The Fire Service College
Moreton-In-Marsh England

The Fire Service College 2011-12
Annual Report & Accounts

The Fire Service College
Moreton-in-Marsh England

THE FIRE SERVICE COLLEGE

ANNUAL REPORT AND ACCOUNTS 2011-12

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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1 FOREWORD:
By the Chief Executive

Over the last three years, despite the difficult trading conditions due to the worldwide economic recession and the significant reduction in UK public spending resulting from the Government's 2010 Comprehensive Spending Review (CSR), there has been a significant improvement in the College's underlying financial performance. The improvements were driven by a reduction in administrative costs of £2 million and, on a management accounting basis, by a 3.1% improvement in delivery margin (after direct and fixed delivery costs excluding depreciation and amortisation).

Despite a reduction of £4.8 million in total revenues over the period since 2009-10 (revenues were £16.9 million in 2011-12 compared to £21.7 million in 2009-10), the College achieved:

- A net deficit after interest of £2.4 million in 2011-12 compared to a net deficit after interest of £2.0 million in 2009-10.

- Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of £226,000 in 2011-12 compared to £105,000 in 2009-10, after one-off and non-recurring items have been removed. These one-off and non-recurring items have been part of the 'clean up' operation and relate mainly to legacy issues.

The same positive trends are reflected in the improvements in underlying financial performance demonstrated in 2011-12 versus the previous year, despite the continuing market pressures and a reduction of £1.6 million in total revenues (revenues were £16.9 million in 2011-12 compared to £18.5 million in 2010-11):

- In 2011-12, the College achieved a net deficit after interest of £2.4 million. This was an improvement of £1.6 million compared to the net deficit after interest of £3.99 million in 2010-11.

- EBITDA improved from a negative £225,000 in 2010-11 to a positive £226,000 in 2011-12 before certain one-off and non-recurring items of £476,000.

As shown in the analysis of revenue by customer type in Note 2.1 to the Financial Statements, total public sector revenues, which represented 66% of total revenue in 2011-12 (66% of pre-CSR incomes in 2009-10), declined by £1.7 million due mainly to continued CSR cuts. Sales to Fire and Rescue Services (FRS) (excluding National Resilience "NRAT" included in Other Public Sector) have been hit hard, reducing by a further 14% compared to the previous year (i.e. by over 29% since 2009-10) reflecting other factors as well, such as the effects of increased competition from the FRS themselves and the significant reduction in training carried out by Scottish FRS at the College over the period. Revenues from other government agencies have also suffered from CSR, reducing by 13% against the previous year. Although overall sales to the UK private sector were slightly down, the small increase overall in International business reflects encouraging revenues from international government business, particularly from the Middle East, despite the global economic pressures.

Good progress has also been made against the College's strategic objectives and the College is well positioned to contribute to, and benefit from, the government's focus on FRS intra-operability and the wider issue of blue light interoperability. We are keen to contribute further to National Resilience by supporting other responders and critical infrastructure organisations in the UK, and to develop our international business in this regard.

There has been a host of other improvements. The relationship and links with the UK FRS are better than they have been for some time. The College completed the sale of 35 acres of surplus land for the development of residential housing in March 2011. The sale comprised three phases with split completion dates. The College retained £1.4 million from the Phase 1 receipts in 2010-11 for investment in discrete business and infrastructure improvements.

1 FOREWORD: By the Chief Executive

Projects carried out this year have focused on addressing legacy Health and Safety issues and improvements to the facilities on site to enhance the delegate experience. Phase 2 receipts of £3.3 million received in 2011-12 were retained in order to assist the College's working capital. We have implemented robust processes to assure the quality of our training and the feedback is extremely encouraging, demonstrating improvements in ratings versus the previous year with the satisfaction for overall learning increasing by 4 points and that for the overall learning experience (taking into account the whole environment) increasing by 5 points (using 'Good' and 'Excellent' scores only). We have built mechanisms for ensuring that our product development is firmly connected to customer requirements. We have made some price adjustments, but are still restricted by our model; however, it is clear that with the improvements we continue to make in quality, our business will become stronger if we can take a more strategic view on our pricing. We have better visibility of business margins, have established pragmatic commercial control mechanisms and have improved our contract & debt management. We have successfully re-negotiated our contract for the provision of Facilities Management services resulting in a substantial number of customer service improvements at no additional contract cost. These improvements, which centre around catering, reception and housekeeping, are to be implemented in a phased basis over the period April to July 2012. We are now well placed to achieve OHSAS 18001:2007 certification towards the end of 2012 (Health and Safety) following the RoSPA audit in 2010 and have developed a comprehensive roadmap defined to measure progress in this business critical area. We have achieved re-certification against ISO 9001:2008 and broadened the scope to cover the full range of College delivery and support activity. We have retained Information Fair Trading Status (IFTS) thus retaining the delegated authority for Crown Copyright and subsequently our Intellectual Property.

There is scope to make further efficiencies, for example through the introduction of a new information technology (IT) system at the College, which, due to Government spending constraints, we have been unable to integrate or replace.

On the sales front, competition remains intense. However, the College has developed a number of extremely exciting sales opportunities which are covered in its Business Plan for the next 3 years. If some of these materialise, the College's profitability will increase dramatically given the continuing strong cost controls and the commercial and operational improvements.

A key objective is to sell the College by the end of this calendar year, and whilst this is an extremely demanding timeframe, we are on target to date.

Given the pressures to meet this imperative, the very challenging market conditions and, despite the continuing and challenging constraints placed on public bodies, this has been a strong performance by the College.

Kim ROBINSON
Chief Executive, The Fire Service College
2 July 2012

2 ANNUAL REPORT: Our Business

WHO WE ARE

The College is an award-winning leader in fire and emergency response training and one of the world's largest operational fire and rescue training facilities. The College specialises in providing dedicated training for Fire & Rescue Services (FRSs), emergency responders and a wide spectrum of commercial and public sector clients globally. The College's instructors are current serving fire officers seconded from individual FRSs across the UK, and tutors who are professional and technical experts in their chosen field. The College is located on a 365 acre site at Moreton-in-Marsh in Gloucestershire.

The College provides a broad range of general and specialised operational training courses for fire fighters and fire officers from the FRS as well as leadership and management training. Exploiting its FRS brand, it increasingly provides similar training to international government emergency services and provides training and facilities to other UK Government agencies and UK and international private sector companies. The College is justifiably proud of its world renowned brand and reputation for supporting its customers locally, nationally and internationally through first-class training to equip them in their roles to help save lives and reduce risks to their communities.

