution to the seven national well-being goals, with a focus on sustainable development.

In discharging its overall responsibility, Members and Senior Officers are responsible for putting in place appropriate arrangements for the governance of the Fire and Rescue Authority's affairs and the stewardship of the resources at its disposal, which includes arrangements for the management of risk.

Strategic leadership is given by and discharged through the Fire Authority and its various Committees, panels and working groups, which enable Members to decide on issues affecting the running of the Fire Authority, in accordance with the principles of openness and democratic accountability.

The day to day management and delivery of the Service's functions is carried out by Fire Service Officers under the overall control and guidance of the Chief Fire Officer, who discharges these functions in accordance with the governance framework and the determinations of the Fire Authority and its Committees. In so doing, the Chief Fire Officer is assisted by the Executive Board of Directors and the Executive Leadership Team.

Mid and West Wales Fire and Rescue Authority's Governance Arrangements

The Authority is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. The Authority provides clear strategic direction and its Constitution clearly defines the roles of Members and Officers. Internal and External Audit and the Performance Audit and Scrutiny Committee are committed to ensuring that governance arrangements are effective and robust. The key roles of the Constitution and those responsible for developing and maintaining the Authority's Code of Corporate Governance Framework are set out below.

| | |
|---|---|
| Constitution | The purpose of the Constitution is to set out in clear language how the Fire Authority works and how it makes decisions. |
| Fire Authority | Approves the Constitution (including Standing Orders and Financial Regulations). Approves key policies and budgetary framework. Is the main decision-making body of the Authority. Comprises twenty-five Members (including the Chair). |
| Performance Audit and Scrutiny Committee | Provides independent assurance to the Fire Authority on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. Promotes high standards of Member conduct. Makes recommendations to the Fire Authority on the approval of the Annual Statement of Accounts and Annual Governance Statement, and in appropriate circumstances approves the Annual Statement of Accounts. |
| Resource Management Committee | Responsible for the effective management of the resources of the Fire Authority, in particular managing and developing the financial, human and property of the Authority together with its procurement, information and communication technology, human resource and transport functions and its engagement with stakeholders. |
| Executive Leadership Team | Implements the policy and budgetary framework set by the Fire Authority and provides advice to the Fire Authority on the development of future policy and budgetary issues. Oversees the implementation of policy and service delivery. |
| Section 151 Officer | Ensures lawful and financially prudent decision making. Administration of financial affairs. Accountable for developing and maintaining the Fire Authority's governance, risk and control framework. Contributes to the effective corporate management and governance of the Fire Authority. |
| Monitoring Officer | Reports on contraventions or likely contraventions of any enactment or rule of law. Reports on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. Maintains and updates the Constitution. Establishes and maintains registers of member interests and gifts and hospitality. Advises Members on the interpretation of the Code of Conduct for Members and Co-opted Members. Contributes to the effective corporate management and governance of the Fire Authority. |

| | |
|-----------------------|--|
| Internal Audit | <p>Provides independent assurance and annual opinion on the adequacy and effectiveness of the Fire Authority's governance, risk management and control framework.</p> <p>Delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity.</p> <p>Makes recommendations for improvements in the management of risk.</p> |
| Managers | <p>Responsible for developing, maintaining and implementing the Fire Authority's governance, risk and control framework.</p> <p>Contribute to the effective corporate management and governance of the Fire Authority, through monthly Senior Leadership Team meetings and Operational Response Forums.</p> |

Mid and West Wales Fire and Rescue Authority's Governance Framework

A Code of Corporate Governance was developed by Mid and West Wales Fire and Rescue Authority in 2010 and revised in 2017 in accordance with the CIPFA / SOLACE Delivering Good Governance in Local Government Framework 2016.

The Code of Corporate Governance comprises the systems, processes, culture and values by which Mid and West Wales Fire and Rescue Service is directed and controlled and also the way it accounts to, engages with and leads the community. It enables Mid and West Wales Fire and Rescue Authority to monitor the achievement of its Strategic Aims and to consider whether the Service has delivered appropriate, effective and efficient services. The system of internal control forms a significant part of the Code of Corporate Governance and is designed to manage risk to a reasonable level. It evaluates the likelihood and impact of identified risks being realised and manages each risk appropriately.

The Authority's Code of Corporate Governance brings together in one document all the governance and accountability arrangements the Service has in place. The Code of Corporate Governance Framework is based on best practice guidance set out in the CIPFA / SOLACE Framework, Delivering Good Governance in Local Government and is used to review the Authority's governance arrangements on an annual basis.

The Authority has conducted an annual review of the effectiveness of its governance against the CIPFA / SOLACE Delivering Good Governance Framework (2016) during 2020/21. The annual review of the Code of Corporate Governance was informed by managers within the Service who have responsibility for the development and maintenance of the governance environment and also by comments made by internal and external audit, as well as other inspection agencies. The reviewed and revised Code of Corporate Governance to year end 31 March 2021, was approved by the Performance Audit and Scrutiny Committee in May 2021.

This Statement provides assurance as to how the Authority has complied with the seven core principles and sub-principles of its Code of Corporate Governance Framework during the financial year 2020/21.

This statement also meets the requirement of The Accounts and Audit (Wales) Regulations 2014.

Mid and West Wales Fire and Rescue Authority Governance Assurances for 2020/21

The Authority's Code of Corporate Governance sets out Authority's commitment to the principles of good governance. A copy of the Authority's full Code of Corporate Governance, to year ending 31 March 2021, can be accessed on the Service's website. The following section provides a brief overview of the governance assurances undertaken by the Authority during 2020/21.

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

Core Values

The Service's Corporate Plan 2020-2025, which was published on 1 April 2020, sets out the Service's Vision, Mission, Values, Strategic Aims and Improvement and Well-being Objectives, which are aligned to the Well-being of Future Generations (Wales) Act 2015. As part of the Service's improvement planning process, the Service's Values, which are: 'to do the right thing; to treat people with respect; and to perform with excellence'; are consulted upon annually and communicated to all employees and embedded within everyday service delivery. A revised improvement planning process will be considered in 2021/22 in preparation for the revised performance framework, which is expected to be developed by Welsh Government during 2021/22 in line with the partial repeal of the duty under the Local Government (Wales) Measure 2009.

