Unrivalled experience
Unequalled expertise

# The Fire Service College

## Annual Report and Accounts
## 2009–2010

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## 2009–2010

Presented to Parliament pursuant to Section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990 together with the Report of the Comptroller and Auditor General thereon.

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# Contents



# Introduction
## Who are we and what we do

The Fire Service College is the largest operational fire and rescue training college in the world.

Our work in the UK and worldwide includes:

- Delivering value for money operational training.
- Promoting and delivering high quality training and consistency of training standards.
- Promoting interoperability within and between the Fire and Rescue Services, other emergency services/responders and the private sector, thereby contributing to national resilience.
- Working with the Chief Fire Officers' Association (CFOA) and other agencies in the UK to review best practice and to develop the right products to meet UK Fire and Rescue Service needs.
- Delivering international training both in-country and in the UK to support the needs of the fire and rescue services in Europe and the Middle East.

### Highlights 2009/2010 Financial Year

- Trained over 12,000 UK and international students, an increase of 6.6% compared to the previous year.
- Received a National Training Award for the second year running.
- For the first time, launched a Firefighter Foundation Training Programme specifically aimed at UK trainees.
- Re-launched our new customer centric website.

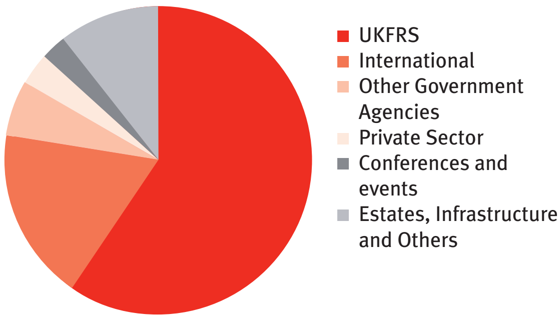
# Chief Executive
Foreword

I was delighted to take up the role of Chief Executive at the Fire Service College in September 2009 at such an important time in its history. My appointment came at the end of a significant piece of work on the future of the College. Whilst the College undoubtedly faces some ongoing challenges, there are also many significant opportunities. To address these quickly, and with the requisite focus and clarity about our purpose, the College is undergoing a period of unprecedented and rapid change. Whilst it is still a Government owned Trading Fund, it is now operating on a more commercial basis and by the day, is becoming more customer focused and flexible. Internally, I am working to remove the bureaucracy and red-tape which can stifle responsiveness, creativity and growth. I am encouraging greater staff empowerment and the development of cross functional teams which will, I am certain, enable us to deliver improved, customer focused, value for money solutions. That said, I am pleased to report that the College achieved overall delegate satisfaction ratings of 99% with the quality of courses and training, an improvement on the previous year.

In overall terms, earnings before interest, taxes, depreciation and amortisation (EBITDA) for 2009/2010 showed a positive £1.062m, compared to a negative EBITDA of -£0.668m in 2008/2009.

The performance in 2009/2010 shows that significant progress has been made towards the goal of financial sustainability and the underlying trading performance of the College in 2009/2010 has improved significantly compared to the previous year. Training revenue is up £1.1m compared to the previous year, while overall revenue is slightly up by 0.7%. UK Fire and Rescue Service revenues are up by 7.4%.

Broadly, training revenue by sector for the 2009/2010 Financial Year is as follows:




This provides a sound basis for taking business forward in 2010/11.

My vision is of a College which supports and enhances national resilience and interoperability by promoting and delivering high quality training and consistency of training standards across the fire and rescue services. This is becoming an increasingly essential customer requirement.

The difficult economic conditions are a challenge to us all. It is essential that the College supports its customer base through the hard times by providing more innovative pricing and solutions, better flexibility and more informed product development, as well as through the development of stronger Partnerships. Increasingly, the College delivers training at customers' premises and there is significant interest from our customers in this 'local' delivery approach.

The College continues to have the full and public support of CFOA and I can see the clear benefits to the Fire and Rescue Service, the College, CFOA and other agencies in working closely together to develop and review best practice.

With its unique facilities, 400 acre estate and 600 bedrooms, the College must also play a key role in supporting the delivery of interoperability between all the emergency services, responders and the private sector. It is very clear that the need for agencies to work effectively together is greater than ever. As the largest operational fire training centre in the world, the College is ideally placed to deliver this training, especially through the organisation of major collective training exercises. Multi-agency customers already include public and private sector organisations such as the Ambulance Service, the Police, Prison Service, Highways Agency and Environment Agency, as well as the energy and rail industries. I am therefore keen to explore all options for increased utilization of the College's large estate to provide training services to other organisations and for the College to play a major role in supporting resilience at the 2012 Olympics. We also intend to increase the volume of conferences and events that we currently facilitate especially for the UK Fire and Rescue Service.

The College is an exciting place to work and is changing at pace. I am confident that it will continue to play a pivotal role in the delivery of training in the future.

**Kim Robinson**
Chief Executive

Our expertise in delivering multi-agency exercises, combined with our unique facilities, is fundamental to developing interoperability within the wider national resilience requirement.

# Management Commentary
(Business)

## Our People

The College is an important employer in the local economy, employing today 237 people, many from the local community.

All our staff, whether they are our highly qualified civilian trainers or the uniformed firefighters on our instructional delivery staff on loan from the UK Fire and Rescue Services, or our business teams are committed to the important role that they play in 'saving lives'. With over 130 years experience amongst our delivery team leaders, they are ideally placed to help us develop and train students from the UK Fire and Rescue Service, other UK emergency response agencies, private sector companies and foreign governments.

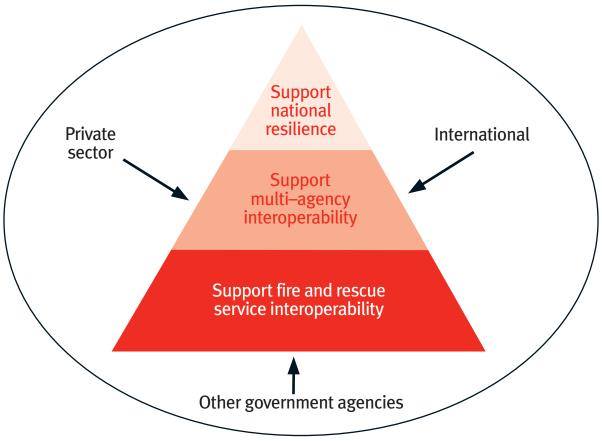
We were delighted when the training which we deliver was recognised for the second year running when we won a 'National Training Award' in 2009 for our Hazardous Materials course.

The College does not discriminate on the grounds of age, sex, ethnic origin, religious or philosophical belief, sexual orientation, trade union membership or disability. We follow the principle of fair and open competition in our recruitment campaigns, ensuring compliance with the requirements of the Civil Service Commissioners.

## Growth Strategy

The College is determined to grow its market share and has a development plan to support this growth.

In 2009/2010 the majority of our income stream was from the UK Fire and Rescue Service which reinforces our position as the preferred training supplier for this market. It is a position that we will continue to focus on closely as we move forward in 2010, providing training at all levels. Whilst ensuring that we retain our public service ethos and that the UK Fire and Rescue Service has the core skills to meet the challenges of the 21st Century, the College will continue to commercialise and grow its business from other market sectors, working increasingly in Partnerships with others. Our purpose is shown diagrammatically below:




## Corporate Responsibility

We are committed to doing business responsibly. We are very conscious of the impact we have on the people we deal with, the environment we operate in and society as a whole.

To put our business principles into practice, we must deliver on our responsibilities to:

- Our customers, by listening to their views, treating them fairly, and offering the products and guidance that help them make decisions appropriate to their needs.
- Our colleagues, by dealing openly and honestly with employees, supporting them in day-to-day activities and through times of change.
- Our communities through the time invested in local charities by our people.
- The environment – especially climate change, by reducing waste and energy usage, and addressing transport and fleet impacts.

Minimising the impact of our business activities on the environment is one of our business plan objectives and, along with health and safety, is a key consideration in both our strategic and day to day decision making. In 2010/2011 we will be undertaking an extensive programme of energy efficiency improvements across the site with a particular emphasis on energy efficient lighting and improved heating controls.

The College continues to play an important role in supporting the local economy being the largest single employer in the North Cotswolds and through purchasing of goods and services. During the year we have actively consulted with the community on our Outline Planning Application for large scale residential development on College land that is under-utilised.

This year, the College has reported no protected personal data related incidents to the Information Commissioner's Office and has been the subject of no other protected personal data related incidents. The College's policies and procedures for such incidents are compliant with the mandatory standards laid down by Government and continue to be the subject of review to ensure ongoing compliance.

### Our Roots

On 14 June 1966, it was announced that the Fire Service Technical College would be established on the site of the Home Office Training Centre at Moreton-in-Marsh. In 1981, the Fire Service Staff College in Dorking closed with some instructors transferring to the technical college which was subsequently renamed the Fire Service College. Since then the College has evolved to become the leading light in operational fire and rescue training.

## The Fire Service College Management Board

College operations are overseen by the Fire Service College Management Board which consists of five Executive Directors, including the Chief Executive, three Non-Executive Directors and an Operational Adviser from the Fire and Rescue Service. One of the non-executive appointments acts as Chair. The Head of Human Resources also attends each meeting.

The work of the Management Board continues to be underpinned by important contributions from the College's Audit Committee, Capital Expenditure Board and the Health and Safety Steering Committee.

In partnership with the Department for Communities & Local Government (CLG), the College initiated the Building the Future FSC (BFFSC) Project in 2008/2009 which set the following overarching objectives:

> To establish a national Fire and Rescue Service training function which meets current and future policy requirements, delivers training required at a national level which the Fire and Rescue Service want and can afford, and which is financially sustainable to CLG and the Fire and Rescue Service in the long term.

An internal change management programme is now underway to re-align College operations to fully meet its obligations as a Trading Fund.

## Our Management board

### Executive Directors

### Kim Robinson
**Chief Executive**

Kim Robinson joined the Fire Service College as the Chief Executive in September 2009 from BAE Systems where he was in Business Development. For the four years prior to BAE, he was the Managing Director of a telecommunications company with a similar turnover to the College, and led the company from a loss making situation to one of significant profit. He has also worked for Thales, the French defence and aerospace company, where he was the Director of a multi-national business unit. Before Thales, Kim served in the British Army for 22 years. He commanded an artillery regiment and led it on operations in Bosnia. He held a number of Ministry of Defence appointments in either the procurement or strategy domain.