With its "live" incident ground and wide range of realistic and practical training scenarios which can replicate the situations faced by emergency responders, the College is one of the few organisations in the world which can offer such a broad and challenging training experience. The site offers training on carbonaceous as well as liquefied petroleum gas (LPG) fuelled fires and provides the opportunity to train in "live" conditions in a variety of realistic and practical scenarios under the safe supervision of experienced FRS officers where appropriate. In particular, the Urban Search and Rescue (USAR) facility is one of the largest and most comprehensive in the world. The College also houses one of the largest fire information resources in the UK.

On 1 April 1992, the College became an Executive Agency, operating as a Trading Fund. It is sponsored by the Department for Communities & Local Government (DCLG).

We continue to work with the Chief Fire Officers' Association (CFOA) to provide the FRS with consistent, national training standards in order to enhance their capabilities, operational effectiveness and safety – in support of interoperability. Our technical fire training focuses on the core responsibilities contained in the Fire and Rescue Services Act 2004. The training experience is significantly enhanced by our unique ability to facilitate the sharing of good practice, innovation, expert knowledge and experience across our customer base.

STRATEGY

The College's strategy is laid out in its 2012-13 Business Plan and is as follows:

- Support FRS intra-operability – delivering a common and consistent approach to operational and leadership training, linked to the development of operational guidance and doctrine and to a national qualification framework, in order to improve FRS intra-operability, while providing the FRS with economies of scale for training. The College is working with CFOA, the LGA and others through the Strategic Stakeholder Board to achieve this.

- Support multi-agency interoperability – developing this emerging market for multi-agency joint training and exercising, especially at the bronze level and for vertical command training, as well as contributing to the development and delivery of multi-agency doctrine. Multi-agency training includes other responders and critical infrastructure organisations and is not limited to the emergency services.

- Exploit the College's position at the heart of the FRS and its developing position in the UK multi-agency interoperability training market, to grow business with international governments and private sector clients.

Interoperability is a key requirement of local and national resilience, which are mutually dependent and vital to national security.

Interoperability is defined in "Interoperability between the blue light emergency services" (Joint report from the Police, Fire and Rescue, and Ambulance Services) as: "the extent to which organisations can work together coherently as a matter of routine". *Intra-operability* is a term used in the draft Fire and Rescue National Framework for England to describe such working together of individual Fire and Rescue Services.

A key objective is to sell the College by the end of this calendar year.

OUR ORGANISATION

Our operations are overseen by the Fire Service College Management Board which consists of five Executive Directors, including the Chief Executive, and three Non-Executive Directors. One of the non-executive appointments acts as Chair. The Head of Human Resources, and the Head of Business Assurance also attend each meeting. The work of the Management Board and Management Team continue to be underpinned by important contributions from our Strategic Stakeholder Board, Audit Committee, Capital Expenditure Board, Health, Safety & Welfare Action Group and Product Board.

The Management Board has been further strengthened by the appointment in July 2011 of a serving senior officer from the FRS as Operations Director, selected by CFOA and the College jointly. This appointment has played a key role in improving customer relationships and understanding. It has clearly signalled the College's intention to focus on its core strength of practical, exercise-based operational and leadership training and on the needs of its customers.

SUPPORT SERVICES DIRECTOR Mr Ian STROUD	**INTERIM FINANCE & COMMERCIAL DIRECTOR** Mr Guy VOGEL	**CHIEF EXECUTIVE** Mr Kim ROBINSON	**INTERIM BUSINESS DEVELOPMENT DIRECTOR** Mr Steve COPLEY	**OPERATIONS DIRECTOR** Mr Andy KETTLE
		THE FIRE SERVICE COLLEGE MANAGEMENT BOARD		
	NON-EXECUTIVE DIRECTOR Mr Martin BRYANT	**NON-EXECUTIVE CHAIR** Mr Bill GRIFFITHS	**NON-EXECUTIVE DIRECTOR** Mr Robert EVANS	

<u>Notes</u>:

1. The details of Salary and Pension entitlements can be found in Section 4 Remuneration Report on page 20.
2. The interim contractual arrangements with Mr Vogel and Mr Copley are also set out in Section 4.

Kim ROBINSON: Chief Executive

Kim Robinson joined the Fire Service College as the Chief Executive in September 2009 from BAE Systems where he was head of business development in one of their operating businesses. 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 to a 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 both the procurement and strategy domains.

Bill GRIFFITHS: Non-Executive Chair

Bill is Chairman of the Forensic Science Service. 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 also a Non-Executive Departmental board member at Ministry of Justice and a Non-Executive Director at the Department for Work and Pensions (Shared Services and Child Maintenance and Enforcement Commission) and has previously been a Non-Executive Director on a number of Government Boards.

Martin BRYANT: Non-Executive Director

Martin currently has a portfolio of interests locally and internationally. 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.

Bob EVANS: Non-Executive Director

Bob is a Non-Executive Director at the College, 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 an 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.

Ian STROUD: Support Services Director

Ian has a wide-ranging remit at the Fire Service College, including the provision of strategic advice and operational management for estates, property, facilities management, information technology services, 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 FM2 and Xansa during which time he held a variety of roles at a senior management level. Ian has wide ranging experience of procuring services, contract and project management and is a member of BIFM and IOSH.

Andy KETTLE: Operations Director

Andy joined the College as Operations Director (Assistant Chief Officer) in July 2011 on secondment from Hampshire FRS. He is responsible for all aspects of training delivery, and also takes a leading business development role with the FRS. Andy has worked in the fire and rescue sector for 27 years. Originally joining Cheshire Fire Service in 1983, he transferred to Hampshire Fire & Rescue Service in 1990 and has worked in a number of disciplines including fire protection, human resources, training and more recently, service delivery as an Area Manager. Andy has been an active contributor to the work of the Chief Fire Officers' Association (CFOA) in the south east region, recently working with the Operational Response & Resilience Group. A member of the Institution of Fire Engineers, Andy completed his MBA in 2008 and is a recent graduate of the FRS Executive Leadership Programme.

Guy VOGEL: Interim Finance & Commercial Director

Guy joined the College in April 2010 assuming responsibility for finance, procurement and business risk. Guy is a Chartered Accountant with a wealth of commercial experience from the private sector most recently as Finance & Administration Director and Company Secretary of GEFCO UK Limited, the Transportation and Logistics subsidiary of the global Automotive group PSA Peugeot Citroen. Prior to this, Guy worked for an UK small medium enterprise in consulting engineering; in a variety of roles for two multi-national groups of companies; Northern Telecom and Sperry Corporation; and also in France for PricewaterhouseCoopers where he acquired fluency in French.

Stephen COPLEY: Interim Business Development Director

Stephen joined the College in April 2010 with a remit to lead on all College business development and marketing activities. Having held a commission in the British Army, Stephen has over twenty years of private and public sector experience. Previous appointments include Group Head of Private Business at the UK Meteorological Office, Group Export Director for the Constructor Dexion group and Sales & Marketing Director for Opax, a Bowater subsidiary.