The Code of Conduct for Members, which is published within the Constitution, outlines the behaviours and conduct expected of Members. As part of their induction process, all new Members and personnel also receive an overview of the standards of conduct and behaviour expected of them. This is further supported by the Member Development Strategy and Annual Training Programme which ensures Members receive appropriate training and support for their roles. Training on standards of behaviour are provided to Managers as part of the Service's Senior and Middle Manager training programme, while the Service's performance appraisal process, which will be reviewed in 2021/22 in line with the National Fire Chief Council Leadership Framework, asks all personnel and Managers to indicate how they feel personnel have behaved in relation the Service's Values during the year.

The Constitution

The Authority's Constitution is publicly available on the Authority pages of the Service's website and explains how the Authority operates and how it makes decisions. The Constitution is subject to periodic comprehensive reviews, with ongoing updates as required to reflect legislative changes and according to need. The Constitution has been comprehensively reviewed during 2020/21. Proposed changes to the Constitution were presented and supported by the Authority's Democratic Service's Forum in March 2021, prior to being presented for approval by the full Authority in June 2021. The Constitution will be further updated to reflect the requirements of the Local Government and Elections (Wales) Act 2021, upon expiration of the Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 in May 2021. Any further revision will also consider any proposals for the Model Constitution also being developed to meet the requirements of the Local Government and Elections (Wales) Act.

The scheme of Standing Orders, set out within the Authority's Constitution, provides a protocol to ensure effective communication between Members and Officers. It also sets out a clear statement on the respective roles and responsibilities of Members and Officers which clarify

the delegation to Officers. The Scheme of Standing Orders was reviewed and revised during 2020/21 as part of the full review of the Constitution.

Part five of the Authority's Constitution "Codes and Protocols" also sets out the framework for ethical governance and standards of conduct and behaviour. This is supported by a comprehensive suite of Procedural Guidance Documents which are regularly reviewed and communicated to all relevant parties, via the Democratic Services function, and the Executive Leadership and Service Leadership Teams.

The Code of Conduct for Members and the behaviours expected of Members, as outlined in the Authority's Constitution, are based on the Nolan Principles. The Code of Conduct for Members was reviewed as part of the full Constitution review in 2020/21. Further amendments will be made during 2021/22 to align with recommendations emanating from the review of the Code of Conduct by the Public Service Ombudsman Wales.

A Register of Members and Officers Interests is undertaken annually and is held by the Service's Democratic Services function, reviewed by the Monitoring Officer. Recommendations were received from Audit Wales following the Audit in 2019/20, outlining the need to ensure Declaration of Interest forms include reference to close family and co-habitant interests. Both Officer and Member Declaration of Interest forms were updated to reflect this requirement and issued on 1 April 2021, requesting declarations for the 2020/21 year.

The Authority's Anti-Fraud and Anti-Corruption policies were reviewed and amalgamated into a single Anti-Fraud and Anti-Corruption Policy during 2020/21, with the revised Policy reported to Performance Audit and Scrutiny Committee in January 2021. At the same time, the Authority introduced a Corporate Criminal Offence Policy, which is intrinsically linked to the Anti-Fraud and Anti-Corruption Policy, as the two policies relate to the Authority's responsibilities and obligations regarding fraud and corruption, including tax evasion. Awareness of the policies has been raised through the Executive Leadership Team and Service Leadership Team forums.

The Authority's Whistleblowing procedure was reviewed by the Service's Executive and Service Leadership Teams and the Authority's Standards Committee in December 2020.

The Compliments, Comments and Complaints Report (01 April 2019 – 31 March 2020) was reported to the Standards Committee in May 2020. The Report for the period 01 April 2020 – 31 March 2021 will be reported in July 2021. The Service's Compliments, Comments and Complaints procedure will also be reviewed during 2021/22 to ensure compliance with the Welsh Language Standards, as recommended by the Service's internal Welsh Language Compliance Review undertaken in 2020/21.

The Monitoring Officer and Section 151 Officer

Legal and Financial advice is provided on all appropriate reports for decision by the Authority's Clerk / Monitoring Officer and the Authority's Section 151 Officer, who approve all Authority and Committee meeting paperwork prior to publication. Reports clearly outline financial and legal advice being provided to Members for their decision-making purposes and arrangements are in place to ensure the decisions of the Authority, and the basis on which those decisions are made are recorded.

The Authority's Monitoring Officer has a specific duty to ensure the Authority, its Officers and elected Members maintain the highest standards of conduct. The Authority's Monitoring Officer also has a specific duty to report matters he or she believes are, or likely to be, illegal

or amount to maladministration. The Monitoring Officer therefore ensures the lawfulness and fairness of Authority decision making.

The Authority has a Service Level Agreement arrangement with Carmarthenshire County Council to provide Section 151 Officer services. The Head of Finance represents the Section 151 Officer on the Executive Leadership Team and is actively involved in decision-making.

The Standards Committee

The Authority's Standards Committee champion ethical compliance to ensure the public have trust and confidence that Members and Officers work to the highest ethical standards. Public meetings of the Standards Committee are held quarterly and chaired by an independent person. The Committee discuss strategic and policy issues; receive updates from the Public Service Ombudsman Casebooks; and receive training in order to deal with any breaches of the Code of Conduct for Members. Four Independent (co-opted) Members of the Standards Committee were appointed during 2020/21 and The Annual Standards Committee Report was presented to Authority in December 2020.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

Effective Communication, Consultation and Engagement

The Authority has a well-established corporate planning cycle which is revised annually to ensure its effectiveness.

The Authority's Corporate Plan 2020-2025 was published on 1 April 2020, setting out the Service's Improvement and Well-being Objectives for 2020/21, which are aligned to the Well-being of Future Generations (Wales) Act 2015, Well-being Goals.

As part of the Authority's commitment to continuous improvement, between October and December 2020, the Service also consulted on its Draft Corporate Plan for 2021-2026, which included its proposed Improvement and Well-being Objectives for 2021/22. The Consultation process was supported by a Communication, Consultation and Engagement Plan which was approved by the Authority in September 2020. A full report, detailing the findings and recommendations from the consultation process, was reported to the Fire Authority in February 2021, outlining how any changes as a result of the consultation process had been incorporated within the final version of the Corporate Plan 2021-2026, which was subsequently approved by the Authority in February 2021 and published on 1 April 2021.

The Service's Communications, Consultation and Engagement Strategy outlines the Service's approach to communication, including an overview of key stakeholders to be communicated with and the most appropriate mechanism to ensure effective communications and engagement with key target groups. In line with an objective within the Service's Strategic Equality Plan 2020-2024, during 2020/21 the Service published a positive action statement on its website and developed a communications strategy to ensure the Service engages with all members of its communities appropriately. The Service's stakeholder list was also revised and updated in 2020/21 to ensure an appropriate level of representation from groups with protected characteristics.