### Sally Sheen
**Director of Operations**

Sally joined the College from HM Treasury in July 2006 and is the College lead on all teaching and training delivery, together with course and curriculum development. Sally is a qualified and experienced teacher, educationalist, Human Resources and organisational development professional, with experience of leading change and delivering high performing, customer-focused services. She has previously led learning and organisational transformation within the Treasury and in a range of public services, including the National Health Service, the Housing Corporation and local government.

### Peter Evans
**Director of Finance**

Peter joined the College in January 2005, bringing substantial experience of the Public Sector through his time with the Ministry of Defence, Department of Culture, Media and Sport and Communities and Local Government. Peter has also spent time working in the financial services and manufacturing sectors. His role embraces responsibility for financial management, corporate and business planning, procurement, organisational risk management and governance.

### Ian Stroud
**Director of Estates and Infrastructure Services**

Ian has a wide-ranging remit, including provision of strategic advice and operational management for estates, property, facilities management, health and safety, resources and logistics, leisure centre and incident ground support services. Ian joined the College in October 2004, after a long career in the private sector, working for organisations including National Power, Symonds Facilities Management, Jones Lang LaSalle, Honeywell $FM^2$ and Xansa.

## Non-Executive Directors

### Bill Griffiths
**Non-Executive Chair**

Bill's main job is Chairman of the Forensic Science Service Ltd., a Government owned company providing forensic services, mainly to the Police in England and Wales. His background is in finance and general management, chiefly with Unilever – including spells overseas in Ghana, Nigeria and Cote d'Ivoire – and later with ICI. Bill is a non-executive board member at the Child Maintenance and Enforcement Commission. Additionally, Bill sits on the Department for Work and Pensions Shared Services Board and Audit Committee. He is also a Non-Executive Director at the Department for the Environment, Food and Rural Affairs.

### Bob Evans
**Non-Executive Director**

Bob is a Director at the Serious Fraud Office, but is best known to the Fire Service as the Secretary to the 2002 Fire Service Review (the 'Bain Review'). Since the Review he has had a varied career in local government and the Home Office, but he retains a lively interest in fire service matters. Bob has worked in a variety of public and private sector bodies including the Ministry of Defence, HM Treasury, the Cabinet Office, and IBM. He has also been a member of the diplomatic service and the Financial Services Authority, and has spent three years in Tokyo.

### Martin Bryant
**Non-Executive Director**

Martin currently has a portfolio of interests locally and internationally, including Non-Executive Director of the College. Before starting a portfolio career Martin worked in Whitehall as the Chief Executive of The Shareholder Executive and as Director of Strategy on the Board of the Home Office. Prior to joining the Civil Service Martin worked for two years as Interim Chief Operating Officer for British Petroleum Retail and, for the bulk of his career, with the Boots Company Nottingham in a wide range of roles including Operations Director for Boots the Chemist; and Managing Director for Boots Retail International and Boots Opticians.

### Mark Smitherman
**Operational Adviser**

Mark SMITHERMAN is the Chief Fire Officer of South Yorkshire Fire and Rescue Service and was appointed as Operational Adviser to the Board following the retirement of Chief Fire Officer Barry DIXON.

Sally SHEEN was acting Chief Executive of the College from April to August 2009, when Kim ROBINSON'S permanent appointment was confirmed.
Sue HOPGOOD stepped down as Director of the Centre for Leadership in July 2009.
Neil KINGHAN retired as Non-Executive Chair to the Management Board at the end of August 2009.
Peter EVANS stepped down as Director of Finance in April 2010.

# Management Commentary
(Performance)

## Strategic Objectives

The College's performance is based on the key strategic objectives agreed with the Department for Communities and Local Government (CLG) and Ministers at the beginning of each Financial Year. Four strategic objectives were identified for the 2009/10 Financial Year as follows:

1. Progress towards a sustainable business model by operating on an explicitly commercial basis, achieving a trading surplus of £0.8m, cost reductions of £0.5m and generating capital funds for re-investment through site rationalisation. Demonstrate progression towards sustainability through the payment of a partial dividend of £0.8m to CLG in March 2010. **Not achieved: £1.6m trading deficit reported with no dividend paid to CLG. However, two college houses have been sold in-year generating £434k in funds.**

2. Increase training revenue levels by £2.6m and enhance organisational resilience through the identification of new market segments and the expansion of the current customer base, particularly through the utilisation of unique College assets and products and through the realisation of private sector opportunities. **Not achieved: a £1.1m increase in training revenue reported.**

3. Continue to exceed the expectations of the Fire and Rescue Service customer through the quality of our products, the training delivered and the learning outcomes achieved. Support achievement of this objective through the delivery of ten new products, more competitive pricing and embedding customer focus throughout the organisation. **Exceeded: High levels of customer satisfaction measured (99% which is a 7% increase on the previous year) and 17 new products delivered.**

4. Work in partnership with CLG sponsors (Fire and Rescue Service Development Division) to ensure delivery of the agreed milestones and outcomes from the BFFSC Project and to continue progression towards a Fire Service College and infrastructure that fully meets the expectations of the Fire and Rescue Service. **Achieved: Productive working partnership in place with CLG sponsors on the BFFSC Project and other initiatives.**

## Financial Objectives

The HM Treasury Minute under which the College Trading Fund operates sets two further specific financial targets as follows:

I. To manage the funded operations so that the revenue of the fund:

   a. Consists principally of receipts in respect of goods or services provided in the course of the funded operations. **Achieved: 80% of revenue related to training activities.**

   b. Is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account. **Not achieved: Operating deficit has been reported for the year.**

II. Achieve a return, averaged over the period as a whole, of a minimum of 4% in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed shall consist of the public dividend capital, the long-term element of loans (if any), and reserves. **Not achieved.**

## Key Performance Indicators (KPIs)

KPIs agreed with the sponsorship team for the 2009/2010 Financial Year were as follows:

| KPI Group | KPI | Target | Achievement |
|---|---|---|---|
| Student numbers | Student days delivered | 8% Improvement (target 53,742 student days) | **Achieved** |
| Financial | Fire and Rescue Service Contribution | 27.5% increase in net contribution (to £8.52m) | **Not achieved** |
| | Wider Markets/International Contribution | 35.3% increase in net contribution (to £3.48m) | |
| | Corporate Overheads | Achievement of agreed budget (£12.889m) | **Achieved** |
| Resource Levels (See footnote) | Staff Numbers | Maintained within 5% of agreed Establishment | **Achieved** |
| | Staff Absence (Attendance) | Sickness absence below 3% (7.6 days average) | **Not achieved** |
| | Staff Satisfaction | 75% satisfaction for all questions | **Not achieved (Engagement Index result of 62% achieved)** |
| | Proportion of variable to fixed staff cost | 5% increase in variable cost proportion | **Exceeded (10% achieved)** |

| KPI Group | KPI | Target | Achievement |
|---|---|---|---|
| Resource Utilisation | Utilisation of Training Staff | Delivery activity › 50% of contracted time | **Achieved** |
| | Bedroom Occupancy (Capacity) | Minimum 60% annual occupancy | **Not achieved (54% achieved)** |
| | Bedroom Occupancy (Midweek) | Minimum 75% annual occupancy | **Not achieved (60% achieved)** |
| | Venues | Increase of 5% in utilisation | **Not achieved (2% increase achieved)** |
| Customer Satisfaction | Student/Delegate Satisfaction (Training) | Minimum 90% satisfaction achieved | **Exceeded (99% achieved)** |
| | Student/Delegate Satisfaction (Environment) | Minimum 75% satisfaction achieved | **Exceeded (98% achieved)** |
| | Purchaser Satisfaction | Year 1 measurement only – no target set | **The one-off in-year measurement has been postponed** |
| Profitability | Product Profitability | Average increase of 11% on 2008/2009 margin | **Not achieved** |
| | Sales volumes | Achievement of revenue targets by period | **Not achieved (99% of in-year target achieved)** |
| | Sales forecasting accuracy | Monthly outturn within 5% of projected forecast (monthly) and 10% (quarterly) | **Postponed pending implementation of more appropriate forecasting system (adopted in 2010/2011)** |
| | Product Development Costs (Turnover) | Expenditure not to exceed 1.4% of turnover | **Not achieved** |

Certain Resource Level KPI calculations have been measured in-year based on 220 staff in post at the financial year end. Note 5 to the accounts discloses 237 staff which the average Staff in Post in 2009/2010.

# Accounts 2009–10
Financial Report

# Financial Report
2009/2010

## Financial Results and Appropriations

The trading deficit for the year, before interest and exceptional items, was £1.645m (2008/2009: Deficit £1.891m) representing a negative return of 4.2% (2008/2009: Negative return 3.4%) on the average net assets employed (calculated as the average of total taxpayers equity plus the long-term portion of loans). The negative % return is higher than the previous year due to a lower average net asset value following the asset revaluation deficit in 2009.

The College's parent Department, the Department for Communities and Local Government (CLG), undertook a detailed review of College operations and future sustainability during the previous financial year and has indicated its continuing support for the College to operate as a trading fund at the present site for the foreseeable future.

The sponsor department within CLG has agreed to waive the College dividend payment for the year in the light of the deficit incurred and with regard to the need for the College to retain adequate cash balances for working capital purposes. The College has obtained outline agreement to short term working capital finance from CLG should any liquidity pressure arise in the next twelve months.

### Public Dividend Capital

Part of the capital of the fund as at 1 April 1992 amounting to £16.721m was deemed to be treated as Public Dividend Capital (See note 17).

### Property, Plant and Equipment and Intangible Assets

In accordance with the provisions of International Accounting Standard 16 (IAS16) Property, Plant and Equipment, the College has, where appropriate, divided assets into major components and has depreciated each component over its individual useful economic life. Development costs for new products, which meet the criteria for recognition as intangible assets under International Accounting Standard 38 (IAS 38) Intangible Assets, are capitalised and the expenditure amortised over the period of expected commercial value.

## Financial and Accounting Arrangements

The Secretary of State is the authorised lender to the Fund. The Fire Service College Trading Fund Order 1992 imposes a limit of £15m (excluding the originating loan) on the sums that may be issued to the Fund by way of a loan.

The financial objectives of the Fire Service College are detailed in a Treasury Minute dated 15 January 2004.

## Auditor Details

The College is audited by the Comptroller and Auditor General who is appointed by statute and reports to Parliament. The scope of the audit is set out in the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, published as part of this Annual Report.