OUR PROGRESS IN 2011-12

A wide ranging, continuous improvement programme has been implemented, which includes improvements to the quality of training delivery and the product development process, a change in culture to a more commercial outlook and a more customer focused approach.

FINANCIAL

A report on our financial activities in 2011-12 can be found in sections 6 to 10 of this Report. Despite current market pressures, the College continued to improve its underlying performance, with a significantly reduced cost base which management believe creates a strong platform for growth.

The College improved its financial performance from a net deficit after interest of £3.99 million in 2010-11 to £2.44 million in 2011-12, despite a reduction of £1.6 million in total revenues.

The overall Taxpayers' Equity improved from £35.2 million to £37.7 million in 2011-12. This improvement was mainly due to a surplus on the revaluation of property, plant & equipment of £5.1 million reduced by the net deficit for the year.

Total revenues were £16.9 million in 2011-12 compared to £18.5 million in 2010-11. Total Public Sector Revenues, which represented 66% of total revenue in 2011-12, declined by £1.7 million due mainly to continued Budget cuts in UK public spending as a result of the Comprehensive Spending Review in 2010. This was in addition to the effects of increased competition from the Fire and Rescue Services (FRS) themselves. More encouragingly international government business, particularly from the Middle East, has grown despite global economic pressures.

Margins improved by 3% during the year on a management accounting basis, following changes to our delivery staffing model and other efficiencies.

Costs continued to be tightly controlled and Administrative Expenses were reduced by £2 million in the year, driving significant underlying profitability improvements. Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) improved from a negative £225,000 in 2010-11 to a positive £226,000 in 2011-12, before one-off and non-recurring items, for example, investment in essential health and safety improvements, rationalisation & restructuring costs, payroll tax voluntary disclosure costs and release of fixed asset revaluation surplus.

The accounting, costing and reporting structure has been reconfigured to identify summary gross margin, control fixed costs and enhance the clarity of management reporting to inform improved decision making, which has been a major step forward for the College. A further project is now underway to identify the changes required to processes and systems to enable the reporting of gross and delivery margins by course and by customer. The College would benefit from improved financial IT systems.

COMMERCIAL

Average course price reductions of 10% in real terms were implemented for the FRS Open Programme in 2011-12 to improve the College's price competitiveness.

Work started in 2010-11, on improving our pricing and contract control mechanisms, has continued. The legacy pricing model apportioned all direct and indirect costs to each course, but we are now in a position where products are being priced with reference to delivery costs only. In addition, we now have a robust commercial costing model which enables proper financial evaluation and approval of tenders and quotations.

There is still work to be done to improve these basic initiatives but they represent a major step forward. In particular, we need to speed up response times to customers.

The College continues to strive to be more price-competitive. We operate in a highly competitive market where FRS competitors are often funded by the tax/ratepayer, unlike the College which must cover its costs through self generated income and which is still constrained by a high fixed cost base and poor IT systems. Further meaningful cost reductions will be key to enable further price improvements, which alongside tangible quality improvements already made, should drive increases in revenues in the future.

During the year, as part of a wider business improvement programme, contract & debt management have been improved. Successful debt management has led to a net release of doubtful debt provision, no longer required, to the Income Statement of £169,000, as detailed in Note 11.3 to the Financial Statements.

Within the constraints of the Trading fund model, we continue to adapt our organisation to better address the needs of our customers.

OPERATIONS

The operation's directorate works closely with the core FRS customer through the re-focused Strategic Stakeholder Board, the Product Board and the CFOA Retained Duty System (RDS) and Operational Working Group. This enables the College to better understand key customer requirements and to receive objective feedback on training quality. The Strategic Stakeholder Board supports the College's drive to provide products which "promote common operating standards, resilience and interoperability". This customer insight should place the College in a strong competitive position, both in the UK and internationally as UK standards can be exported.

The directorate has been restructured over the year to realise efficiency savings and provide a more flexible approach to training provision. The new structure incorporates a dedicated new product development capability to ensure the College is able to meet customer requirements through the provision of innovative products that comply with nationally accredited standards where applicable or industry best practice. Examples include the Skills for Justice national qualifications for fire safety and incident command. Additionally the new structure is designed to deliver a progressive leadership model – something the College's customers have asked for – and provides dedicated resources to specialist areas such as fire investigation and hazardous materials. There is scope for further restructuring and the potential to realise additional efficiency savings from within the directorate. The systems and processes currently utilised by the operations support team are inefficient with many working in isolation. Some efficiencies have already been realised though a limited amount of process re-engineering. However, investment in modern integrated IT would deliver further efficiency savings.

Improvements in customer satisfaction are covered under Key Performance Indicators in Section 3.

PEOPLE

The College is staffed mainly by Civil Servants, but the majority of its instructors are seconded into the Operations Directorate from the UK FRS for training delivery, product development and maintenance, and to support business development activities. There are also a small number of FRS secondees who work in the Business Development and Marketing Directorate, and one FRS secondee within the Operations Directorate whose role is focused on Product Development.

Due to efficiency improvements, the College has been able to decrease headcount over the last four years. A voluntary redundancy scheme was carried out in November 2011, reducing staff by 13. Further details are reported in Note 4.3 in section 10 Notes to the Accounts.

Summary headcount trend:

Full Time Equivalent (FTE) average per year	31 March 2008 actual	31 March 2009 actual	31 March 2010 actual	31 March 2011 actual	31 March 2012 actual
Civil servants	205	188	173	162	149
FRS secondees	53	42	40	32	29
	258	230	213	194	178

The total staff cost savings from 2010-11 to 2011-12 was £1.7 million (16% reduction). See Note 4.1.

Instructional staff are supplemented by Associate Tutors (AT), whose services are procured as and when required, and Visiting Lecturers (VL) (also procured services) and Role Players (RP) who provide specialist input to delivery. This model allows the College to flex its training delivery staffing in line with business demand with peaks and troughs throughout the year. Spend on ATs and VLs reduced by £547,000 (from £1.76 million in 2010-11 to £1.21 million in 2011-12).

All VL, AT and RP contracts were terminated on 31st January 2012 without the need for compensation and the College has recently issued new contracts to all required tutoring service providers. Going forward, an estimated saving of £120,000 will be made on VL, AT and RP costs, as a result of a re-negotiation of rates charged and a small increase in Seconded Officers (SOs).

THE ESTATE

Towards the end of 2010-11, the College sold 35 acres of surplus land on the site for £12.64 million (net of costs) for which Outline Planning Application for residential development had been obtained during 2009-10. Phase 1 monies of £6.06 million (net of costs) were recognised in year 2010-11. £1.42 million of these monies was retained for investment in the College with the balance being paid to DCLG as an equity withdrawal in February 2012. Phase 2, for £3.3 million, was received in February 2012 and has been fully retained to support the business. The Phase 3 land sale, also for £3.3 million, is due to be completed and payment received on 29 January 2013.