A new Service website was launched in 2020 and throughout 2020/21 adaptations have been made to the website to support the digital emphasis on communications as a result of the Coronavirus Pandemic, which has restricted the Service's more traditional means of communications. An accessibility audit has been commissioned on the website in 2021/22 and ongoing developments will be undertaken to address any recommendations emanating from the audit process.

The Service actively participates in each of its six Public Service Boards and chairs a number of sub-group meetings. Each of the Service's Annual Improvement and Well-being Objectives have also been aligned to the Well-being of Future Generations (Wales) Act's Well-being Goals, with narrative to support their contribution to the goals included within the Service's quarterly Performance and Improvement and Progress Report, which outlines the Authority's progress against each of the Authority's Improvement Objectives. This report was reported to the Authority's Performance, Audit and Scrutiny Committee (PASC) quarterly throughout 2020/21. The Annual Performance Assessment, which summaries the year's performance and progress (April 2020 – March 2021), will be presented to the Authority in September 2021, prior to the legislative deadline for publication of 31 October 2021.

As detailed within the summary to Principle A, the Authority, through the appointment of the Monitoring Officer, ensures that the necessary arrangements are in place to facilitate effective communication between Officers and Members, and the formal recording and publication of the democratic decision-making process.

The Service also maintains a publication scheme and compliance with Freedom of Information requests within stipulated timeframes. Whilst, as further detailed within Principle A, the Service also maintains an effective Compliments, Comments and Complaints procedure. Both the Service's Freedom of Information requests and Compliments, Comments and Complaints processes are managed by the Corporate Communications and Business Development department and have been reviewed during 2020/21, with a further review of the Compliments, Comments and Complaints procedure required during 2021/22.

Partnership working

The Service has a firm mechanism for collaborating with key partners and maintains partnership protocols, including Service Level Agreements and Memorandums of Understanding which both parties sign up to. Both agreements set out the terms and conditions and the protocols of partnership working. The Partnership Register is regularly reviewed, and an evaluation process is in place to monitor the performance of each partner, which is conducted through regular meetings, customer evaluations, training, shadowing and mentoring. Partnership arrangements were reviewed during 2020/21 to incorporate additional considerations in respect of the Coronavirus Pandemic. New collaborations are being explored with high profile partners and the Service's partnership arrangements will be the subject of a specific focus in 2021/22 as part of an Improvement and Well-being Objective within the Service's Corporate Plan 2021-2026.

The Service is also a statutory partner on six Public Service Boards and plays a key role in the formation of all six Local Well-being Plans, which represent the communities of mid and west Wales. Representatives from the Service also chair a number of delivery and implementation groups across each of its six Public Service Boards, ensuring that the objectives identified as priority partnership areas are successfully delivered. The Chair and Deputy Chair of the Authority represent the Fire Authority at its Public Service Board meetings and all Public Service Board Wellbeing Plans are also presented to the Fire Authority to ensure alignment of objectives with the Authority's own improvement objectives.

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

Our commitment to the Well-being of Future Generation's Act (Wales) 2015

The Service remains committed to supporting the Well-being of Future Generations (Wales) Act 2015 and embraces its duties and role as a statutory partner on its six Public Service Boards.

The Service's Corporate Plan 2020-2025 outlines the Service's five-year Strategic Aims and its Improvement and Well-being Objectives for 2020/21. The Corporate Plan 2020-2025 has been developed in accordance with the requirements of the Well-being of Future Generations (Wales) Act 2015 and ensures the Service continues to consider the long-term impact of its decision making on its communities. The Corporate Plan 2020-2025 highlights how the Service's Improvement and Well-being Objectives contribute to the Act's seven Well-being Goals; and how the Service will consider and incorporate, where appropriate, the sustainable development principle and its five ways of working in delivering its Improvement and Well-being Objectives. One of the Strategic Aims defined within the Plan, namely, Our Environment, also outlines how the Service will deliver against the requirements of the Environment (Wales) Act 2016; improving its environmental performance by continuing to reduce its carbon footprint and investing in green, sustainable and renewable technologies for its fleet and buildings; while continuing to explore collaborative opportunities to improve its impact on the environment.

As a statutory partner on six Public Service Boards, the Service continues to play a key role in the formation of all six Local Well-being Plans, which represent the communities of mid and west Wales. Representatives from the Service also chair a number of delivery and implementation groups across each of its six Public Service Boards, ensuring that the objectives identified as priority partnership areas are successfully delivered.

As identified in Principle B, the Service's Mission, Vision and Values and the ethos of the Well-being of Future Generations (Wales) Act 2015, greatly influences the Service's improvement planning arrangements. Service Plans are reviewed annually and revised in accordance with feedback from staff, members of the public, partner agencies and other key stakeholders, including Commissioners and Auditors. Regular progress reports on performance matters are also presented to the Authority's Performance, Audit and Scrutiny Committee and Resource Management Committee on a quarterly basis.

Medium Term Financial Planning

A robust budget setting process was followed in 2020/21 which included Officers, Members and participation by representative bodies.

The Service's Medium-Term Financial Strategy, which supports the planning of resource allocation and spending, and provides the financial framework for supporting the budgeted setting process, was considered by the Fire Authority in September 2020.

The Service's Medium-Term Financial Plan, which includes the Revenue Budget requirement for the coming financial year, and the 5-year Capital Programme were reported to Resource Management Committee in November 2020, Fire Authority in December 2020, culminating in approval by the Fire Authority in February 2021.

The Capital Strategy, as approved by Members annually, sets out the Service's long-term context in which capital expenditure and investment decisions are made. It also provides the

framework for ensuring the Service's 5-year Capital Programme is aligned to the Service's Strategic Aims, as outlined in its Corporate Plan.

The Treasury Management Strategy Statement, as approved by Members annually, sets out the limits and controls to be applied when borrowing and investing funds. It includes Capital Prudential Indicators which show the financial impact of capital expenditure decisions so that it can be assessed if those decisions are affordable, prudent and sustainable. It also includes Treasury Management Prudential Indicators which set constraints on Treasury Management decisions to ensure that they are made in accordance with good practice.

Budget Monitoring reports, summarising the actual expenditure to date and forecast outturn, were presented to the Resource Management Committee on a quarterly basis throughout the year.

The Draft Annual Statement of Accounts for 2019/20 was completed by 31 May 2020, but the audit process was delayed due to the Coronavirus Pandemic. The audited Statement of Accounts for 2019/20 was subsequently approved by the Authority in September 2020.