The audit fee for the statutory audit undertaken by the Comptroller and Auditor General for the 2009/2010 financial year was £56k. No additional services were provided to the College by the Auditor.

## Audit Information

The Accounting Officer of the Fire Service College, at the date of approval of this Report, confirms that:

- So far as the Accounting Officer is aware there is no relevant audit information of which the Auditor is unaware; and
- The Accounting Officer has taken all the steps that ought to have been taken in order to make himself aware of any relevant audit information and to establish that the Auditor is aware of that information.

## Payments to Suppliers

The College observes the principles of the Better Payment Practice Code on prompt payments. Its policy is to pay all bills not in dispute within 30 days of receipt of a valid invoice or within the agreed contractual terms if otherwise specified. The Director of Finance monitors bill paying performance and advises the Chief Executive. In 2009/2010 99.6% (2008/2009: 98.6%) of invoices were paid within 30 days of receipt.

## Future Look/Challenges and Opportunities

Within the context of its public service ethos and its core task of ensuring that the UK Fire and Rescue Service has the skills it needs to meet the challenges of the 21st century, the Fire Service College is striving to achieve financial sustainability and improved commercialisation in a challenging economic environment. The Fire Service College has identified the following strategic objectives in its 2010/2011 Business Plan:

- Position the Fire Service College as the forward thinking, innovative, responsive, national training school for safety critical Operational, Leadership and Command training and Professional Development.
- In partnership with other training bodies involved in this sector, gradually position the Fire Service College to deliver training and exercises across the blue light services, from high level strategic planning to hands-on operational training in order to improve interoperability between the Emergency Services, other agencies and wider local authorities and resilience forums.
- Expand the Fire Service College's already significant foothold in training provision to support national and international Government and Private Sector resilience, especially in the areas of Incident Command, Urban Search and Rescue and multi-agency interoperability.
- Grow the International markets (especially in Europe and the European Union), other Governmental Agencies and Private Sector markets while improving delivery to these sectors enabling overheads to be spread over a wider customer base.

## Summary of 5 year results

| Year Ending | Note | 31 March 2010 £000s | 31 March 2009 (Restated) £000s | 31 March 2008 £000s | 31 March 2007 £000s | 31 March 2006 £000s |
|---|---|---|---|---|---|---|
| *Revenue Sources* | | | | | | |
| Training | | 17,405 | 16,261 | 12,901 | 13,786 | 13,476 |
| IPDS/NADC Development | 1 | – | 10 | 805 | 861 | 1,633 |
| Other Income | | 4,322 | 5,308 | 8,908 | 7,948 | 7,271 |
| **Total Revenue** | | **21,727** | **21,579** | **22,614** | **22,595** | **22,380** |
| *Operating Costs* | | | | | | |
| Staff Costs | 2 | 11,168 | 11,123 | 10,533 | 11,078 | 10,756 |
| Depreciation and other asset costs | 3 | 3,759 | 2,753 | 3,225 | 2,752 | 2,712 |
| Other Costs including net finance costs | | 8,830 | 9,918 | 9,781 | 9,521 | 10,068 |
| **Total Operating Costs** | | **23,757** | **23,794** | **23,539** | **23,351** | **23,536** |
| Net deficit for the year | | (2,030) | (2,215) | (925) | (756) | (1,156) |
| Exceptional Expenditure | | – | (12,264) | – | – | (700) |
| **Deficit for the year after exceptional expenditure** | | **(2,030)** | **(14,479)** | **(925)** | **(756)** | **(1,856)** |
| *Costs as a percentage of revenue* | | | | | | |
| Staff Costs | | 51% | 52% | 47% | 49% | 48% |
| Depreciation and other asset costs | 3 | 17% | 13% | 14% | 12% | 12% |
| Other Costs | | 41% | 46% | 43% | 42% | 45% |
| Total | | 111% | 110% | 104% | 103% | 105% |
| **Property, plant and equipment and intangible assets** | | **37,367** | **40,713** | **67,743** | **64,589** | **60,134** |
| Investment in property, plant and equipment and intangible assets | | 1,048 | 1,084 | 2,304 | 2,713 | 2,008 |
| Increase/(decrease) in cash and cash equivalents | | 178 | (1,032) | (1,431) | (848) | (889) |
| Staff Numbers | 4 | 237 | 244 | 260 | 273 | 309 |
| Average Staff Cost | | 47 | 46 | 41 | 41 | 35 |

### Notes

1. IPDS Integrated Personal Development System
   NADC National Assessment and Development Centre
2. Staff costs exclude the costs of staff working on product development
3. Depreciation and other asset costs include depreciation of property, plant and equipment, amortisation of intangible assets, surpluses and losses on revaluation of property, plant and equipment and intangible assets and surpluses and losses on disposal of property, plant and equipment.
4. Staff numbers represent average Full-Time Equivalents (FTEs) employed during the year and exclude staff working on product development – see Note 5.
5. The amounts for 2009 and 2010 are presented under International Financial Reporting Standards (IFRS) while the previous three years are stated under UK Generally Accepted Accounting Practice (UK GAAP).

**Kim Robinson**
Chief Executive
19 July 2010

## Statement of Trading Fund's and Accounting Officer's Responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973 HM Treasury has directed the Fire Service College to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction applicable to all Trading Funds issued by HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the College's statement of financial position at the year end and of its revenue and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and to disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis.

The accounts for the 2009/2010 financial year have been prepared, for the first-time, in accordance with International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context by HM Treasury. Details of the impact of the change to IFRS are disclosed in Note 2 to the financial statements and, where necessary, the prior period amounts have been restated.

The Secretary of State appoints the Chief Executive for the College in accordance with the Framework Document.

HM Treasury has subsequently appointed the Chief Executive as the Accounting Officer for the Fire Service College. His relevant responsibilities as Trading Fund Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the College's assets are set out in "Managing Public Money" issued by HM Treasury.

The responsibilities for the operation of the Trading Fund are contained in the Framework Document and in the "*Guide to the Establishment and Operation of Trading Funds*" published by HM Treasury in May 2004. Chapter 13 of the latter document deals specifically with accountability.

## The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of The Fire Service College for the year ended 31st March 2010 under the Government Trading Funds Act 1973. These comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes.

These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective Responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Trading Fund's and Accounting Officer's responsibilities the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Fire Service College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Fire Service College; and the overall presentation of the financial statements.

In addition I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial statements conform to the authorities which govern them.

### Opinion on the Financial Statements

In my opinion:

- The financial statements give a true and fair view of the state of the Fire Service College's affairs as at 31 March 2010 and of the deficit, changes in taxpayers equity and cash flows for the year then ended; and

- The financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

## Opinion on Other Matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- The information given in the Annual Report comprising the Introduction, the Chief Executive's Foreword, the Management Commentary, the Financial Report and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I Report by Exception

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; or
- The financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Amyas CE Morse**
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 22 July 2010

## Income Statement

For the Year ended 31 March 2010

| | Note | 31 March 2010 £000s | 31 March 2009 (As restated) £000s |
|---|---|---|---|
| **Revenue** | | | |
| Income from Activities | | 17,405 | 16,271 |
| Other income | | 4,322 | 5,308 |
| | 3 | 21,727 | 21,579 |
| Cost of Sales | | (11,098) | (11,069) |
| **Gross Surplus** | | 10,629 | 10,510 |
| Administrative expenses | | (12,274) | (12,401) |
| **Trading deficit for the year** | | (1,645) | (1,891) |
| | | | |
| Exceptional item | 10 | – | (12,264) |
| **Net deficit for the year** | 4 | (1,645) | (14,155) |
| | | | |
| Interest receivable | 6 | 1 | 62 |
| Interest payable | 7 | (386) | (386) |
| **Net deficit for the year after interest and exceptional item** | | (2,030) | (14,479) |

All operations are classed as continuing; there were no acquisitions or disposals during the year.

Relevant accounting policies and explanatory notes forming part of the accounts appear on pages 26 to 49 of this report.

## Statement of Changes in Taxpayers' Equity

For the Year ended 31 March 2010

| | Public Dividend Capital £000s | Revaluation Reserve £000s | Retained Earnings/ (Accumulated Deficit) £000s | Government Grant Reserve £000s | Total Taxpayers Equity £000s |
|---|---|---|---|---|---|
| **Balance at 31 March 2008** | | | | | |
| As previously reported | 16,721 | 28,722 | 4,780 | - | 50,223 |
| Prior year adjustments | | | | | |
| – UK GAAP prior year | – | – | – | 14,835 | 14,835 |
| – First-time adoption of IFRS | – | (2,431) | (169) | 2,431 | (169) |
| ***Balance at 31 March 2008 as restated*** | 16,721 | 26,291 | 4,611 | 17,266 | 64,889 |
| | | | | | |
| **Changes in Taxpayers' Equity 2008-09** | | | | | |
| (Loss)/surplus on revaluation of property, plant and equipment | – | (13,739) | – | 643 | (13,096) |
| Realised depreciation | – | (730) | 831 | (101) | – |
| Government grant amortisation | – | – | – | (1,530) | (1,530) |
| Net deficit for the year | – | – | (14,479) | – | (14,479) |
| ***Total recognised revenue and expenses for 2008-09*** | – | (14,469) | (13,648) | (988) | (29,105) |
| | | | | | |
| **Balance at 31 March 2009 (IFRS restated balance)** | 16,721 | 11,822 | (9,037) | 16,278 | 35,784 |
| | | | | | |
| **Changes in Taxpayers' Equity 2009-10** | | | | | |
| Loss on revaluation of property, plant and equipment | – | (181) | – | (54) | (235) |
| Surplus on revaluation of intangible assets | – | 33 | – | – | 33 |
| Realised depreciation | – | (279) | 342 | (63) | – |
| Capital Grants received | – | – | – | 322 | 322 |
| Government grant amortisation | – | – | – | (980) | (980) |
| Net deficit for the year | – | – | (2,030) | – | (2,030) |
| ***Total recognised revenue and expenses for 2009-10*** | – | (427) | (1,688) | (775) | (2,890) |
| | | | | | |
| **Balance at 31 March 2010** | 16,721 | 11,395 | (10,725) | 15,503 | 32,894 |