We also continue to play an important role in supporting the local economy by being the single largest employer in the North Cotswolds and purchasing goods and services from local businesses.

In recent years there has been a change of emphasis with regard to annual spend on maintenance. While there remains a backlog of primarily decorative work, the budget allocation for maintenance has been increased year on year and in addition, the ratio of spend has moved from reactive to statutory and planned works to ensure compliance and to reduce the impact of breakdown or failure on training delivery.

Maintenance expenditure remains focused on health, safety and environmental related activity. However, the historical under funding for preventative maintenance of buildings and services continues to impact on the overall customer experience. On a more positive note, during the year a number of significant works were completed:

- Funding was allocated to allow the worst of the long standing defects to the on-site roads to be addressed;

- A significant upgrade to Liquefied Petroleum Gas training rigs to upgrade all rigs to meet British Standard EN746-2 has been completed and the rigs were brought back into service in February 2012 after some eighteen months off-line;

- Refurbishment of structural fire protection was carried out in all fire training buildings;

- Wi-Fi access has been provided across all en suite residential bedrooms and all TVs were replaced as a result of the digital changeover;

- The DCLG funded appliance bay extension was completed providing an additional eight bays of covered parking for fire appliances; and

- Government backed grant funding enabled a programme of energy efficient measures to be put in place which will create long term financial savings and reduce our carbon footprint.

During the year the opportunity arose to re-negotiate the existing contract for the provision of Facilities Management (FM), services with the College driving a change in emphasis towards ‘hotel style’ customer service.

As a result of negotiations, the College has secured an agreement for a substantial number of improvements at no additional contract costs; these improvements, which centre around catering, reception and housekeeping, are to be implemented in a phased basis over the period April to July 2012.

Encryption of College IT equipment was achieved in early 2011-12, but College IT systems generally continue to present a major challenge to efficiency.

In 2012-13 the Directorate will focus on further Health & Safety (H&S) related improvements including refurbishment of temperature monitoring systems in fire training buildings and an increased emphasis on planned maintenance of buildings, plant and equipment.

Environmental Issues and Community Engagement

The College has since 2006 been monitoring airborne emissions from the fire training activity using passive diffusion tube detectors located alongside the boundary fence. The diffusion tubes are changed monthly and are analysed by an independent certified laboratory and have, to date, provided evidence that current training activities are not having a long term detrimental impact on local air quality (i.e. not exceeding limits for regulated air quality pollutants – nitrogen dioxide, volatile organic compounds, benzene, toluene, ethyl-benzine and xylene). Additional particulate testing (PM10) to further support the environmental impact assessment is to be undertaken shortly.

A continuing theme is for the College to reduce its impact on the environment from the disposal of waste to landfill. We continue to work with our suppliers to minimise packaging at source and now recycle ten different waste streams including glass, compact discs, paper, cardboard, plastic, food, metal, batteries, cooking and vehicle oil and vehicle tyres.

SUSTAINABILITY

The nature of the College's business is to train fire-fighters in 'live' fire scenarios to prepare fire-fighters for emergencies within the communities they serve and to reduce the life risk of both the fire-fighter and the public.

We are working to reduce the impact of our business on the environment and to achieve this we need to develop and implement more sustainable ways of carrying out our business, for example by reducing consumption of treated water used for fire fighting through introducing water recycling and by further minimising airborne emissions.

Subject to resources and funding, we plan over the next year to implement a more comprehensive environmental management strategy which will include measuring against targets and reporting in full accordance with HM Treasury Sustainability Reporting in the Public Sector.

However, currently, the College faces supply chain and staff resource challenges and therefore has been unable to report to the level of detail required, especially in the area of waste management and recycling. We are currently only able to measure our performance on Greenhouse gas emissions at the highest level i.e. using the level of data provided by the supply chain but from this coming year we have put in place appropriate mechanisms with our suppliers and will also publish our targets. We aim to include detailed analysis of waste management and recycling from 1 April 2013 i.e. full reporting by total weight and total cost for each of the waste streams.

For biodiversity and sustainable procurement, we have initiatives in place although these need to be consolidated into clear strategies and action plans.

Current performance against sustainability is listed below.

Greenhouse gas emissions

Total greenhouse gas emissions, consumption and expenditure from energy, waste and water are summarised below:

Area		Unit	Performance			
			2011-12		2010-11	
			£'000	units	£'000	units
Greenhouse gas emissions (Scopes 1 & 2 plus 3 Business travel including international air travel)		tonnes CO_{2e}		3,391		3,619
Energy	Consumption	kWh millions		11.8		12.7
	Expenditure	£'000	£465		£391	
Waste	Amount	tonnes		127.6		N/a
	Expenditure	£'000	£52		£40	
Water	Consumption	m3 '000		70.5		94.9
	Expenditure	£'000	£120		£98	

Note: N/a indicates not available. Systems for quantitative recording not fully developed.

Biodiversity

Whilst detailed, long term Biodiversity Plans remain incomplete due to lack of resources, the College continues to observe the requirements of the Wildlife & Countryside Act 1981 in particular in respect of protecting the colonies and habitat of Great Crested Newts that inhabit water courses on site. In early 2012, a nature reserve with specific features for the preservation of Great Crested Newts and other native flora and fauna was created to the south west edge of the site. The large areas of native woodland, together with the associated flora that exists under the tree canopy, are retained as a natural boundary to the site. Should funding become available in future years, a programme of arboreal works to include coppicing to reduce the likelihood of disease/promote future growth, together with planting, will be undertaken. It is worth noting that, as part of an annual programme, the deer population on site is surveyed by the Defence Estates Deer Management and the necessary measures are implemented to both maintain the health of the herd and to protect/secure the availability of foraging habitat.

Sustainable Procurement

The profile of purchases (predominantly low value purchases from local Small Medium Enterprises [SME] suppliers) within the College does not support implementation of a Sustainable Procurement programme in itself. However, there are specific purchasing actions that in themselves are supporting sustainability and are reported in line with HMT Sustainability Reporting in the Public Sector and Greening Government Commitments:

- All electricity is from ‘green’ generation;
- Office paper is 100% recycled;
- Wherever possible we purchase from local SME’s, reducing greenhouse gas emissions associated with transport;
- Our catering supplier supports Fair Trade products;
- All timber purchased is derived from recycled or legal and sustainable sources.

BUSINESS ASSURANCE

The Business Assurance Unit (BAU) was set up in December 2010 to provide independent assurance to the Chief Executive that the business is fit for purpose in that business management controls (including health and safety, information management, quality systems and processes and governance activity) operate in accordance with legal, regulatory and best practice standards. Further detail on BAU activity within the College can be found in Chapter 5 Governance Statement.