The CIPFA Financial Management (FM) Code

The FM Code was developed to guide public sector organisations in managing their finances and the specific standard they should seek to achieve. It is designed to support good practice in financial management and to assist public sector organisations in demonstrating their financial sustainability.

An assessment against the FM Code will be carried out in 2021/22 to determine the extent to which the Authority's financial management arrangements comply with the Code. In preparation for the exercise the Head of Finance has attended a CIPFA workshop which provided an overview of the Code and addressed how fire bodies can comply with the requirements. Evidence will be drawn from a number sources including governance arrangements, budget setting process, and financial performance reporting.

In 2020/21 Audit Wales conducted a review of each Fire and Rescue Authority in Wales to provide assurance on how well each Authority is addressing the financial and capacity challenges facing public bodies. The draft Corporate Resilience report has been received which provides commentary on how resilient and sustainable Mid and West Wales Fire and Rescue Authority is. The findings of the report will help inform the FM Code assessment.

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

The Authority's Elected Members are closely involved in scrutinising performance data, which is reported at both Committee and full Authority meetings. As already outlined in Principle A, the Authority, through the appointment of the Monitoring Officer, ensures that the necessary arrangements are in place to facilitate effective communication between Officers and Members; whilst the Authority's scheme of Standing Orders clearly sets out the roles and responsibilities of Members and Officers ensures informed and effective decision making by the Authority.

Throughout 2020/21 in order to provide additional reassurance and allow additional scrutiny to be undertaken, the Service's Executive Leadership Team met with the Chairs and Deputy Chairs of Committee meetings, along with Leaders of political groups to provide regular updates in relation to the Service's response to the Coronavirus Pandemic.

As outlined previously in Principle B, the Service's Corporate Plan 2020-2025, which clearly sets out the Authority's Vision, Mission and Values and outlines the Authority's Annual Improvement Objectives for 2020/21, was approved by the Fire Authority in February 2020, following a 12-week public consultation (between October – December 2019). The Service's Annual Improvement and Well-being Objectives are designed in conjunction with Members and representative bodies at Corporate Budget and Planning meetings, which are held throughout the year to discuss the budget planning requirements for the year ahead. This process ensures that the Authority forecasts for future planning purposes and that the Service's improvement planning process aligns with the Service's Medium-term Financial Strategy and Medium-Term Financial Plan.

The Consultation process was supported by a Communication, Consultation and Engagement Plan which was approved by the Authority in September 2019. A full report, detailing the findings and recommendations from the consultation process, was reported to the Fire Authority in February 2020, outlining how any changes as a result of the consultation process had been incorporated within the final version of the Corporate Plan 2020-25, which was subsequently published on 1 April 2020.

A similar approach is taken to the development of the Service's Sustainability and Environment Plan, Strategic Equality Plan and Welsh Language Standards, to ensure all statutory guidance is adhered to and objectives delivered.

Quarterly monitoring reports, identifying progress and performance against the Improvement and Well-being Objectives for 2020/21, including updates on the Service's strategic and key performance indicators are presented to the Performance, Audit and Scrutiny Committee. An Annual Performance Assessment, providing an overview of performance to year end, is also presented to the Fire Authority and published for annual audit by Audit Wales.

Compliance certificates were received from Audit Wales in respect of the publication of the Authority's Annual Performance Assessment 2020 and the Authority's Well-being and Improvement Objectives for 2020/21 during 2020/21.

As a result of the introduction of The Local Government and Elections (Wales) Act 2021 and the partial repeal of the Local Government (Wales) measure 2009, the Service will be required to review its corporate planning processes during 2021/22, to align to a revised performance framework set to be introduced by Welsh Government.

The Service's Performance and Improvement Progress Reports for 2020/21, along with the Service's Strategic Equality Plan Progress Reports for 2020/21 and the Service's Annual Sustainability and Environmental Report and Annual Welsh Language Monitoring Report, are available on the Service's website.

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

Our People

The Service maintains robust strategic workforce planning processes to ensure the Service employs the correct number of people, with the necessary skill sets to meet the objectives set out in its corporate plans. Strategic workforce planning is embedded in the organisation and analysis of workforce data enables proactive identification of future staffing requirements.

The Service also maintains the Corporate Health Award requirements and biennial fitness tests are undertaken for all Operational Staff as part of the all Wales approach to operational fitness. A fitness assessment programme for operational staff is fully embedded in the Service

and fitness equipment provided at all Fire Stations. Risk Critical training plans, along with Individual Development Reviews ensure people have the appropriate training and development to undertake their roles competently and safely.

The Service remains a signed-up partner to the All Wales Organisational Development Strategy with career pathways mapped out for all sectors within the organisation. The Service's performance appraisal process is also scheduled to be reviewed in 2021/22 in line with the National Fire Chief Council Leadership Framework.

As outlined in the summary overview provided in Principle A, the Authority's Constitution sets out the scheme of Standing Orders, which provides a protocol to ensure effective communication and delegation of decision making for Members and Officers. This protocol further ensures Members have access to appropriate induction and ongoing training and development opportunities as required for their roles, which is set out in the Members Development Strategy and Annual Training Programme.

The overview provided at Principle D, provides assurance that the Service regularly reviews its operations, performance and the use of its assets to ensure its continuing effectiveness. This process is supported by quarterly performance updates, monitoring reports and annual performance assessments, which are presented to both the Performance Audit and Scrutiny Committee and the Resource Management Committee. Furthermore, as outlined in the summary overview at Principle B, the Service continues to explore new collaborative partnership arrangement with high profile partners and the Service's partnership arrangements will be the subject of a specific focus in 2021/22 as part of an Improvement and Well-being Objective within the Service's Corporate Plan 2021-2026.

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

Risk Management

The Corporate Risk Department maintains the Service's Risk Management Policy and associated methodologies. The Risk Management Policy outlines roles and responsibilities for both Service Staff and Elected Members.

In order to coordinate its arrangements for matters of risk management, the Service has established a dedicated Business Risk Management Group. Chaired by the Director of Operational Support and Improvement, this group meets on a quarterly basis and includes representation from each Service Directorate and Fire Authority.

Following these meetings an updated report on the Service's Business Risk Register is provided to the Performance Audit and Scrutiny Committee on a quarterly basis.

The underpinning risk ranking methodology used by the group is derived from the 2004 publication by Her Majesty's Treasury titled 'The Orange Book – Management of Risk – Principles and Concepts'.