## Statement of Financial Position
*as at 31 March 2010*

| | | 2010 | | 2009 (As restated) | | 2008 (As restated) | |
|---|---|---|---|---|---|---|---|
| | Note | £000s | £000s | £000s | £000s | £000s | £000s |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 8 | 36,283 | | 39,827 | | 67,137 | |
| Intangible assets | 9 | 1,084 | | 886 | | 606 | |
| ***Total non-current assets*** | | | 37,367 | | 40,713 | | 67,743 |
| **Current assets** | | | | | | | |
| Inventories | 11 | 32 | | 56 | | 93 | |
| Trade and other receivables | 12 | 5,355 | | 5,838 | | 6,306 | |
| Cash and cash equivalents | 13 | 1,289 | | 1,111 | | 2,143 | |
| ***Total current assets*** | | | 6,676 | | 7,005 | | 8,542 |
| **Total Assets** | | | 44,043 | | 47,718 | | 76,285 |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 14 | 6,214 | | 7,018 | | 6,333 | |
| Provisions | 16 | 405 | | – | | – | |
| ***Total current liabilities*** | | | 6,619 | | 7,018 | | 6,333 |
| **Total assets less current liabilities** | | | 37,424 | | 40,700 | | 69,952 |
| **Non-current liabilities** | | | | | | | |
| Provisions | 16 | – | | 350 | | 110 | |
| Long-term Government loans | 15 | 4,530 | | 4,566 | | 4,599 | |
| Other payables | | – | | – | | 354 | |
| ***Total non-current liabilities*** | | | 4,530 | | 4,916 | | 5,063 |
| **NET ASSETS** | | | 32,894 | | 35,784 | | 64,889 |
| **Taxpayers' Equity** | | | | | | | |
| Public Dividend capital | 17 | | 16,721 | | 16,721 | | 16,721 |
| Revaluation Reserve | | | 11,395 | | 11,822 | | 26,291 |
| (Accumulated Deficit)/Retained Earnings | | | (10,725) | | (9,037) | | 4,611 |
| Government Grant Reserve | | | 15,503 | | 16,278 | | 17,266 |
| **TOTAL TAXPAYERS' EQUITY** | | | 32,894 | | 35,784 | | 64,889 |

The notes on pages 26 to 49 form part of these accounts

**Kim Robinson**
Chief Executive
19 July 2010

## Statement of Cash Flows

### *for the year ended 31 March 2010*

| | Note | 31 March 2010 £000s | 31 March 2009 (As restated) £000s |
|---|---|---|---|
| ***Net cash inflow from operating activities*** | 18.1 | 505 | 82 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (599) | (565) |
| Purchase of intangible assets | | (449) | (519) |
| Proceeds from disposal of property, plant and equipment | | 433 | – |
| ***Net cash outflow from investing activities*** | | (615) | (1,084) |
| | | | |
| **Cash flows from financing activities** | | | |
| Capital grants received | | 322 | – |
| Repayment of short and long term government loans | | (34) | (30) |
| ***Net cash inflow/(outflow) from investing activities*** | | 288 | (30) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | 18.2 | 178 | (1,032) |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | | 1,111 | 2,143 |
| | | | |
| **Cash and cash equivalents at the end of the year** | | 1,289 | 1,111 |

## 1. Accounting Policies

These financial statements have been prepared in accordance with the 2009/2010 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the College for the purpose of giving a true and fair view has been selected. The particular policies adopted by the College are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The financial statements are presented in sterling rounded to the nearest thousand. Where the narrative in the notes to the accounts refer to amounts these are reflected in millions (m) or thousands (k).

### a. Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

### b. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the College's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the College's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Valuation of property, plant and equipment (See accounting policy (c) below and Note 8)
- Recognition criteria for intangible assets (See accounting policy (d) below and Note 9)

*Key sources of estimation uncertainty*

The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year:

- Useful lives of items of property, plant and equipment for depreciation calculations (See accounting policy (c) below and Note 8)
- Useful lives of intangible assets and amortisation (See accounting policy (d) below and Note 9)

- Provisions for doubtful receivables (See Note 12)
- Liability provisions (See Note 16)

### c. Property, Plant and Equipment

Land is valued on the basis of purchasing a notional replacement site in the same locality, equally suitable for the existing use. Staff houses on site are revalued at open market value. All other freehold buildings, site infrastructure and Fireground facilities are valued at the depreciated replacement cost of their major component parts.

Assets valued on the basis of depreciated replacement cost are professionally valued every five years, with interim valuations in year three if there is reason to believe that the replacement cost of an asset will have substantially changed. Indexation adjustments will be applied in the intervening years.

Increases in value arising from revaluation are credited to the revaluation reserve except when it reverses a revaluation decrease for the same asset which was previously recognised in the income statement, in which case it is credited to the income statement to the extent of the decrease previously charged there.

A revaluation decrease is debited to the revaluation reserve to the extent that there is a balance on the reserve for that asset and thereafter to the income statement.

Vehicles, fixtures and fittings, computer equipment and software are included at current cost.

Depreciation is provided on property, plant and equipment, other than freehold land and staff housing, at rates estimated to write off the valuation of each asset evenly over its expected useful economic life. These rates are as follows:

| | |
|---|---|
| Freehold buildings and dwellings | 10-50 years |
| Fireground facilities | 5-50 years |
| Site infrastructure | 15-100 years |
| Vehicles | 3-15 years |
| Fixtures and fittings | 1-15 years |
| Computer equipment | 1-15 years |

### d. Intangible Assets

Intangible assets are non-monetary assets without physical substance which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the College and where the cost of the asset can be measured reliably.

Material product development costs with a reasonable expectation of commercial exploitation are capitalised as Intangible Assets provided all of the following have been demonstrated:

- The technical feasibility of developing the product so that it will be available for use;
- The intention to complete the intangible asset and use it;

- The ability to sell or use the intangible asset;
- How the intangible asset will generate probable future economic benefits or service potential;
- The availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost, indexed for relevant price increases, as a proxy for fair value.

### e. Impairment

At each statement of financial position date the College checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is an indication of an impairment loss the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss the asset is written down to its recoverable amount with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the irrecoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the income statement to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### f. Inventories

Inventories are stated at the lower of cost and net realisable value.

### g. Retirement Benefit Costs

Employees of the College are members of the Principal Civil Service Pension Scheme which is an unfunded multi-employer defined benefit scheme in which the employer's share of the underlying assets and liabilities is not identified. Accordingly the Scheme is accounted for as if it were a defined contribution plan where the cost of the College's participation in the scheme is equal to the employer contributions payable to the Scheme for the accounting period.

### h. Research and Development

Research and minor development expenditure is written off in the year in which it is incurred.

### i. Insurance

The College insures its trading activities by the purchase of policies for professional indemnity insurance, pre-school health and injury insurance for the workplace nursery, and travel insurance. Apart from these, the College effects no external insurance, exercising instead Crown indemnity. The cost of repairs, claims for damages and the book value of assets destroyed are charged to the income statement as they occur.

In the event of a material loss occurring, the Fire Service College will consult the Secretary of State about the action to be taken.

### j. Going Concern

The College has incurred a deficit for the year but is budgeting to generate a surplus of £1m in the year to 31 March 2011. The College has obtained outline agreement to short term working capital finance from CLG should any liquidity pressure arise in the next twelve months. The Business Plan for the year provides for additional revenue generation and cost reduction measures which will underpin trading in surplus for 2010/2011 and beyond. Accordingly, the College's accounts have been prepared on the going concern basis.

### k. Leases

Leases are classified as finance leases when substantially all of the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

### l. Capital Grants

Capital Government grants are recognised when there is reasonable assurance that the College will comply with the conditions attached and that the grant will be received. On initial recognition capital grants are credited to the Government Grant Reserve and included in taxpayer's equity. Subsequent to initial recognition, grants are amortised over the life of the assets funded by the grants and included in other income in the income statement. Increases or decreases in the value of the assets arising from revaluation or impairment are taken to the Government Grant Reserve.

### m. Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

### n. Provisions

Provisions are recognised where the College has a present legal or constructive obligation as a result of a past event, it is probable that the College will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where material the cash flows expected to meet the obligations are discounted to present values using an appropriate discount rate.

### o. Financial Instruments

Financial assets are recognised on the statement of financial position when the College becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered.

Financial assets of the College consist of short-term receivables and cash and bank balances which are classified as loans and receivables. Financial assets are initially recognised at fair value and subsequently at amortised cost less any impairment.

Financial liabilities are recognised on the statement of financial position when the College becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities of the College consist of short-term trade payables and long-term interest-bearing Government loans which are classified as financial liabilities at amortised cost and included on the Statement of Financial Position under current and non-current liabilities. Financial liabilities are initially recognised at fair value and thereafter at amortised cost.

### p. Value Added Tax (VAT)

Where the College charges VAT the amounts included in revenue are stated net of VAT. Where the College is able to claim input VAT the relevant expense accounts are reflected net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised cost of property, plant and equipment. The College is entitled to claim input tax on partial exemption with regard to irrecoverable input tax on exempt supplies and this is credited to other income.

### q. Foreign Exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the statement of financial position. Any differences arising are taken to the income statement.

### r. Revenue

Revenue is shown net of VAT and comprises income from course attendances, use of College facilities and sundry services. It represents the value of services provided from the ordinary activities of the business during the year. The College recognises revenue when and, to the extent that, it obtains the right to consideration in return for performance. Where a course has only been partially completed at the date of the statement of financial position, revenue represents the value of the service provided to date, based on the proportion of the course delivered. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of trade and other payables due within one year.

### s. Public Dividend Capital

Public Dividend Capital represents taxpayers' equity in the College. At any time the Secretary of State can issue new Public Dividend Capital to, and require repayments of, Public Dividend Capital from the College. Public Dividend Capital is recorded at the value received. As Public Dividend Capital is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

### t. Cash Management

The College's policy is to maintain liquid resources in interest-bearing commercial bank accounts, or on money market deposits, in accounts which are repayable on demand or at short notice.

### u. Accounting Standards Issued that have been Adopted Early

The College has not adopted any new accounting standards or interpretations prior to their effective date.

### v. Accounting Standards that have been Issued but have not yet been Adopted

A number of new or amended accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB) which are only applicable with effect from the 2010/2011 financial year and later.

