Archwilio Cymru
Audit Wales

Future proofing?

Financial sustainability in South Wales Fire and Rescue Authority

April 2026

About us

We have prepared and published this report under Section 17(2)(d) of the Public Audit (Wales) Act 2004. It may also inform reporting under Section 15(3) of the Well-being of Future Generations (Wales) Act 2015.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Audit Wales follows the international performance audit standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

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Audit snapshot

What we looked at

1 We looked at how South Wales Fire and Rescue Authority (the Authority) is acting to help it to achieve financial sustainability. This included its financial plans, the evidence it used to develop those plans, and how financial information is reported to Commissioners to support scrutiny and oversight of financial sustainability.

2 We did not look at the Authority's wider financial management or the individual financial decisions it has made or intends to make.

3 Our work is focused on providing assurance and to support improvement in how the authority is working to improve its sustainability in the medium to long-term. We recognise that some things that impact on this are outside of the Authority's control. This includes the level of grant funding it receives and global events like the covid-19 pandemic. The difficult context means that planning for different scenarios and being clear on the options available is important. It also shows that it is not always possible to plan in detail in the medium to long-term.

Why this is important

4 The public sector faces significant financial challenges and has done for several years. This places the Authority under pressure to balance what it wants or needs to spend against funding that remains a challenge. Getting this balance right is a considerable challenge and means the Authority must balance different factors to ensure it makes best use of public money. This makes planning to achieve sustainability key and supports the Authority to demonstrate value for money.

What we have found

5 The Authority is undergoing a significant period of transformation and change following the Ministerial intervention in February 2024. However, the Authority lacks a financial strategy to support its strategic objectives and achieve financial sustainability for the future.

What we recommend

6 We have made three recommendations to the Authority. The first focuses on the need to improve its understanding of its financial position to inform strategic planning. The second focuses on using this understanding to develop a sustainable medium-term financial strategy aligned to its corporate objectives. The third focuses on ensuring that financial monitoring and reporting support effective oversight and decision-making.

Our findings

The Authority's understanding of its financial position does not support it to plan effectively

7 While the Authority is aware of its in-year spending pressures, it does not fully understand its medium to long-term financial position. The Authority has not set out its financial plans over multiple years to help it understand any budget gaps it may face. It has also not for example benchmarked its financial assumptions with other organisations, or undertaken scenario planning to help inform decision-making. As a result, it does not have a clear understanding of its financial position.

8 A detailed knowledge of funding pressures and financial risks is important to help develop a well-informed financial strategy capable of addressing current and future budget pressures.

9 The Authority has not planned how it will use its financial reserves to support its financial sustainability. Reserves are a core part of financial planning. For example, as the Fire and Rescue Authority (FRA) receives no capital funding from the Welsh Government, reserves are a key way for it to fund capital projects. This means that planning how reserves will support its financial plans can help the Authority to deliver important projects. The Authority has the median level of reserves held by Welsh Fire and Rescue Authorities (FRAs). The Authority held the equivalent of 18.3% of its net cost of services in usable reserves not restricted by law at the end of 2024-25.[1]

10 Deciding what the Authority thinks is the right level of reserves, how it will achieve that level, and how reserves will be used strategically is important to support financial sustainability.

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[1] We publish this data as part of our local government financial sustainability data tool. Our definition of usable reserves may differ to that used by different bodies.

11 The Authority has used made unplanned use of its reserves to fund activity designed to strengthen its governance and performance. The Authority is undergoing significant change due to the Ministerial intervention in February 2024 to replace the Authority with Commissioners. This has led to lots of activity to act on a range of recommendations made to the Authority following by external reviews. These include reports from Audit Wales, an independent culture review, and His Majesty's Inspectorate of Constabulary and Fire and Rescue Services. Despite this, the Authority has continued to budget on a 'business as usual' basis resulting in unplanned use of reserves. As reserves are finite the Authority accepts that this approach is not sustainable.

The Authority does not have a financial strategy to support its corporate objectives

12 The Authority has not yet developed a sustainable financial strategy. Although the Authority has set out some context for its financial planning, the detail of its financial plans is unclear and are not widely understood within the organisation. The Authority has also not linked its financial planning to its corporate plans. Its planned improvement and transformation activity has not been fully costed or clearly budgeted for. This means that it does not have a clear understanding of how it will make sustainable use of its resources to achieve its corporate objectives.

13 A clear, well-informed, and agreed financial strategy is key to establishing and communicating how the Authority will respond to the future funding pressures it thinks it will face. Especially how it will meet any funding gaps in the short, medium, and long term. It can also help the Authority to understand the potential impact of its financial position on its well-being objectives and legal duties both now and in the future.

The Authority regularly reports on its finances but does not set out what this means for the delivery of its corporate objectives

14 The Authority provides regular financial reports to Commissioners, but these do not set out the Authority's strategic financial position. Reports mainly focus on day-to-day spending. They do not explain what spending variances to budget mean for the Authority's corporate strategy and delivery of its objectives. The reports also do not explain how spending supports the Authority's priorities. This reduces the extent to which reports can help senior leaders to maintain oversight of financial sustainability and to take well-informed decisions.

Recommendations

R1 The Authority should improve its understanding of its financial position to inform the development of a sustainable financial strategy. This should include costing its planned transformation activity and benchmarking financial assumptions with other organisations. **(Paragraphs 7 to 11).**

R2 The Authority should develop a sustainable medium-term financial strategy to support the delivery of its corporate objectives and statutory responsibilities. **(Paragraphs 12 to 13).**

R3 To enable effective oversight and to support decision making, the Authority should regularly report on the implications of its financial position for the delivery of its corporate objectives. **(Paragraph 14).**

Appendices

About our work

Scope of the audit

We looked at how the Authority is acting to help it to achieve financial sustainability. This includes its financial plans, the evidence it used to develop its plans, and then how it reports to Commissioners on its finances. We looked at the arrangements in place between January and February 2026.

We did not look at the Authority's wider financial management or the individual financial decisions it has made or intends to make.

Audit questions and criteria

Questions

We reached our conclusions about the Authority's financial sustainability by answering three key questions. First, we asked if the Authority has a clear and long-term plan for its financial sustainability. Second, we looked at whether the Authority knows the financial position it is in and has used its knowledge to shape its strategy. Third, we asked if the Authority's financial reports made to councillors help them to oversee its financial sustainability.

Criteria

We use the audit criteria to help us answer our questions on the Authority's arrangements. They help us to understand what arrangements should or could look like in context. The work of the Chartered Institute of Public Finance and Accountancy and our cumulative knowledge shaped their development.

Methods

Our findings are based on document reviews and interviews with senior officers and the Lead Commissioner for Finance. We completed this work alongside our audit of the Authority's arrangements to secure continuous improvement. We also drew on findings from this work, where relevant.

About us

The Auditor General for Wales is independent of the Welsh Government and the Senedd. The Auditor General's role is to examine and report on the accounts of the Welsh Government, the NHS in Wales and other related public bodies, together with those of councils and other local government bodies. The Auditor General also reports on these organisations' use of resources and suggests ways they can improve.

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We welcome correspondence and telephone calls in Welsh and English.

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