For any risk identified on the Business Risk Register, there is a documented audit trail and rationale as to why the risk has been identified and what mitigation is in place by the Service as part of its risk control measure.

Business Risk Register updates and current 'risks' are communicated to personnel as and when required, with ongoing risk management training provided by the Corporate Risk Department.

During 2020/21, appropriate risk and control measures, specific to the Coronavirus Pandemic were added to the Service's Business Risk Register and monitored by the Risk Management Group to ensure effective decision making.

The Service's Business Risk Management Group also monitors progress in relation to the Code of Corporate Governance and during 2020/21 resolved to monitor progress on the Service's Internal Audit Process.

As outlined in the overview provided at Principle D, the Service has robust mechanisms in place to ensure the effective review of its planning and performance management, including internal benchmarking, the presentation of quarterly progress reports for scrutiny at appropriate Committee meetings; as well as further assurances provided by both internal and external audit. Additionally, the overview provided at Principle A provides assurances that the Authority, through the appointment of the Monitoring Officer, has the necessary arrangements in place to facilitate effective communication between Officers and Members, along with the formal recording and publication of the democratic decision-making process.

Data Protection arrangements

The Service's Data Protection Procedure, which ensures compliance with the requirement of the General Data Protection Regulations, was updated in August 2020 and reviewed by Internal Audit in December 2020.

A Data Audit has been completed to assess the data held by the Service. Data Sharing Agreements have also been reviewed to ensure compliance with General Data Protection Regulations and revised privacy notices detailing how information will be processed, stored and shared produced. As a result of the remote working restrictions resulting from the Coronavirus Pandemic, a formal process was introduced during 2020/21 enabling personnel to formally apply for remote access to Service systems. Further work to update the Service's Records Management Procedure and Retention Schedule to ensure ongoing compliance with legislation will continue during 2021/22.

The Senior Information Risk Owner (SIRO) position for the Service, who has overall responsibility for the management of information risk, is held by the ACO Director of Resources.

The Service continues to provide an active role in Information Sharing in line with the Wales Accord on the Sharing of Personal Information (WASPI) framework.

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

The Authority's Financial Procedure Rules, which are published within the Authority's Constitution, were reviewed and revised during 2020/21. The revised Financial Procedure Rules were presented to the Resource Management Committee in April 2021 and will be presented to full Fire Authority as part of the revised Constitution in June 2021.

Treasury Management financial training was provided to Members and Officers by the Authority's Treasury Management Consultant Link Asset Services in March 2021.

Finance is a standing item on the agendas for all Directorate meetings, Service Leadership Team and Executive Leadership Team meetings, which are all held monthly. Finance reports, including budget setting, budget monitoring and the Statement of Accounts are also considered at Fire Authority, Resource Management and Performance, Audit and Scrutiny

Committee meetings. A full overview of the Service's financial planning arrangements has been provided at Principle B.

The Authority's Annual Governance Statement provides assurances that the Authority has the necessary corporate governance arrangements in place to perform effectively. The Authority's Annual Governance Statement for 2019/20 was presented to the Authority as part of the Authority's Statement of Accounts at its Extraordinary General Meeting in June 2020. The Authority's Code of Corporate Governance Framework supports the development of the Authority's Annual Governance Statement. The Code of Corporate Governance for 2020/21 was reviewed and revised in conjunction with Members and Officers during 2020/21 and was approved by the Performance Audit and Scrutiny Committee in May 2021.

Further information in relation the Service's approach to communication, consultation and engagement, including the publication of reports and access to Authority information is provided at Principle B.

Opinion on the level of assurance that the governance arrangements can provide

Review of Effectiveness

The Authority 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 and other Senior Officers within the Authority who have responsibility for the development and maintenance of the governance environment. The work is supported by reports from internal and external auditors, while recommendations from peer assessors is also considered.

The effectiveness of the governance framework draws on evidence and assurances from:

- Fire Authority
- Executive Leadership Team and appropriate Senior Officers
- Scheme of Delegation to Officers
- Resource Management Committee (RMC)
- Performance, Audit and Scrutiny Committee (PASC)
- Standards Committee
- Internal Audit
- External Audit

Internal Audit

Carmarthenshire County Council Internal Audit Section have provided the Internal Audit function for Mid and West Wales Fire and Rescue since Local Government reorganisation in 1996. A 3-year Internal Audit Plan is agreed with the Section 151 Officer and Director of Resources and approved by the Performance, Audit and Scrutiny Committee. The 3-year plan is reviewed and updated every year to reflect current circumstances and priorities.

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards, the Audit Manager is required to provide an opinion on the overall adequacy and effectiveness of the Authority's risk management, control, counter fraud and governance processes.

The following audits have been completed in accordance with the 2020/21 Internal Audit Plan and reported to the PASC: Aggresso; Data Protection; Main Accounting; VAT; Treasury

Management and Banking; Payroll System; Creditors Payments; Debtors System; Travel and Subsistence System; Network Security; Licensing; Fixed Assets and Capital Accounting; and a Follow-up of previous years' recommendations report.

All audits listed within the 2020/21 Internal Audit Plan, with the exception of the Follow-up of previous years' recommendations report, which it is anticipated will be presented to Performance Audit and Scrutiny Committee in July 2021, have been completed. These audits have been positive, showing no fundamental control issues.

During 2020/21 additional days were secured to support an audit of the Service's Covid-19 Emergency Response Arrangements, which was presented to Performance, Audit and Scrutiny Committee in January 2021 and concluded a level of "High Assurance" and that arrangements were robust and effective.

The Head of Internal Audit, within the Mid and West Wales Fire and Rescue Service Internal Audit Annual Report 2020/21 (page 2), presented to Performance Audit and Scrutiny Committee in May 2021, provided the following overall opinion:

"No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In arriving at the overall opinion, the Head of Internal Audit has taken into account:

- the results of all work undertaken as part of the 2020/21 Internal Audit Programme;
- the results of follow-up action of Internal Audit Reviews from current and previous years; and
- the acceptance of actions by Management (especially those deemed significant).

It is my opinion that the Authority has an 'acceptable' control environment in operation in respect of fundamental financial systems reviewed. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Regulations that provide advice and guidance to all staff and members.

Where weaknesses have been identified through Internal Audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement".

The recommendations from Internal Audit are being addressed via internal departmental action plans as applicable. Full details of the assurance provided by the Audit Manager along with plans to address the recommendations is detailed within the Internal Audit Annual Report for 2020/21.