THE FUTURE

The Government’s response to the sector-led Fire Futures Report on 12 April 2011 stated that the College could achieve its potential only with greater involvement from other sectors (whether private, public or voluntary) in its ownership, operation and governance, and that Government would explore with the fire sector and other organisations options to secure the future of the College. The project is called the Future Options Project.

To inform its view of viable options, the Department for Communities and Local Government (DCLG) launched a short phase of pre-market engagement on 5 September 2011. The pre-market engagement ended on 31 October 2011. The submissions received as a result of the pre-market engagement, together with further discussion held with interested parties, enabled a refinement of the possible options, with full disposal emerging as the option which met Government’s objectives and gave the College the flexibility it needs to fulfil its potential.

On 10 April 2012 the Government formally launched the sale of the College with Bob Neill, the Minister for Fire and Rescue saying;

"The Fire Service College is an asset of national importance, with a world-class reputation and it is vital that we secure its future. This means that the private sector will be able to bring innovation and investment to the College, benefiting taxpayers, local residents, the Fire and Rescue Service and, ultimately, strengthening national resilience."

DCLG's key objectives from the disposal are as follows:

- To secure the College's future as a provider of fire and rescue and wider emergency services operational and leadership training and as a venue for large multi-agency exercises;

- Overall value for money for DCLG, the UK FRS and the taxpayer, including transaction receipts;

- To secure continuing access to the national resilience strategic assets.

From a College perspective, a private sector owner should be able to unlock a number of significant benefits which are not available to the College under Government ownership, including:

- Access to capital investment to enable it fully to exploit its unique assets, both tangible and intangible;

- The ability to streamline its cost base further to improve its competitive position;

- The ability to undertake joint ventures and partnerships, and set up satellite offices;

- The ability to recruit additional commercial staff;

- Greater ability to drive more customer focused and commercial behaviours among staff.

CFOA and the FRS as a whole are strongly supportive of the College and the proposed transaction. In their response to the pre-market engagement, CFOA stated that "CFOA Board remains firmly of the view that there is a vital role for a central training and development institution in the sector and this should be the Fire Service College. The facilities for operational training at the Fire Service College are unique and irreplaceable, and should be maintained as a national asset to support local authority Fire and Rescue Services in delivering the Government's commitment to the Critical National Infrastructure agenda."

Against this demanding background, Management have continued to drive a challenging business turnaround, whilst supporting the sale including the production of a highly comprehensive sale document (Information Memorandum), a detailed Business Plan for the next 3 years and meeting the detailed requirements for the virtual data room.

3

ANNUAL REPORT: Our Performance

FINANCIAL PERFORMANCE

Financial performance has been covered in Section 2.

STRATEGIC OBJECTIVES

Our performance and progress are based on the key strategic objectives agreed with DCLG and Ministers at the beginning of each financial year. The following strategic objectives were identified for 2011-12:

Strategic Objective	Achievement
College Performance Secure a new, more effective business model for the College in its delivery of training in support of national and local resilience, delivering value to the taxpayer, whilst we continue to improve the College both commercially and operationally.	**Ongoing:** DCLG began the Future Options Project to explore options for a new ownership, operational and governance model for the College which, through greater involvement from other sectors, would secure its future, support national resilience and provide best value for the public purse. The Government launched the sale of the College in April 2012 as a going concern to a private company who would continue to operate the College as a training centre. The Government is insisting on a number of conditions on the proposed sale, including commitments not only that the College will be preserved as a national training college for the Fire and Rescue Service, but also that it will continue to offer wider national resilience and emergency services training and exercises, that the wider emergency services will be involved in the overall setting of training governance and that Government permission will be required to sell the site on for other uses. The sale process is now underway and the intention is to complete the process by the end of this calendar year. Commercial and operational improvements are listed throughout this document.

Strategic Objective	Achievement
Fire and Rescue Service With CFOA and the FRS, develop and deliver a common and consistent approach to operational and leadership training within an accredited framework in order to improve interoperability, resilience and training assurance. Our improved product development processes, more agile training solutions, more flexible training delivery models, and keener pricing will be the key; as will the College's contribution to other critical areas such as the development and maintenance of FRS operational guidance.	**Achieved in part and Ongoing:** The College's Strategic Stakeholder Board is chaired by CFOA's Director of Operational Response and aims to improve the development and delivery of College products and to ensure that training meets FRS requirements. It provides advice on priorities for training and for product development and provides external scrutiny of the standard of training delivery. A key task is to ensure that College products "promote common operating standards, resilience and interoperability" Our product development process has been established and is enabling us to develop and introduce new products in a systematic manner. We have recently introduced a number of new training products for Incident Command and Fire Safety Protection. We have also reduced the price of some of our training products to ensure we are competitively priced. We have recently produced national Breathing Apparatus training guidance on behalf of Chief Fire & Rescue Advisor (CFRA) and we are a named stakeholder in the recently agreed arrangements for refreshing broader FRS guidance.
Other Emergency Services and Responders Support multi-agency interoperability and national resilience; and grow multi-agency business streams.	**Achieved in part and Ongoing**: The College has recently hosted two high level government led, multi agency exercises which have been extremely well received. With the current Government focus on multi agency interoperability Management believe this is a key opportunity for growth. We continue to deliver the National Inter-Agency Liaison Officer and Multi Agency Gold Command programmes in respective partnership with London Fire Brigade and the National Police Improvement Agency.

Strategic Objective	Achievement
International, UK Private Sector Grow the international and private sector markets.	**Achieved in Part and Ongoing**: The College grew its overseas business overall by 1% with the international government in particular growing encouragingly. The UK Private Sector market did not achieve growth in 2011-12; however we anticipate growth of 21% in 2012-13 when compared to 2010-11 due to a renewed focus
London Fire Brigade Outsourcing Win a place in the London Fire Brigade training contract.	**Ongoing**: We are negotiating with the winning prime contractor to deliver some aspects of the London Fire Brigade's training contract and are in discussions over other potential training opportunities.
Organisation Reduce cost where it can be more competitive.	**Achieved**: Administrative Expenses were reduced by nearly £2 million.

FINANCIAL OBJECTIVES

The HM Treasury Minute under which we operate as a Trading Fund set two further specific financial targets:

Financial Objective	Achievement
To manage the funded operations so that the revenue of the fund: - consists principally of receipts in respect of goods or services provided in the course of the funded operations; - is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to the revenue account.	**Achieved**: 84% of revenue related to training activities. **Not Achieved**: A trading deficit before interest of £2.1 million has been reported for the year.
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.	**Not Achieved**: A negative return of 5.1% on the average net assets employed was recorded in the year.