The following are the standards and interpretations which apply to the College, however, the impact of these standards are not expected to have a material impact on the College's financial statements:

*New Standards*

IFRS 9 Financial Instruments-effective date 1 January 2013

*Existing Standards Amended*

IAS 24 Related Party Disclosures-effective date 1 January 2011
IAS 7 Statement of Cash Flows-effective date 1 January 2010
IAS 38 Intangible Assets-effective date 1 July 2009
IFRS 8 Operating Segments-effective date 1 January 2010

## 2. First-time Adoption of IFRS

| | Public Dividend Capital £000s | Revaluation Reserve £000s | Retained Earnings/ (Accumulated Deficit) £000s | Government Grant Reserve £000s | Total £000s |
|---|---|---|---|---|---|
| **Taxpayers' equity at 31 March 2008 under UK GAAP** | 16,721 | 28,722 | 4,780 | – | 50,223 |
| ***UK GAAP adjustments*** | | | | | |
| Transfers from deferred income to grant reserve | | | | | |
| From long-term liabilities | – | – | – | 13,587 | 13,587 |
| From current liabilities | – | – | – | 1,248 | 1,248 |
| ***IFRS adjustments*** | | | | | |
| Transfers from revaluation reserve for grant funded assets | – | (2,431) | – | 2,431 | – |
| Creation of leave pay accrual | – | – | (169) | – | (169) |
| | – | (2,431) | (169) | 17,266 | 14,666 |
| **Taxpayers' equity at 31 March 2008 under IFRS** | 16,721 | 26,291 | 4,611 | 17,266 | 64,889 |
| **Taxpayers' equity at 31 March 2009 under UK GAAP** | 16,721 | 14,795 | (8,913) | 13,305 | 35,908 |
| ***IFRS adjustments*** | | | | | |
| Transfers from revaluation reserve for grant funded assets | – | (3,074) | – | 3,074 | – |
| Realised depreciation unwind | – | 101 | – | (101) | – |
| Creation of leave pay accrual | – | – | (124) | – | (124) |
| | – | (2,973) | (124) | 2,973 | (124) |
| **Taxpayers' equity at 31 March 2009 under IFRS** | 16,721 | 11,822 | (9,037) | 16,278 | 35,784 |

| | 2009 £000s |
|---|---|
| Net deficit for the 2008-09 year under UK GAAP | (14,525) |
| Adjustments for: | |
| Movement in leave pay accrual | 46 |
| Net deficit for the 2008-09 year under IFRS | (14,479) |

## 3. Revenue Analysis and Segmental Reporting

### 3.1 Analysis of Revenue by Customer Type

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 £000s |
|---|---|---|
| UK Fire and Rescue Services | 10,868 | 10,122 |
| CLG | 591 | 1,783 |
| Other public sector | 2,863 | 3,514 |
| Total Public Sector Income | 14,322 | 15,419 |
| | | |
| UK private sector | 3,846 | 1,906 |
| Overseas customers | 3,479 | 4,170 |
| Individuals | 80 | 84 |
| Total Private Sector Income | 7,405 | 6,160 |
| | | |
| **Total Revenue** | 21,727 | 21,579 |

### 3.2 Analysis of Trading Deficit for the Year by Segment

| | Year ended 31 March 2010 | | | | Year ended 31 March 2009 (As restated) | | | |
|---|---|---|---|---|---|---|---|---|
| | Revenue | Direct Costs | Attributable Costs | Surplus/ (Deficit) | Revenue | Direct Costs | Attributable Costs | Surplus/ (Deficit) |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Training & facilities | 17,405 | 14,364 | 4,871 | (1,830) | 16,261 | 13,990 | 4,307 | (2,036) |
| IPDS & NADC | – | 73 | – | (73) | 10 | 121 | 20 | (131) |
| Learning and Development Strategy (LDS) | 359 | 776 | 345 | (762) | 909 | 1,326 | 543 | (960) |
| Other income | 3,963 | 2,340 | 603 | 1,020 | 4,399 | 2,642 | 521 | 1,236 |
| | 21,727 | 17,553 | 5,819 | (1,645) | 21,579 | 18,079 | 5,391 | (1,891) |

Segmental analysis of net assets has not been disclosed as net assets are not allocated by class of business.

The financial objective for the Fire Service College is given at Note 26.

## 4. Net Deficit for the Year

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 £000s |
|---|---|---|
| The net deficit for the year is stated after charging/(crediting) the following: | | |
| | | |
| Rental income | (342) | (250) |
| Rentals under operating leases | 4 | 15 |
| External audit fee* | | |
| – Audit of financial statements | 56 | 52 |
| – Audit of IFRS transition | – | 6 |
| Travel, subsistence and hospitality | 334 | 373 |
| Board members' remuneration | 433 | 539 |
| Exceptional item-loss on revaluation of property, plant and equipment | – | 12,264 |
| | | |
| ***Non-cash items:*** | | |
| Depreciation of property, plant and equipment | 3,009 | 2,510 |
| Amortisation of intangible assets | 284 | 243 |
| Amortisation of capital grant | (980) | (1,530) |
| Surplus on disposal of property, plant and equipment | (107) | – |
| Loss on disposal of property, plant and equipment | 501 | – |

*The external audit fee is the fee for the National Audit Office's annual certification of the College's financial statements. There was no remuneration due for non-audit work in the current and previous years.

# 5. Staff Numbers and Related Costs

## 5.1 Staff Costs

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 (As restated) £000s |
|---|---|---|
| Wages and salaries | 5,082 | 5,834 |
| Social security costs | 376 | 379 |
| Superannuation costs | 951 | 980 |
| Seconded staff | 2,418 | 2,410 |
| Agency staff and visiting lecturers | 2,642 | 1,900 |
| | 11,469 | 11,503 |
| Less: Capitalised staff costs | (301) | (380) |
| | 11,168 | 11,123 |

The employees of the Fire Service College are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, in which the employer's share of the underlying assets and liabilities is not identified. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The seconded officers are members of the Firemen's Pension Scheme 1992. This is a multi-employer unfunded defined benefit scheme and is administered as separate local schemes by the Fire Authorities. The overall cost of funding the scheme was assessed by Government actuaries in 1991 as 37.5% of earnings, of which the seconded officer contributes 11% of earnings. Based on transfer values paid in the years ended 31 March 2007 and 2008, the College has assessed the cost of funding at 27% of earnings as a result of which £284k was charged to the Income Statement (2008-09 £379k) for payment to local authorities at the end of secondments.

The total amount charged to the income statement in respect of pension contributions is as follows:

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 £000s |
|---|---|---|
| Civil Service contributions | 951 | 980 |
| Seconded staff contributions | 284 | 379 |
| Charge for year | 1,235 | 1,359 |

## 5.2 Average Number of Persons Employed

| | Year ended 31 March 2010 | | Year ended 31 March 2009 | |
|---|---|---|---|---|
| | Average FTE | Average Number | Average FTE | Average Number |
| Senior Management staff | 6 | 8 | 6 | 10 |
| Teaching staff | 85 | 85 | 89 | 94 |
| Non Teaching direct, safety and support staff | 70 | 73 | 69 | 77 |
| Administration staff | 78 | 83 | 84 | 93 |
| | 239 | 249 | 248 | 274 |
| | | | | |
| Civil Service staff | 173 | 180 | 188 | 208 |
| Agency Staff and Visiting Lecturers | 26 | 26 | 18 | 20 |
| Seconded staff | 40 | 40 | 42 | 43 |
| Non-Executive Directors | – | 3 | – | 3 |
| | 239 | 249 | 248 | 274 |
| Less: Average full-time equivalent staff working on product development | (2) | – | (4) | – |
| | 237 | 249 | 244 | 274 |

# 6. Interest Receivable

| | Year ended 31 March 2010 | Year ended 31 March 2009 |
|---|---|---|
| | £000s | £000s |
| Bank interest | 1 | 62 |

# 7. Interest Payable

| | Year ended 31 March 2010 | Year ended 31 March 2009 |
|---|---|---|
| | £000s | £000s |
| Long-term loans | 386 | 386 |

## 8. Property, Plant and Equipment

| | Dwellings | Buildings | Freehold Land | Site Infrastructure | Fireground Facilities | Computer Equipment | Vehicles, Fixtures & Fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** |
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2009 | 6,614 | 25,718 | 1,890 | 8,458 | 5,297 | 4,520 | 3,888 | 56,385 |
| Reclassifications | 27 | (33) | 6 | – | – | – | – | – |
| Additions | – | 92 | – | 3 | – | 13 | 491 | 599 |
| Disposals | (327) | (276) | – | – | – | – | (453) | (1,056) |
| Revaluations | (71) | (207) | (21) | (58) | (41) | 70 | 21 | (307) |
| **At 31 March 2010** | 6,243 | 25,294 | 1,875 | 8,403 | 5,256 | 4,603 | 3,947 | 55,621 |
| | | | | | | | | |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 April 2009 | – | 6,972 | – | 3,271 | 1,638 | 2,293 | 2,384 | 16,558 |
| Depreciation charge for the year | – | 1,062 | – | 492 | 229 | 806 | 420 | 3,009 |
| Disposals | – | (46) | – | – | – | – | (183) | (229) |
| **At 31 March 2010** | – | 7,988 | – | 3,763 | 1,867 | 3,099 | 2,621 | 19,338 |
| | | | | | | | | |
| **Net Book Value at 31 March 2010** | **6,243** | **17,306** | **1,875** | **4,640** | **3,389** | **1,504** | **1,326** | **36,283** |
| | | | | | | | | |
| **Asset Financing:** | | | | | | | | |
| Owned | 6,243 | 17,306 | 1,875 | 4,640 | 3,389 | 1,504 | 1,326 | 36,283 |
| Finance leased | – | – | – | – | – | – | – | – |
| **Net Book Value at 31 March 2010** | **6,243** | **17,306** | **1,875** | **4,640** | **3,389** | **1,504** | **1,326** | **36,283** |