External Audit

The Service's external audit arrangements are facilitated by Audit Wales in respect of Audit of Accounts; Value for Money; Continuous Improvement; and the Sustainable Development Principle. Audit reports and certificates of compliance have been presented as required to Performance Audit and Scrutiny Committee and Fire Authority meetings during 2020/21.

Audit Wales, as external auditor to the Authority, review and comment on the financial aspects of Corporate Governance, which includes the legality of financial transactions, systems of Internal Financial Control and standards of financial conduct, and fraud and corruption.

During 2020/21 in accordance with statutory timelines, the Authority presented the unaudited Statement of Accounts 2019/20 to Audit Wales for audit. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Authority and the Firefighters' Pension Fund Account and its income and expenditure for the year then ended. Following the audit process the Auditor General issued an unqualified report on the financial statements in September 2020.

Examination by external audit of the management information, financial procedure rules and financial instructions, contract standing orders, administrative arrangements (including segregation of duties) and management supervision, have in the main given general assurance regarding the control and proper administration of the Authority's financial affairs, as sufficient to provide an audit opinion in compliance with extant International Auditing Standards and to discharge the Auditor General's statutory duties.

Strategic and Service Director Assurances

The Authority has responsibility for conducting an annual review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the Senior Managers responsible for the development and maintenance of the governance environment, the Corporate Communications and Business Development department and by comments made by the External Auditors and other review agencies.

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on several governance arrangements relating to the organisation including financial control, reporting, approach to decision making, compliance with relevant codes and the influence of the Chief Finance Officer within the organisation. These have been considered within the context of this Statement and it has been established that the Authority's arrangements conform to the CIPFA requirements.

Section 151 responsibilities are met via a Service Level Agreement that the Service has in place with Carmarthenshire County Council. In appointing a Section 151 Officer via the Service Level Agreement, the Authority ensures a resilient approach to statutory responsibilities for Mid and West Wales Fire and Rescue Authority and allows for alignment with the existing practices within Carmarthenshire County Council, as well as a continuation of services.

The Authority has in place, via Internal Audit, a comprehensive assurance assessment process to ensure that the electronic data is secure and configured to current best practice to protect the organisation. The results of these assurances provide a positive opinion, but there are opportunities for improving the internal control environment to further mitigate risks.

The Internal Audit programme referred to in earlier paragraphs obtained assurances from the Service's Executive Board around the arrangements for managing their recognised core risk areas. This reflects the Executive Directors responsibilities for both the management of risk and the effectiveness of controls. These discussions were also informed by the regular assurance reports presented to Performance Audit and Scrutiny Committee by the Section 151 Officer and Monitoring Officer.

How we managed our Governance Framework during the Coronavirus Pandemic in 2020/21

On the 23 March 2020, Welsh Government introduced a raft of measures and restrictions across Wales as a result of the Coronavirus Pandemic. The measures were wide ranging,

affecting both the personal lives of Service employees as well as the way in which the Service operated.

Throughout 2020/21, the Service has successfully responded to the challenges posed by the Pandemic, remaining operational throughout and ensuring key, critical services have continued to be delivered to the communities of mid and west Wales. The Service's response to the Pandemic has been coordinated by a Critical Incident Team (CIT), established to evaluate the information being forwarded by the UK and Welsh Governments and associated Public Health Organisations. The CIT and its supporting Cells were responsible for overseeing a number of strategic business areas, ensuring the effective continuity of both internal and external service delivery within the organisation. This approach enabled appropriate risk and control measures, specific to the Pandemic, to be developed, which were monitored as part of the Service's Business Risk Register to ensure effective decision making.

As an Emergency Service, we have three distinct groups of employees, Operational Staff (Fire fighters), Support Staff, and our Joint Fire Control staff. As Service employees were defined as key workers, a plethora of provisions were implemented to ensure the Service could continue to deliver a key, critical services to the communities of mid and west Wales. Provisions included the need to put in place a robust and effective process to allow office-based staff to work from home, resulting in a review of both ICT hardware and software to ensure personnel could work from home, whilst continuing to access all the systems and information they required.

In relation to operational personnel, the Service undertook a robust exercise to ensure the safety and well-being of personnel who would continue to work from operational stations. Welsh Government measures were implemented to allow staff to socially distance, maintain good hygiene and work safely within operational incidents they attended.

The Service works closely with its communities and partners to make mid and west Wales a safer place to live, work and visit. In conjunction with its work with young people, visiting schools and carrying out Safe and Well visits, the Service is also responsible for enforcing fire safety legislations. The Coronavirus outbreak had an immediate and profound effect on the way in which the Service could deliver its prevention and protection work, minimising some activities and having to completely withdraw from others. However, through the dedication and commitment of personnel, the Service was able to ensure those who were most at risk were as safe as possible, by introducing innovative ways to deliver interventions.

During 2020/21, the Authority claimed in excess of £543,000 from the Welsh Government hardship scheme, covering increased costs of delivering core services and for ensuring the safety of employees. There remains significant uncertainty over the future path the pandemic will take, though an initial hardship funding allocation of £206.6 million by Welsh Government has provided financial mitigation in this regard.

The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020, published by the Welsh Government on 22 April 2020 enabled the Fire Authority to overcome existing limitations to allow normal, democratic processes and decision making to continue. The regulation provided flexibility to enable Authorities to operate safely, effectively and lawfully, whilst retaining the principles of openness and accountability to the public. The initial requirements of this temporary Regulation were swiftly implemented and a new process to allow Members to continue to run Authority meetings remotely were put in place. This process included amending the Constitution to allow the electronic publication of meeting documentation; facilitating remote attendance at meetings; enabling public access to online meetings; and most significantly at that time, the successful appointment of appropriate Authority personnel at the Annual General Meeting of the Authority in June 2020.

Throughout 2020/21 the Authority has continued to effectively manage its programme of meetings with very little disruption to its planned cycle of meetings. The Local Government and Elections (Wales) Act 2021 and the Local Authorities (Executive Arrangements) (Decisions, Documents and Meetings) (Wales) (Amendment) Regulations 2021 have subsequently enabled remote meetings to continue as the temporary arrangements under The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 have ceased. During 2021/22 the Authority will consider the development of a Multi-location Meeting Policy, which will be published within the Authority's Constitution, outlining the provisions in place for future Authority meetings.