KEY PERFORMANCE INDICATORS (KPIs)

KPIs agreed with the DCLG and Ministers for the 2011-12 financial year were:

KPI	Achievement
Limit the 2011-12 Operating Loss before interest to £3.6 million.	**Achieved**: A trading deficit before interest of £2.1 million has been reported.
Achieve a reduction in Fixed Staff Costs compared to 2010-11 of £300,000.	**Achieved**: A reduction of £994,000 has been achieved in staff costs (excluding agency staff and visiting lecturers).
Achieve 80% in 'Good' and 'Excellent' scores for UK customer satisfaction for achievement of learning objectives.	**Achieved**: A 94% rating has been achieved.

KPI	Achievement
Achieve 80% in 'Good' and 'Excellent' scores only in customer satisfaction for overall learning experience.	**Achieved**: An 89% rating has been achieved.
To embed health and safety awareness throughout the organisation by reducing accidents by 10% and increasing near-miss reporting by 15% compared to 2010-11.	**Not Achieved:** Improved safety event policy, procedures and forms issued in November 2011 stimulated reporting of all safety events including near misses and minor accidents had an adverse but positive effect resulting in an 9% increase in accident reporting and a decrease of 35% in near miss reporting over the year. Accidents increased by 10 to 112 overall.
Short term staff sick absence, measured over the financial year, to be no more than four days per employee at the financial year end.	**Not Achieved:** Outcome was 4.1 days per employee, per year at financial year end.

CUSTOMER SATISFACTION

The following table shows the number of participants in our customer satisfaction surveys together with the number and percentage of responses received:

Feedback Responses	2009-10	2010-11	2011-12
Number of Participants	7,629	7,928	5,931
Number of Feedbacks	4,067	2,948	3361
Response Rate	53%	37%	57%

The response figures above have been taken from *FireLearn*, our Managed Learning Environment.

Delegate Satisfaction Overall

The College uses a five point scale to measure delegate satisfaction, with point 3 being 'Satisfactory'. Early in-year, the College's management team concluded that true delegate satisfaction was being misinterpreted due to delegates opting for 'Satisfactory' when their comments may indicate otherwise. To ameliorate this management opted, for the purposes of a continuous improvement challenge, to measure satisfaction based on 'Good' and 'Excellent' scores only.

The delegate feedback on levels of satisfaction in key delivery areas set out in the table overleaf (using 'Good' and 'Excellent' scores only) indicate excellent progress.

Ratings for the overall learning increased by 4 points on the previous year, whilst ratings for the overall learning experience (taking into account the whole environment) increased by 5 points i.e.satisfaction levels for facilities have improved, despite the dilapidation of much of the estate.. From the 17 questions asked, 11 of the responses rated 90% or above, an improvement on last year where only 6 were rated 90% or above. Only 3 of the 17 did not show an improvement and will be a focus for the coming year.

DELEGATE SATISFACTION BASED ON 'GOOD' AND 'EXCELLENT' SCORES ONLY			
	2009-10	2010-11	2011-12
	%	%	%
Aims and objectives were met	86	90	94
Personal objectives were met	81	87	92
Content was relevant to course objectives	86	90	94
Content was relevant to your job	84	86	93
Training methods used were appropriate	85	88	90
The course was interesting and challenging	86	89	92
The course was well paced	78	84	88
You learned a lot from this course and will be able to apply what you have learned	87	87	92
Exercise debriefs were effective and you received detailed and helpful feedback	79	80	78
The Incident Ground exercises were realistic and relevant	60	65	60
Exercises contributed to effective learning	77	80	80
Tutors were sufficiently knowledgeable	96	97	99
Tutors had effective style and delivery	91	94	95
Tutors were sensitive to the diverse needs of the group	91	95	95
How do you rate your overall learning on the programme	91	90	94
How do you rate your overall learning experience, taking into account service and facilities, accommodation, catering, and the learning environment	86	84	89
How do you rate the overall facilities at the FSC	–	76	84

4

ANNUAL REPORT:
Remuneration Report 2011-12

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 – Civil Servants

The remuneration of other Civil Service grades employed by the Fire Service College is set, under delegated authority from the DCLG, 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.

FRS Seconded Officers

The College also makes significant use of seconded Fire Service Officers to maintain high standards of instruction which must be relevant and current. Remuneration rates for these staff are set through nationally negotiated FRS settlements.

Contracts – Civil Servants

Civil Service appointments, both for senior civil servants and more junior grades, are made in accordance with the *Civil Service Commissioners' Recruitment Principles*, which requires appointments to be made on merit on the basis of fair and open competition, but also includes exceptions where it is appropriate to do so.

The Civil Servants covered by this Report hold appointments, which are either open-ended until they reach the normal retiring age of 60 or 65 (dependent on the pension scheme to which they are a member) or fixed term. 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 the website: www.civilservicecommissioners.gov.uk.

Terms of secondment – FRS Secondees

Seconded Officers operate under individual agreements, normally of two years duration but with the scope for extension and are on loan from the employing FRS. These arrangements set out any variances to substantive terms and conditions which are deemed necessary to facilitate College operations.

Non-Executive Officers

Non-Executive Officers are appointed through DCLG by fair and open competition and are paid fees for their term of office plus appropriate business expenses.

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.

REMUNERATION	2011-12 Salary	2011-12 Bonuses	2011-12 Total	2010-11 Salary	2010-11 Bonuses	2010-11 Total
	£000s	£000s	£000s	£000s	£000s	£000s
Executive Officers						
Mr K Robinson	110 - 115	-	110 - 115	110 – 115	0 – 5	110 – 115
Ms S Sheen	-	-	-	75 – 80	0 – 5	80 – 85
Mr I Stroud	60 - 65	-	60 - 65	60 – 65	-	60 – 65
Mr A Kettle	60 - 65	-	85 - 90	-	-	-
	2011-12 Fees	**2011-12 Bonuses**	**2011-12 Total**	**2010-11 Fees**	**2010-11 Bonuses**	**2010-11 Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Non-Executive Officers						
Mr W Griffiths	20 - 25	-	20 – 25	20 – 25	-	20 – 25
Mr R J Evans	15 – 20	-	15 – 20	15 – 20	-	15 – 20
Mr M Bryant	15 - 20	-	15 - 20	15 – 20	-	15 – 20

Mr Vogel was appointed to the Management Board as Interim Finance and Commercial Director on 7 April 2010 through an agency. From 1 May 2011 Mr Vogel's services were procured by the College through Opus One Consultancy Limited, of which Mr Vogel is a major shareholder. For 2011-12, expenditure of £118,000 (2010-11: £188,629) was incurred in respect of his services.

Mr Copley was appointed to the Management Board as Interim Business Development Director on 19 April 2010. From 1 June 2011 Mr Copley's services were procured by the College through Linden Lea International Limited, of which Mr Copley is a major shareholder. For 2011-12, expenditure of £105,000 (2010-11: £91,450) was incurred in respect of his services.

The expenditure with Opus One Consultancy Limited and Linden Lea International Limited are reported as related party transactions in Note 23 to the Accounts.

Salary

Remuneration consists of ‘salary’ which includes gross salary, 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.