## 8. Property, Plant and Equipment (continued)

| | Dwellings | Buildings | Freehold Land | Site Infrastructure | Fireground Facilities | Computer Equipment | Vehicles, Fixtures & Fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2008 | 5,980 | 47,113 | 7,000 | 9,555 | 13,680 | 2,888 | 4,662 | 90,878 |
| Additions | – | 16 | – | 13 | 30 | 442 | 64 | 565 |
| Revaluations | 634 | (21,411) | (5,110) | (1,110) | (8,413) | 1,190 | (838) | (35,058) |
| **At 31 March 2009** | 6,614 | 25,718 | 1,890 | 8,458 | 5,297 | 4,520 | 3,888 | 56,385 |
| | | | | | | | | |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 April 2008 | 33 | 12,641 | – | 2,464 | 4,272 | 1,668 | 2,663 | 23,741 |
| Depreciation charge for the year | – | 989 | – | 645 | 213 | 360 | 303 | 2,510 |
| Revaluations | (33) | (6,658) | – | 162 | (2,847) | 265 | (582) | (9,693) |
| **At 31 March 2009** | – | 6,972 | – | 3,271 | 1,638 | 2,293 | 2,384 | 16,558 |
| | | | | | | | | |
| **Net Book Value at 31 March 2009** | **6,614** | **18,746** | **1,890** | **5,187** | **3,659** | **2,227** | **1,504** | **39,827** |
| **Asset Financing:** | | | | | | | | |
| Owned | 6,614 | 18,746 | 1,890 | 5,187 | 3,659 | 2,227 | 1,504 | 39,827 |
| Finance leased | – | – | – | – | – | – | – | – |
| **Net Book Value at 31 March 2009** | **6,614** | **18,746** | **1,890** | **5,187** | **3,659** | **2,227** | **1,504** | **39,827** |
| | | | | | | | | |
| **Net Book Value at 31 March 2008** | **5,947** | **34,472** | **7,000** | **7,091** | **9,408** | **1,220** | **1,999** | **67,137** |
| | | | | | | | | |
| **Asset Financing:** | | | | | | | | |
| Owned | 5,947 | 34,472 | 7,000 | 7,091 | 9,408 | 1,220 | 1,999 | 67,137 |
| Financed leased | – | – | – | – | – | – | – | – |
| **Net Book Value at 31 March 2008** | **5,947** | **34,472** | **7,000** | **7,091** | **9,408** | **1,220** | **1,999** | **67,137** |

## 8. Property, Plant and Equipment (continued)

Land is valued on the basis of purchasing a notional replacement site in the same locality, equally suitable for the existing use. All buildings, structures and site infrastructure were valued at 31 March 2009 on a depreciated replacement cost basis with the exception of staff houses which were valued at open market value. The basis of valuation is in accordance with the appraisal and valuation manual produced by the Royal Institute of Chartered Surveyors (RICS). These values were adjusted by indexation for the 2010 financial year.

The land, buildings, dwellings, site infrastructure and Fireground facilities were revalued by Knight Frank, an independent firm of Chartered Surveyors, as at 31st March 2009. The remainder of the assets were revalued using appropriate indices.

Assets with a cost of £5,811k (2009:£3,727k) have been fully depreciated but remain substantially in use. These sums have been retained in the total asset costs and accumulated depreciation disclosed above.

## 9. Intangible Assets

| | Intangible Assets £000s | Total £000s |
|---|---|---|
| **Cost or Valuation** | | |
| At 1 April 2009 | 1,216 | 1,216 |
| Additions | 449 | 449 |
| Revaluation | 33 | 33 |
| **At 31 March 2010** | 1,698 | 1,698 |
| | | |
| **Accumulated Amortisation** | | |
| At 1 April 2009 | 330 | 330 |
| Amortisation charge for the year | 284 | 284 |
| **At 31 March 2010** | 614 | 614 |
| | | |
| **Net Book Value at 31 March 2010** | 1,084 | 1,084 |
| | | |
| **Cost or Valuation** | | |
| At 1 April 2008 | 697 | 697 |
| Additions | 519 | 519 |
| **At 31 March 2009** | 1,216 | 1,216 |
| | | |
| **Accumulated Amortisation** | | |
| At 1 April 2008 | 91 | 91 |
| Amortisation charge for the year | 243 | 243 |
| Revaluation | (4) | (4) |
| **At 31 March 2009** | 330 | 330 |
| | | |
| **Net Book Value at 31 March 2009** | 886 | 886 |
| | | |
| **Net Book Value as at 31 March 2008** | 606 | 606 |

## 10. Impairments and Revaluation Losses

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 (As restated) £000s |
|---|---|---|
| **Losses on revaluation of property, plant and equipment** | | |
| Representing a reversal of previous revaluation surpluses charged to revaluation reserve | (181) | (13,739) |
| Losses not covered by previous revaluation surpluses charged to income statement: | | |
| – Included in administration expenses | (72) | – |
| – Reflected as an exceptional item | – | (12,264) |
| Losses attributable to grant funded assets charged to grant reserve | (54) | – |
| ***Total losses*** | (307) | (26,003) |
| | | |
| **Gains on revaluation of property, plant and equipment** | | |
| Surpluses attributable to grant funded assets credited to grant reserve | – | 643 |
| | | |
| **Gains on revaluation of intangible assets** | | |
| Gains credited to revaluation reserve | 33 | – |
| ***Total gains*** | 33 | 643 |
| | | |
| **Total revaluation and impairment losses** | (274) | (25,360) |

## 11. Inventories

| | 31 March 2010 £000s | 31 March 2009 £000s | 31 March 2008 £000s |
|---|---|---|---|
| Consumables | 32 | 56 | 93 |

## 12. Trade and Other Receivables

### 12.1 Analysis of Trade and Other Receivables

| | 31 March 2010<br>£000s | 31 March 2009<br>£000s | 31 March 2008<br>£000s |
|---|---|---|---|
| **Amounts Falling Due within One Year:** | | | |
| Trade receivables | 4,042 | 3,778 | 5,339 |
| Less: Provision for doubtful receivables | (478) | (215) | (136) |
| | 3,564 | 3,563 | 5,203 |
| Other receivables | 404 | 454 | 353 |
| Prepayments and accrued income | 1,387 | 1,821 | 750 |
| | 5,355 | 5,838 | 6,306 |
| | | | |
| Included within receivables falling due within one year are the following intra-governmental balances: | | | |
| Central Government | 649 | 486 | 1,750 |
| Local Authorities | 1,740 | 1,647 | 1,244 |
| Public Corporations and Trading funds | 514 | – | 5 |
| | 2,903 | 2,133 | 2,999 |

### 12.2 Receivables Past their Due Date but not impaired

| | 31 March 2010<br>£000s | 31 March 2009<br>£000s | 31 March 2008<br>£000s |
|---|---|---|---|
| By 1 month | 136 | 116 | 595 |
| By 2 months | 503 | 170 | 207 |
| By 3 months | 163 | 100 | 174 |
| By more than 4 months | 430 | 507 | 77 |
| | 1,232 | 893 | 1,053 |

### 12.3 Provision for Impairment of Receivables

| | 31 March 2010<br>£000s | 31 March 2009<br>£000s | 31 March 2008<br>£000s |
|---|---|---|---|
| Balance at 1 April | 215 | 136 | 104 |
| Amount written off during the year | (197) | – | – |
| Increase in receivables impaired | 460 | 79 | 32 |
| **Balance at 31 March** | 478 | 215 | 136 |

## 13. Cash and Cash Equivalents

| | 31 March 2010 £000s | 31 March 2009 £000s | 31 March 2008 £000s |
|---|---|---|---|
| Balance at 1 April | 1,111 | 2,143 | 3,574 |
| Net change in cash and cash equivalent balances | 178 | (1,032) | (1,431) |
| Balance at 31 March | 1,289 | 1,111 | 2,143 |

The College's cash balances are kept in an interest bearing current account with the Lloyds Banking Group.

## 14. Trade and Other Payables

| | 31 March 2010 £000s | 31 March 2009 (As restated) £000s | 31 March 2008 (As restated) £000s |
|---|---|---|---|
| **Amounts falling due within one year** | | | |
| Government loans | 36 | 34 | 31 |
| Trade payables | 2,293 | 2,793 | 2,701 |
| Accruals | 2,649 | 2,839 | 2,407 |
| Deferred income | 1,236 | 1,352 | 1,194 |
| | 6,214 | 7,018 | 6,333 |

Included within payables falling due within one year are the following intra-governmental balances:

| | | | |
|---|---|---|---|
| Central Government | 1,489 | 1,626 | 1,089 |
| Local Authorities | 1,750 | 2,737 | 3,645 |
| Public Corporations and Trading funds | 39 | – | 5 |
| | 3,278 | 4,363 | 4,739 |

## 15. Long-term Government Loans

| | 31 March 2010 £000s | 31 March 2009 £000s | 31 March 2008 £000s |
|---|---|---|---|
| Repayable as follows: | | | |
| Within 1-2 years | 39 | 36 | 70 |
| Within 2-5 years | 137 | 127 | 127 |
| After 5 years | 4,354 | 4,403 | 4,402 |
| | 4,530 | 4,566 | 4,599 |

All loans are unsecured and repayable in instalments of £209k (including interest) paid twice every year. All loans bear rates of interest which are fixed for the full period of the loan. The weighted average period of loans is 42 years and the weighted average interest rate is 8.36% (2008/2009: 8.34%).

Included within payables falling due after more than one year are the following intra-governmental balances:

| | 31 March 2010 £000s | 31 March 2009 £000s | 31 March 2008 £000s |
|---|---|---|---|
| Central Government | 4,530 | 4,566 | 4,599 |

## 16. Provisions

| | Personal Injury Claims £000s | Salary Liabilities £000s | Total £000s |
|---|---|---|---|
| Balance at 1 April 2008 | 110 | – | 110 |
| Provided in the year | – | 250 | 250 |
| Provisions utilised in the year | (10) | – | (10) |
| **Balance at 31 March 2009** | 100 | 250 | 350 |
| Provided in the year | 65 | – | 65 |
| Provisions utilised in the year | (10) | – | (10) |
| **Balance at 31 March 2010** | 155 | 250 | 405 |
| **Analysis of expected timing of cash flows:** | | | |
| By 31 March 2011 | 155 | 250 | 405 |

The provision for personal injury is based on claims initiated against the College. The amount of the provision represents an assessment of the cost to the College based on legal advice. The transfer of economic benefits is expected to take place within the next financial year.

The provision for salary costs is provided against an HM Revenue and Customs assessment relating to contracted staff working overseas on the College's behalf. The transfer of economic benefits is expected to take place within the next financial year.

## 17. Public Dividend Capital

| | 31 March 2010<br>£000s | 31 March 2009<br>£000s | 31 March 2008<br>£000s |
|---|---|---|---|
| Issued pursuant to Government Trading Funds Act 1973 | 16,721 | 16,721 | 16,721 |

No dividend has been declared in view of the deficit for the year (2008–09: nil).