As part of the Service's response the Coronavirus Pandemic both internal and external audits have been undertaken by Carmarthenshire County Council and Aspire2B respectively, to assure the decision making of the Service and the governance arrangements put in place by the Authority. At the request of the Performance, Audit and Scrutiny Committee meeting, a procedural review of the Authority's emergency response arrangements to the Coronavirus outbreak was undertaken. The scope of the audit was to form an opinion on whether the Authority had safe, robust, effective and fit for purpose response arrangements in place. The review considered governance arrangements, evidence gathering and data analysis, engagement and collaboration, IT provision and resilience and people management. The report, which was presented to Performance, Audit and Scrutiny Committee in January 2021, concluded a level of "High Assurance" and that arrangements were robust and effective. Recommendations and considerations for future Service improvements, resulting from the lessons learnt during the pandemic, including those highlighted by the Aspire2B COVID-19 Debrief Report, will be implemented as a Service Corporate project during 2021/22.

Governance issues to be addressed in 2021/22

Over the next twelve months the Service will continue to develop the safer and more innovative ways it has adopted to delivering its services, as a result of the Coronavirus Pandemic. Building on the lessons it has learnt over the last twelve months, the Service will continue to deliver critical services to the communities it serves, using robust risk assessment and ensuring staff socially distance, maintain good hygiene and work safely within operational incidents and in the general workplace.

Public sector funding remains a challenge. The impact of spending reductions in the public sector and the settlements received by its local constituent authorities will continue to be carefully considered by the Authority in determining its Medium-Term Financial Strategy. Changes to pension and tax legislation will continue to provide challenges to the Service and the capacity to deal with complex issues with existing resources continues to be of concern.

The Authority will also continue to monitor the implications of the Local Government and Elections (Wales) Act 2021, taking actions as necessary to address the provisions of the Act in respect of Democratic Services and in relation to the design of a revised performance framework for the Fire and Rescue Services in Wales. The Service will also continue to monitor the progress being made by Welsh Government in its discussions around the broadening of the firefighter role and advise the Authority on any implications for the Service. In summary, the following additional Governance issues will be considered and addressed during the next 12 months.

- Complete outstanding actions from previous years' action plans. (Updates on the action plans from 2017/18, 2018/19 and 2019/20 are included at appendices 1, 2 and 3).
- Reflect on recommendations from internal audit and build into action plans where appropriate.
- Reflect on recommendations from external audit and build into action plans where appropriate.

- Manage the implications of the Local Government and Elections (Wales) Act 2021 in respect of Democratic Services, including developing a Multi-locations Meeting Policy to be published within the Authority's Constitution.
- Consider any revisions required to the Authority's Constitution following the publication of the revised Code of Conduct for Members by the Public Ombudsman Wales.
- Consider any revisions to the Authority's Constitution emanating from the Model Constitution being developed to meet the requirements of the Local Government and Elections (Wales) Act.
- Consider any revisions required to the Service's Improvement Planning process following the repeal of the Local Government (Wales) Measure 2009 and the introduction of a new performance framework within the Local Government and Elections (Wales) Act 2021.
- Implement the principles of the Socio-Economic Duty within Service planning and reporting systems, ensuring due regard is given to the need to reduce the inequalities resulting from socio-economic disadvantage.
- Consider any recommendations for improvement as lessons are learnt from the Service's response and recovery to the Coronavirus Pandemic.
- Review current practices against the CIPFA Financial Management Code to identify and implement improvements to strengthen controls.
- We propose, over the coming year to take actions relating to the above matters in order to further enhance our governance arrangements. An Action Plan summarising the above Actions, Responsible Officers and Target Dates is attached at Appendix 4. We are satisfied that these steps will address the need for improvements and will monitor their implementation as part of our next annual review.

The Governance Statement

The Authority considers that its governance arrangements for 2020/21 continue to be regarded as fit for purpose. The Authority's Code of Corporate Governance sets out in detail the Authority's Governance Framework, which is consistent with the CIPFA / SOLACE Delivering Good Governance in Local Government Framework (2016). The Authority has assessed and can confirm that the arrangements detailed within the Code are in place.


It is the view therefore of the Monitoring Officer and the Section 151 Officer, that the review of the governance arrangements for the financial year 2020/21 has in the main been satisfactory. We believe that the evidence provided demonstrates that the Corporate Governance in this organisation is effective, existing arrangements are fit for purpose, and the Authority is well placed to meet its strategic aims, to achieve its intended outcomes for citizens and service users. The organisation operates in an economical, effective, efficient and ethical manner.

Mid and West Wales Fire and Rescue Authority recognises its responsibility as a public service organisation to both provide a vision for the community it serves and to lead by example in its decision making and other processes and actions, with Members and Officers acting in accordance with high standards of conduct.

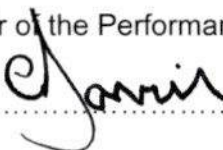
Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by Senior Management and the Performance Audit and Scrutiny Committee. Actions identified to further develop the Authority's Governance arrangements to ensure continuous improvement of the Authority's systems are in place.

We pledge our commitment that over the coming year we will take steps to further enhance our governance arrangements. We are satisfied that we will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: 

Deputy Chair of the Performance, Audit and Scrutiny Committee

Signed: 

C Davies, Chief Fire Officer

Appendix 1: Update on Action Plan set out in 2017/18

| Governance | Action | Responsible Officer | Actions / Progress | Status |
|--|--|---------------------------|--|-----------|
| Pension issues currently ongoing which the Authority is addressing | Transitional Protection In December 2018 the Court of Appeal handed down the judgment in the Firefighters transitional appeals case. The case relates only to the transitional protection arrangements in the 2015 Firefighters' pension scheme, and whether these are discriminatory. The judgment remits it to the employment tribunal to consider remedy, so it is likely to be many months before the impact on pensions is understood. | Head of Human Resources | On 04 February 2021 HMT published their response to the consultation on proposals to remove the discrimination identified in the Firefighters transitional case, via a Deferred Choice Underpin (DCU) to be implemented by October 2023. At present, the Service is unable to implement the remedy, including for Immediate Detriment cases due to the unavailability of the necessary technical guidance and appropriate systems to complete the calculations. Immediate Detriment cases are those facing normal or ill-health retirement in the foreseeable future prior to wider remedy matters being resolved. | Ongoing |
| Chief Fire and Rescue Adviser (CFRA) Thematic Review | The Service is working with the CFRA and the other Fire and Rescue Services in Wales to: <ul style="list-style-type: none"> Assess the extent to which Thematic Reviews are providing assurance and stimulating demonstrable improvement in the Welsh fire and rescue sector; and Explore opportunities for ensuring that the Thematic Review process is well | Deputy Chief Fire Officer | A report from Chief Fire and Rescue Advisor and Inspector for Wales in respect of assessing the effectiveness of thematic reviews in the Welsh fire and rescue service sector was received in August 2019. | Completed |