Bonuses

No executive bonuses were paid in 2011–12.

Benefits in Kind

Mr Vogel, Mr Copley and Mr Kettle (part only) received on-site accommodation as a benefit in kind during 2011-12, which had a value of £6,336 annually each (2010-11: £6,237). Mr Kettle also received home travel and subsistence expenses totalling £2,501. No other benefits in kind were received by members of the Management Board.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation’s workforce.

The banded remuneration of the highest-paid director in the Fire Service College in the financial year 2011-12 was £110,000 – £115,000. This was 4.6 times the median remuneration of the workforce, which was £24,214 (2010-11: 4.56 times at £24,646).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Full details of this can be found in Note 4.1 of the Financial Report: Notes to the Accounts.

Fire and Rescue Service Pensions

Pensions are provided through the Firefighters’ Pension Scheme. Full details of this can be found in Note 4.1 of the Financial Report: Notes to the Accounts. Pension costs for Mr Kettle during his secondment are re-charged to the College by his Fire and Rescue Service.

Pension Benefits

The following directors only are entitled to benefits under the Principal Civil Service Pension Scheme:

	Accrued pension at Age 60/65* as at 31 Mar 12 and related lump sum	Real increase in pension and related lump sum at Age 60/65*	CETV at 31 Mar 12	CETV at 31 Mar 11	Real increase in CETV funded by employer	Employee contributions and transfers in
	£000s	£000s	£000s	£000s	£000s	£000s
Mr K Robinson	5 – 10	2.5 – 3	67	38	22	4
Mr I Stroud	20 – 25	1 – 1.5	419	370	8	9

* Age 65 for Mr Robinson; Age 60 for Mr Stroud.

Cash Equivalent Transfer Values (CETV)

The figures in the table above reflect 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.

Note the actuarial factors used in the calculation of the above Cash Equivalent Transfer Values (CETVs) were changed during 2011. The new factors mean that the CETV value shown above for 31 March 2011 will not be the same as the corresponding figure shown in last year's report.

Kim ROBINSON
Chief Executive, The Fire Service College
2 July 2012

5 ANNUAL REPORT: Governance Statement 2011-12

Summary

The Financial Year 2011-12 continued with well-established governance mechanisms and a 3 year business plan. The Plan reflected the drive to improve the operations and financial performance of the College and many significant improvements have been achieved. However, revenues continued to be impacted by public sector cuts. Despite the significant revenue pressures, management maintained a strong focus on cost reduction, driving significant underlying profitability improvements.

The Audit Committee (AC) meeting in April 2012 noted that excellent progress had been made against internal audit recommendations, drawing the 2010-11 actions to a close. Management instructed the Internal Auditors to review five functions during 2011-12, the reports of which have been submitted to the College recently. It is noted that there are fewer issues raised than in previous audits and no major weaknesses were identified.

In line with the Future Options work, the Department of Communities and Local Government (DCLG) launched the sale of the College on 10 April 12 and the process is now underway.

The Governance Framework.

The Framework Document directs and guides the work of the College and describes its relationship with DCLG. It establishes the College's status, overarching governance requirements and describes its aims, objectives and functions. The revised framework document was published in March 2011.

I, as the Accounting Officer, report on the operational performance of the College and the effectiveness of its system of internal control to the DCLG-led College Shareholder Board. This Board is established in accordance with the Framework Document and meets quarterly to support College business activity including:

- approval of the FSC Business Plan (including the strategic objectives of the business, the short and long term financial and performance targets and the capital investment programme);

- consideration of the consequences for the College of policy changes affecting the provision of training and on any changes needed to the FSC Framework Document;

- consideration of issues raised by DCLG or the College which affect the work of the College, have implications for DCLG policy and in particular any changes in the training offered; and

- consideration of the College's performance, based on a quarterly performance report from the Accounting Officer, monitored against the targets set in the Business Plan. Where a material change occurs in the way the College carries out its tasks, or in long-term significant demands on resources, the Accounting Officer will bring it to the attention of the Shareholder Board for consideration.

The College Management Board (CMB) has met monthly and has maintained the principles of the *Corporate Governance Code.* It supports me as the Accounting Officer in meeting performance against business objectives and key performance indicators and by providing scrutiny and guidance. A 95% average attendance rate was achieved by the 8 members. The Board considers that it has fulfilled its duties satisfactorily.

I am also supported by an Audit Committee (AC), which is chaired by a Non-Executive Director and supported by a second Non-Executive Director and an Independent member.

The AC supports me as the Accounting Officer by ensuring that the Accounting Officer's public accountability is supported by sound governance control and risk management processes. There were five AC meetings held throughout the year and the three members achieved 94% average attendance rate. The AC scrutinises and advises the Accounting Officer on:

- the system of internal control;
- the strategic process for risk;
- the accounting policies and the annual report & accounts (including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors);
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity;
- assurances relating to the corporate governance requirements for the organisation;
- business continuity and incident control plans; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The CMB considers that the opinion and scrutiny of the Audit Committee contribute to the organisational control regime and to the level of assurance available to the Board and to me as the Accounting Officer.

I lead the College's Management Team (MT) which supports me as the Chief Executive by taking ownership of all matters relating to the day-to-day administration and operation of the College, its use of resources and performance in accordance with the latest agreed version of the College Business Plan. The Management Team individually and collectively provides leadership of the College staff. This includes:

- managing resources and delivering the performance targets and corporate objectives set out in the latest agreed version of the Business Plan;
- managing and taking steps to mitigate business risks;
- reflecting in their business activities the College's standards and values;
- fostering and developing effective staff and customer relationships; and
- managing and delivering the agreed operational programme.

The Health Safety and Welfare Action Group is responsible for the promotion of policies, processes and safe systems of work to effectively manage health, safety and welfare of all persons on College premises when engaged in College related activities. It is chaired by me or Head of Business Assurance and meets on a six weekly basis. Membership includes Directors, The Health and Safety Advisor and Technician and Trade Union Representatives.

The Capital Expenditure Programme Board is responsible for maintaining effective control over, and securing optimal benefit from, College capital expenditure. Chaired by the College Finance and Commercial Director, it scrutinises all significant capital expenditure proposals and monitors the progress of approved projects.

The Strategic Stakeholder Board provides strategic advice and influence to the Management Board aimed at improving operational delivery. It is chaired by the CFOA Director for Operational Response and comprises the Chief Executive, the Operations Director and Business Development and Marketing Director, the Chair of the FRS Occupational Committee, and other key representatives from CFOA, CFRA, LGA, the Devolved Administrations and DCLG. Its role includes endorsing the priorities and future product development proposals, including ensuring all activities undertaken by the FSC Product Board meet accredited quality assurance expectations and promote common operating standards, resilience and interoperability.