## 18. Notes to the Statement of Cash Flows

### 18.1 Net Cash Inflow from Operating Activities

| | Year ended 31 March 2010<br>£000s | Year ended 31 March 2009 (As restated)<br>£000s |
|---|---|---|
| Net deficit for the year after interest and exceptional items | (2,030) | (14,479) |
| Depreciation of property, plant and equipment | 3,009 | 2,510 |
| Amortisation of intangible assets | 284 | 243 |
| Capital grants amortised in year | (980) | (1,530) |
| Loss on disposal of property, plant and equipment | 501 | – |
| Surplus on disposal of property, plant and equipment | (107) | – |
| Loss on revaluation of property, plant and equipment | 72 | – |
| Movement in deferred income | (116) | 160 |
| Exceptional item-revaluation loss on property, plant and equipment | – | 12,264 |
| Increase in provisions in the year | 55 | 240 |
| Decrease in inventories | 24 | 37 |
| Decrease in trade and other receivables | 482 | 468 |
| Decrease in trade and other payables | (689) | 523 |
| Decrease in long-term trade and other payables | – | (354) |
| | 505 | 82 |

### 18.2 Reconciliation of Net Cash Flow to Movement in Net Debt

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 £000s |
|---|---|---|
| Increase/(decrease) in cash and cash equivalents in the year | 178 | (1,032) |
| Decrease in borrowings | 34 | 30 |
| | 212 | (1,002) |
| Net debt at beginning of year | (3,489) | (2,487) |
| Net debt at end of year | (3,277) | (3,489) |

### 18.3 Analysis of Changes in Net Debt

| | At 31 March 2009 £000s | Cash Flows £000s | Non-Cash Movements £000s | At 31 March 2010 £000s |
|---|---|---|---|---|
| Cash at bank and in hand | 1,111 | 178 | – | 1,289 |
| Debt due within one year | (34) | 34 | (36) | (36) |
| Debt due after one year | (4,566) | – | 36 | (4,530) |
| Total | (3,489) | 212 | – | (3,277) |

## 19. Reconciliation of Movement in Taxpayers' Equity

| | Year ended 31 March 2010 £000s | Year ended 31 March 2009 (As restated) £000s |
|---|---|---|
| Net deficit for the year after interest and exceptional item | (2,030) | (14,479) |
| Revaluation of property, plant and equipment | (235) | (13,096) |
| Revaluation of intangible assets | 33 | – |
| Capital grants received | 322 | – |
| Government Grant amortisation | (980) | (1,530) |
| | (2,890) | (29,105) |
| Taxpayers' equity brought forward at 1 April | 35,784 | 64,889 |
| Taxpayers' equity carried forward at 31 March | 32,894 | 35,784 |

## 20. Analysis of Change in Financing

| | Long Term Loans | | |
|---|---|---|---|
| | Repayable Within One Year | Repayable After One Year | Total |
| | £000s | £000s | £000s |
| At 1 April 2009 | 34 | 4,566 | 4,600 |
| Movement from long term to short term loan | 36 | (36) | – |
| Loans repaid | (34) | – | (34) |
| At 31 March 2010 | 36 | 4,530 | 4,566 |

## 21. Capital Commitments

At 31 March 2010 the College had contractual commitments for capital expenditure in respect of the acquisition of plant and equipment amounting to £744k (2009:Nil) made up as follows:

| | 31 March 2010 | 31 March 2009 |
|---|---|---|
| | £000s | £000s |
| Buildings | 500 | – |
| Computer equipment | 120 | – |
| Vehicles, furniture and equipment | 124 | – |
| | 744 | – |

## 22. Commitments under Leases

### Operating Leases

The College has entered into a number of leases in respect of photocopiers and printers. These have been classified as operating leases and at 31 March 2010 all leases have expired and have been extended on a short-term basis with nominal rentals being paid. The College does not hold any leases in respect of land and buildings.

Total future minimum lease payments under operating leases are as follows:

| | 31 March 2010 | 31 March 2009 |
|---|---|---|
| | £000s | £000s |
| ***Plant and equipment*** | | |
| Less than 1 year | 4 | 4 |
| Between 2 and 5 years | – | – |
| More than 5 years | – | – |
| | 4 | 4 |

## 23. Contingent Liabilities

In the previous year the College had contingent liabilities relating to personal injury and employment claims amounting to approximately £40k. In the current year these claims have been raised as provisions and included in the increase of £65k (See Note 16). The College does not have any contingent liabilities at 31 March 2010.

## 24. Related Party Transactions

As stated in the management commentary, the Fire Service College is an Executive Agency, with Trading Fund status. Responsibility for the College rests with CLG. In the normal course of its business, the College provides fire related training to both the public and private sectors. During the year, the Fire Service College has had a significant number of material transactions with UK Fire Services and with Government Departments including the Scottish Executive, CLG and the Central Police Training and Development Authority.

None of the Management Board members, key management staff or other related parties has undertaken any material transactions with the Fire Service College during the year.

No Directors of the College have recorded in the Register of Interests during the year shareholdings in companies with which the College had business dealings.

Details of transactions and balances with related parties are disclosed in the appropriate notes to the accounts.

## 25. Third Party Assets

The College does not hold any third party assets.

## 26. Trading Fund Objectives

The Secretary of State has determined financial objectives for the Fire Service College Trading Fund. These were confirmed by Treasury Minute dated 15 January 2004.

The financial objective for the Fire Service College is to achieve a return of a minimum of 4% averaged over the period 1 April 2004 to 31 March 2010, in the form of a surplus on ordinary activities before interest and dividends expressed as a percentage of average capital employed.

The trading deficit of £1.645m (2008/2009: £1.891m) represents a negative return on the average net assets employed of 4.2% (2008/2009: negative return 3.4%). The cumulative negative return on average net assets for the period 1 April 2004 to 31 March 2010 is 14.3%.

## 27. Financial Instruments

| | Carrying value | | Fair value |
|---|---|---|---|
| | £000s | £000s | £000s |
| **Financial assets** | | | |
| ***Loans and receivables at amortised cost*** | | | |
| Trade receivables | | 3,564 | 3,564 |
| Other receivables | 404 | | |
| Less: Non-financial assets | (46) | 358 | 358 |
| Cash and Cash Equivalents | | 1,289 | 1,289 |
| | | 5,211 | 5,211 |
| **Financial liabilities – at amortised cost** | | | |
| Trade payables | | 2,293 | 2,293 |
| Long term loans from the Secretary of State | | 4,566 | 4,566 |
| | | 6,859 | 6,859 |

The total instalments of capital and interest remaining to be paid to extinguish financial liabilities over the contracted term of the loans amount to £16.741m (2009:£17.158m).

## 28. Financial Risks

### Liquidity Risk

The responsibility for the overall financing of the Fire Service College rests with CLG who provide financial support for any shortfall in available cash resources to meet the operating costs of the College. The levels of capital expenditure are managed so as to be met from available cash balances. As a result the College does not have significant exposure to liquidity risks.

### Interest Rate Risk

The interest bearing loans represent 13.9% (2008/2009: 12.8%) of Total Taxpayers' Equity and the interest rate is fixed. Deposits earning interest at a variable rate against bank base rate represented 3.9% (2008/2009: 4.3%) of Total Taxpayers' Equity.

The College has a number of loans with the Secretary of State. All loans have been taken out over several years, are for 60 years duration from commencement and interest rates are fixed for the entire period of the loans. The College, therefore, has no exposure to interest rate fluctuations.

### Foreign Currency Risk

The Fire Service College has an immaterial exposure to liabilities or expenditure denominated in foreign currencies.

### Credit Risk
The College's trade receivables represent amounts due from Government departments and other public sector bodies as well as private sector and overseas customers. As the majority of the College's revenue comes from services provided to Government departments and other public sector bodies, the College has low exposure to credit risk. The College does have credit risk with regard to overseas and private sector receivables. Management have procedures in place to manage and minimise this, however, in the current year additional provisions for doubtful receivables have been made in respect of long outstanding amounts in relation to a number of overseas receivables.

## 29. Events after the Reporting Period

### Non-adjusting Event
It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Fire Service College provides to employees.

No other events have occurred after the reporting date and the approval date that require either adjustment to the accounts and/or disclosure.

The Fire Service College's report and accounts are laid before the Houses of Parliament by the Comptroller and Auditor General. IAS 10 – Events after the Reporting Period requires the Fire Service College to disclose the date on which the accounts are authorised for issue. This is the date on which the approved report and accounts are despatched by the Comptroller and Auditor General to the Houses of Parliament.

The authorised date for issue is 22 July 2010

# Annexes to the Annual Report

# Annex A to the Annual Report
Fire Service College –
Remuneration Report 2009/10

## Remuneration Policy

### Senior Civil Service

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's departmental expenditure limits; and
- Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

### Other College staff

The remuneration of other civil service grades employed by the Fire Service College is set, under delegated authority from CLG, by College management. The principal drivers underpinning existing remuneration levels and the annual pay award negotiations are entirely consistent with those set out above for senior civil servants, i.e. the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities. Specific regard is also given to local market conditions.

### Seconded Officers

The College also makes significant use of seconded Fire Service Officers to maintain high standards of relevance and currency in tuition levels. Remuneration rates for these staff are set through nationally negotiated FRS settlements.

## Service Contracts

Civil service appointments, both for senior civil servants and more junior grades, are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be made on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

The officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk .

Seconded Officers operate under individual contracts, normally of three year duration but with the scope for variation, on loan from the employing Fire and Rescue Service. These contracts set out any variances to substantive terms and conditions that are deemed necessary to facilitate College operations.

## Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Management Board, both of which have been subjected to audit.

### Salary

Remuneration consists of 'Salary' which includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

| Remuneration | 2009–10 Salary | 2008–2009 Salary |
|---|---|---|
| | £000s | £000s |
| **Executive Officers** | | |
| K Robinson (from 14th September 2009) | 60–65 (110–115 full year equivalent) | – |
| P Evans | 60–65 | 60–65 |
| S Hopgood (until 7th September 2009) | 25–30 (65–70 full year equivalent) | 60–65 |
| G Newton (until 30th June 2008) | – | 25–30 (115–120 full year equivalent) |
| S Sheen | 95–100 | 85–90 |
| I Stroud | 65–70 | 60–65 |
| **Non-Executive Officers** | | |
| J Vickers (until 28th February 2009) | – | 10–15 (10–15 full year equivalent) |
| N Kinghan (until 30 September 2009) | – | – |
| M Bryant | 10–15 (20–25 full year equivalent) | – |
| W Griffiths (from 1 October 2009) | 15–20 (30–35 full year equivalent) | – |
| R J Evans | 10–15 | 10–15 |

This report is based on payments made by the Agency and thus recorded in these accounts.