| | | | | |
|--------------------------|--|---|--|-----------|
| | integrated with, and complementary to, other independent processes that are intended to assess and, where necessary, improve performance within the sector. | | | |
| Peer Assessment Outcomes | <p>The Peer Assessment report identified some areas for development and an action plan is in place to deliver on these requirements within the Operational Support and Improvement Directorate.</p> <p>Personnel require information dissemination regarding the Operational Learning System and training in its purpose and use. This will ensure all operational personnel are not only aware of what OLS is but what its intended use is including where it is located and how it should be accessed.</p> <ul style="list-style-type: none"> • To review all guidance documents to ensure currency and compliance. • Recommendation that all firefighters in charge are assessed on two pump incidents. • Consideration to be made for all firefighters in charge to complete Skills For Justice level 1 qualification. Currently within MWWFRS there is no Skills for Justice initial qualification in Incident command Level 3 (QCF level 6). Recommend introducing this | Corporate Head of Operational Support and Improvement | The process commenced with appropriate actions undertaken as part of departmental business planning in 2019/20, with the process completed in early 2020/21. | Completed |

| | | | | |
|--|---|--|--|--|
| | <p>qualification as part of the promotional process for Group Manager.</p> <ul style="list-style-type: none"> • Version control of training documentation e.g. course content etc. Work is currently ongoing in this area. | | | |
|--|---|--|--|--|

Appendix 2: Update on Action Plan set out in 2018/19

| Governance | Action | Responsible Officer | Actions / Progress | Status |
|--------------------------|---|---------------------|--|-----------|
| Finance Procedural Notes | Review and revise the Finance Procedural Notes to ensure fit for purpose. | Head of Finance | The Authority's revised Financial Procedure Rules were presented to the Resource Management Committee in April 2021 and will be presented to full Fire Authority as part of the revised Constitution in June 2021. | Completed |

Appendix 3: Governance issues to be addressed in 2020/21

| Governance | Action | Responsible Officer | Progress | Target Date |
|---|--|---|--|-------------|
| Prior Years' Action Plans | Review to ensure all actions identified are addressed. | Relevant Heads of Service | See updates in Appendices 1 and 2. | Ongoing. |
| Internal Audit recommendations | Reflect on recommendations from Internal Audit and build into action plans. | Relevant Heads of Service | All recommendations are addressed by the appropriate officers. The Business Risk Management Group has been identified as the forum for receiving and reviewing updates on Internal Audit recommendations. Internal Audit undertake follow-up reports of recommendations and agreed actions. | Completed |
| External Audit recommendations | Reflect on recommendations from External Audit and build into action plans. | Relevant Heads of Service | All recommendations are addressed by the appropriate officers. The Business Risk Management Group has been identified as the forum for receiving and reviewing updates on External Audit recommendations. | Completed |
| Impact of Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 | Ensure Governance and Democratic practices of the Fire and Rescue Authority are managed in line with new temporary regulations | Monitoring Officer to the Fire and Rescue Authority | The Authority's Constitution was updated to reflect the requirements of Local Authorities (Coronavirus) | Completed |

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| | implemented by Welsh Government. | | (Meetings) (Wales) Regulations 2020. | |
| Welsh Government White Paper on the reform of Fire and Rescue Authorities in Wales | Work in collaboration with Welsh Government and the other Fire and Rescue Authorities in Wales in order to consider the potential impact of any governance arrangements as a result of the implementation of one or more recommendations contained within the Welsh Governments White Paper on the reform of Fire and Rescue Authorities in Wales. | Executive Board / Monitoring Officer to the Fire and Rescue Authority / Fire Authority Chair | The Service continues to proactively engage with Welsh Government. Once Welsh Government direction of travel is released the Service will implement necessary actions. | Ongoing. |
| Fire and Rescue Authority Constitution | Review and revise the Fire and Rescue Authority Constitution to ensure it remains fit for purpose. | Clerk/Monitoring Officer to the Fire and Rescue Authority | The Authority's Constitution has been revised and will be presented to the Authority for approval in June 2021. | Completed. |

Appendix 4: Governance issues to be addressed in 2021/22

| Governance | Action | Responsible Officer | Target Date |
|---|--|---|---------------------------------------|
| Prior Years' Action Plans | Review to ensure all actions identified are addressed. | Relevant Heads of Service | See updates in Appendices 1, 2 and 3. |
| Internal Audit recommendations | Reflect on recommendations from Internal Audit and build into action plans. | Relevant Heads of Service | As agreed with Internal Audit. |
| External Audit recommendations | Reflect on recommendations from External Audit and build into action plans. | Relevant Heads of Service | As agreed with External Audit. |
| Local Government and Elections (Wales) 2021 Act | <p>Mid and West Wales Fire and Rescue Authority Manage the implications of the Local Government and Elections (Wales) Act 2021 in respect of Democratic Services, including developing a Multi-locations Meeting Policy to be published within the Authority's Constitution.</p> <p>Corporate Planning Consider any revisions required to the Service's Improvement Planning process following the partial repeal of the Local Government (Wales) Measure 2009 and the introduction of a new performance framework within the Local Government and Elections (Wales) Act 2021.</p> | Monitoring Officer | September 2021 |
| Socio Economic Duty | Implement the principles of the Socio-Economic Duty in Service planning and reporting systems, ensuring due regard is given to the need to reduce the inequalities resulting from socio-economic disadvantage. | Executive and Service Leadership Teams and Heads of Department as relevant. | September 2021 |
| Fire and Rescue Authority Constitution | <p>Code of Conduct for Members Consider any revisions required to the Authority's</p> | Monitoring Officer | March 2022 |

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|---------------------------------------|---|---|------------|
| | <p>Constitution following the publication of the revised Code of Conduct for Members by the Public Ombudsman Wales.</p> <p>Model Constitution Consider any revisions to the Authority's Constitution emanating from the Model Constitution being developed to meet the requirements of the Local Government and Elections (Wales) Act.</p> | | |
| Coronavirus Pandemic – Lessons Learnt | Consider any recommendations for improvement as lessons are learnt from the Service's response and recovery to the Coronavirus Pandemic. | Executive and Service Leadership Teams and Heads of Department as relevant. | March 2022 |
| CIPFA Financial Management (FM) Code | Review current practices against the FM Code to identify and implement improvements to strengthen controls. | Head of Finance | March 2022 |