Mr Kinghan and Mr Bryant attended the Management Board at nil cost to the College until 30 September 2009. Mr Bryant was paid a salary with effect from 1 October 2009.

## Benefits in Kind

No benefits in kind were received by any member of the Management Board.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, Civil Servants may be in one of three statutory based ‘final salary’ defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

## Cash Equivalent Transfer Values (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003/2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real Increase in CETV

This figure reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Pension Benefits

| | Accrued Pension at age 60 as at 31/3/10 and related lump sum | Real increase in pension and related lump sum at age 60 | CETV at 31/3/10 | CETV at 31/3/09 | Real increase in CETV funded by employer | Employee contributions and transfers in |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Mr K Robinson | 0–5 | 1.5–2 | 19 | N/A | 15 | 2 |
| Mr P Evans | 15–20 (Plus lump sum of 50–55) | 4–4.5 | 295 | 263 | 16 | 1 |
| Mrs S Hopgood | 10–15 (Plus lump sum of 35–40) | 2.5–3 | 249 | 221 | 10 | 3 |
| Mrs S Sheen | 5–10 | 1–1.5 | 125 | 97 | 19 | 3 |
| Mr I Stroud | 20–25 | 1.5–2 | 348 | 302 | 19 | 10 |

# Annex B to the Annual Report

The Fire Service College Statement on Internal Control for the Financial Year 2009/2010

## Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Fire Service College (the College), as set by Ministers in the Department for Communities and Local Government (CLG), while safeguarding the public funds and trading fund assets for which I am personally responsible in accordance with the responsibilities assigned to me in *Managing Public Money*.

The conditions under which I discharge all these responsibilities are specified in the Agency Framework Document, which establishes both my direct accountability to Ministers for the College's operation and performance, as well as the limits of delegation that the Departmental Accounting Officer affords me as Trading Fund Accounting Officer.

I hold regular meetings with the College sponsors and ensure that they are kept well informed of developments, issues and possible risks. The Business Plan has been agreed by the Minister and it is this document that is used to identify business priorities. Communication with CLG has been maintained in the period through a programme of regular meetings with the Fire and Resilience Directorate (FRD), our sponsor division. Formal Sponsor Meetings continue to be held every six weeks.

## The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- identify and prioritise risks to the achievement of College policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and
- manage such risks efficiently, effectively and economically.

The system of internal control has been in place in the College throughout the financial year and is current at the date of this statement.

## Capacity to Handle Risk

Leadership is given to the risk management process through ongoing review and is a regular feature of College Management Board (CMB) and Audit Committee (AC) meetings. Responsibility for risk management throughout the College is cascaded to those people best positioned to manage risk effectively. Responsibility for management of all risks in the College, including health and safety risks, is delegated by the Chief Executive to directors, who are held accountable for the effectiveness of their risk management performance.

Support for the risk management process and the monitoring of its effective implementation is provided by the Risk Manager, reporting to the Finance Director.

## Risk Management and the Control Framework

The College has established the following structures and processes to maintain and review the system of internal control:

- A CMB which includes the Chief Executive, four Executive Directors and three Non-Executive Directors (NEDs), one of whom is the Chair. Both the College's Head of Human Resources and Chief Information Officer attended each meeting, as did an Operational Adviser from the Fire and Rescue Service. The Board met 12 times during 2009/10 to consider planning, performance and the strategic direction of the College. The College has 3 NEDs, two of whom were appointed by CLG in July 2009 and one appointed by the College in April 2008. An external expert member appointed to the AC receives Board action lists and also has bi-lateral meetings with the Chief Executive.
- An AC which has met five times during the financial year. The AC comprises two CMB NEDs and a third external member to align with Treasury guidance and to complement the existing skill base. The Chief Executive and the Director of Finance normally attend each meeting. The AC is chaired by a NED who provides verbal reports to the CMB. The CMB receives copies of the AC minutes. This helps to ensure that audit and governance issues are considered at the highest level within the College. The Chair of the AC also provides a written annual report to the Chief Executive. Committee members meet with the external auditors and the Director of Finance in June for a detailed review of the Annual Report and Accounts.
- A rolling three-year audit programme, informed by the risk registers, is agreed by the CMB and the AC. Internal Audit Services of CLG has administered the programme in the past, but relinquished the role on 1st April 2010 on the appointment of PricewaterhouseCoopers, after a formal procurement process in early 2010.
- During the period, the College's internal auditors examined:
  - The College's Statement on Internal Control (SIC) and Risk Management
  - Health and Safety
  - Transfer of Equipment
  - Procurement

- A formal process to ensure completion of actions recommended in internal and external audit reports. The register of outstanding actions is reviewed at each AC meeting.

- A Capital Expenditure Board, chaired by the Director of Finance, which scrutinises all significant capital expenditure proposals and monitors approved projects.

- A Health and Safety Committee, chaired by the Chief Executive, meets regularly to review, approve and endorse College health and safety policies, to assess the College's compliance with health and safety legislation and to consider health and safety audit reports and safety event statistics, in order to ensure the College's compliance and continuous improvement. A six-monthly update on health and safety performance is provided to the CMB.

- Maintenance of a Sources of Assurance register of internal and external verification processes to ensure compliance with legal requirements, good practice and College policies.

- A full revision of Business Continuity and Incident Control Plans has been undertaken and three Business Continuity Planning exercises have been mounted in the year with the outcomes reported to the AC. More exercises are planned for 2010/11.

- College anti-fraud and whistle-blowing policies were amended and in operation throughout the year. The AC reviewed these policies.

- An in-house review of risk management (processes and documentation) was commissioned in year and reported in the autumn. As a result of this review the College redesigned its risk policy and procedures. The risk process and reporting documentation now in operation is as follows:

  – A Business (Strategic) Risk Register is reviewed monthly by the CMB and quarterly by the AC.

  – Members of the Senior Management Team refer high impacting directorate level operational risks to the CMB and AC for inclusion in the Business (Strategic) Risk Register as they arise.

  – Directors present their directorate registers to the AC on a rotational basis.

  – All Directors and managers engage in horizon scanning in support of the risk management regime.

## Information Assurance

In line with Cabinet Office Guidance we have submitted an annual return and appointed the Director of Finance to the role of Senior Information Risk Owner.

The College continues to review and reinforce its information security measures across the organisation.  There have been no recorded incidents of data loss in the last year, and so no report was required to be sent to the Information Commissioner.
I have reviewed the College's position in relation to the Data Handling Review and the Security Policy Framework and can confirm that the College is addressing data security risks appropriately.

## Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the Senior Management Team (Directors and executive managers) of the College, who now have responsibility and accountability for the development, implementation and maintenance of the control framework, by the work of the internal audit service and also by the opinion of external auditors as recorded in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the CMB, AC and the Head of Internal Audit. Processes are in place which identify and address weaknesses in control, and which improve systems on a continuous basis.

## Observations on Internal Control Matters

During the period, the following issues of significance to the College have come to my attention:

The finalising of the College's Annual Accounts for 2008/9 suffered significant delay. Guidance was received from external auditors. To address this and underlying management information and reporting weaknesses, a review was conducted by an external consultant and has now been implemented. The finance team has been strengthened by the recruitment of an interim finance director and two qualified accountants. Further action is being taken in the current year to enhance management information including an IT integration project.

A comprehensive overhaul of the risk management system resulted in a short break in formal risk reporting, although all key trading and other risks were discussed as a matter of course at CMB, AC and sponsor meetings. A more dynamic, action-orientated and accountable risk management process was introduced in March 2010.

The AC has expressed concern at the tardy completion of some actions prompted by internal audits. These have now been granted higher priority by Directors and Heads of Function.

The ongoing risks around the dilapidated and deteriorating condition of the College infrastructure remain a concern and feature heavily in delegate satisfaction reports. Although financial constraints preclude substantive action, should the College achieve a grant of Outline Planning Permission for residential housing on under-utilised land, it is proposed to reinvest the capital receipt from sale of the land in new infrastructure.

## Internal Control Weaknesses

In May 2009, the College's Appliance Bay accidentally caught fire. Business Continuity arrangements ensured that, on the Monday following the Saturday when the fire took place, a full range of services was on offer to our customers as normal. As is normal procedure, following the fire an inspection was carried out by the Crown Premises Inspection Group. The inspector noted that whilst a Fire Risk Assessment had been undertaken, a suitable and sufficient risk assessment had not been completed to satisfy the requirements of the Regulatory

Reform (Fire Safety) Order 2005 (FSO). However, the fire precautions in place in the Appliance Bay at the time of the fire were considered adequate to mitigate the risk to life. The inspector identified a number of measures necessary to deliver compliance with the FSO on which the College has taken remedial action. The Inspector also reviewed FSO based fire risk assessments on the residential accommodation blocks and identified a number of deficiencies – these have also been addressed. All College buildings have FSO compliant fire risk assessments in place which are reviewed on a regular basis.

Following a reportable "near miss" event in January 2010, the Health and Safety Executive (HSE) undertook a review of College Breathing Apparatus (BA) and BA related policies and procedures. During the review, the HSE Inspector widened the review to include management of Health & Safety in general and subsequently identified a number of areas where it was considered the College could refine its policies and procedures. An Action Plan has been agreed (in consultation with HSE) and is being implemented. As part of this process, the College has requested RoSPA (Royal Society for the Prevention of Accidents) to confirm the College's management of Health & Safety in December 2010.

The College invited its internal auditors to examine the transfer of equipment from CLG Marchington Stores to the College, stock management and the disposal of surplus equipment. The audit found significant control weaknesses in the management and control of the equipment. The College is taking the necessary actions to implement the auditors' recommendations and rectify these weaknesses.

For 2009/10 the opinion of our Head of Internal Audit is that:

> *"The College has implemented suitable Governance arrangements with current and appropriate policies in place, with the exception of the control, recording and disposal of assets. Further enhancement will be achieved once the change in role of Finance Director has become established, whereby the requirement is for a wider overview of key College functions."*

Based on the operation of the control environment outlined above, and supported by the opinion of the AC and the Head of Internal Audit Services, I am content that the College has operated with an improving system of internal control and risk management for the Financial Year.

**Kim Robinson**
Chief Executive

19 July 2010

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