Chaired by the College Operations Director, the Product Board ensures that College product development processes are managed efficiently so that they underpin the delivery of quality products to customers and enable the development of future products to meet customers' needs.

The Business Assurance Unit (BAU), set up by me in 2010-11, established business - focused assurance in the form of in-house auditing and compliance of College activity against College policy. This ongoing programme of in-house audits is designed to improve business processes and management controls at all levels within the College. The BAU reports directly to me.

Major Assurance Activity

For the first time, annual reports from each of the BAU areas of responsibility, i.e. health and safety, quality assurance and information assurance were presented to the CMB at the April 2012 meeting.

During 2011-12, the BAU was tasked to coordinate management actions arising from recommendations from both internal auditing activity carried out by PricewaterhouseCoopers and in-house audits conducted by the BAU. This has been a positive step forward in strengthening internal controls.

Encryption of College IT security equipment was achieved in early 2011-12. This has added strain to an already inadequate IT systems.

Quality targets were met as described in Section 3.

In November 2011, the College successfully retained Information Fair Trading Status (IFTS), a good practice standard promoted by Office of Public Service Information. This allows the College to retain control of copyright and to maximise exploitation of its own Intellectual Property through Licensing and Franchising. In January 2012, the College achieved re-certification of ISO 9001:2008 Quality Management System widening the scope to cover both training delivery and support services. It will run for three years.

Health and Safety, as noted in the Annual Report for 2010-11, has continued to be a major priority for the Management Team. Within the last year, the College has undertaken a root and branch review of how health and safety is managed via policies, procedures and guidance within the College. As a result, a "road-map" and list of priorities have been created. Progress against the road map is reviewed at the Health Safety and Welfare Action Group. In February 2012, the College achieved Royal Society for the Prevention of Accidents (RoSPA) level 3 award in health and safety management, an improvement despite the short period of time since the last audit in December 2010. This forms a sound platform to achieve the College's objective, set by me, of Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 accreditation by 2013. As stated in Section 2, a number of improvements have been made to the site infrastructure including upgrades to the Liquid Petroleum Gas (LPG) training facilities, which recently resulted in very positive feedback from the Health and Safety Executive.

The sudden tightening of UK Border Agency entry controls for students entering UK on courses of over 6 months duration represented a risk to international business. The College as an Executive Agency of DCLG, has been able to operate via Tier 5 regulations, the Government Authorised Exchange scheme, which allows students to come to the College for up to 12 months. However the College sought and was granted an exemption with regard to the Qatar business to extend the study period to 24 months, thus protecting £1.2 million revenues from Qatar.

In line with Cabinet Office guidance, the College continues to review and reinforce its information security measures across the organisation with the Finance and Commercial Director submitting an annual return in his role as Senior Information Risk Owner and supported by the BAU.

The risk management process is subject to periodic review and scrutiny by me and CMB and AC meetings. The process is centrally coordinated and monitored by the Head of BAU on my behalf who provides guidance and ensures both directors and staff are equipped to manage risk in an appropriate manner. Management of business risks are identified, prioritised and mitigated by the Management Team who meet on a weekly basis.

Risks

The College, which is required to operate commercially, is unable to recruit and retain key staff, despite the significant, business-led cost savings already made in this area.

The level of commercial experience available across the College continues to present challenges, but Management continues to focus hard on driving down costs and aged debt, improving margins and improving the rigour of its contracting processes and controls.

Health and Safety management and improving the health and safety culture continue to be priorities for the Management Team.

Weaknesses and Issues

I and the Management Team continue to seek business improvement across all aspects of the College operation.

In-house auditing as detailed above continues to highlight opportunities to improve both process and management controls and is monitored on a monthly basis.

The disparate nature and age of College IT systems continue to hamper the College's ability to operate in an effective and streamlined manner.

There have been four minor information data breaches in the period of this report which have been investigated and appropriate action taken and all four cases are now closed.

Aged debt is managed by the Management Team and is reviewed on a monthly basis at CMB meetings. There are two significant aged debts. One relates to a Middle Eastern Government which Management believe will be paid. The other aged debt remains unresolved and was fully provided in 2010-11; however, the Board and DCLG are satisfied that all possible actions have been taken to date as the College continues to pursue payment.

Many further improvements to the College infrastructure are required, not least in improving the quality of residential accommodation, classrooms and breathing apparatus changing facilities, which continue to be a challenge for business retention and growth. Further significant investment is required.

Internal Audit Opinion

The following summary is extracted from PwC Internal Audit Annual Report 2012.

Our opinion is based solely on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Individual Assignment Reports. In our 2010-11 internal audit annual report we identified a number of significant control weaknesses that had a significant impact upon the system of internal control and, as a consequence, we were only able to provide limited assurance. Although in 2011-12 we have identified some further high risk findings, the number and priority of recommendations has considerably reduced and we are therefore able to conclude that there is some risk that management's objectives may not be fully achieved.

The key factors that contributed to our opinion are summarised as follows:

- The review of a significant debtor, where we identified a number of high priority findings and where the College has had to provide for a debt of £720,000 in its 2010-11 accounts;

- The review of PAYE, where we identified three high priority and a number of medium rated findings that may result in the College incurring penalties from HMRC; and

- Although we noted improvements in controls over core financial systems, we rated our review as high risk and noted concerns particularly over the timely completion and review of control account reconciliations.

We do however, acknowledge that the reviews of the significant debtor and PAYE were both areas where the College was aware of historic issues and where the College requested our help to investigate and report on the extent of the perceived weaknesses.

Statement by the Chief Executive and Accounting Officer

Based on the operation of the control environment outlined above, recognising that there is further work to be done, and supported by the opinion of the CMB, AC and the Head of Internal Audit Services, I am content that the College has operated with appropriate governance and an improved system of internal control and risk management during the 2011-12 financial year.

Kim ROBINSON
Chief Executive, The Fire Service College
2 July 2012

6 FINANCIAL REPORT:
Financial Results and Appropriations

The trading deficit for the year before interest was £2.1 million (2010-11: deficit £3.6 million) representing a negative return of 5.1% (2010-11: negative return 9.4%) on the average net assets employed (calculated as the average of total taxpayers' equity plus the long-term portion of loans).

No equity withdrawal has been paid to the College's parent department, the Department for Communities & Local Government (DCLG) in relation to 2011-12. The 2010-11 equity withdrawal of £4.6 million, accrued in the accounts for 2010-11 as a result of the disposal proceeds from the sale of land, was paid in February 2012.

PUBLIC DIVIDEND CAPITAL

Part of the capital of the Fund as at 1 April 1992 amounting to £16.7 million 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 (IAS) 16 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 IAS 38 Intangible Assets, are capitalised and the expenditure amortised over the period of expected commercial value.

As shown in Note 7, the College's property, plant & equipment was revalued as at 31 March 2012 resulting in a revaluation surplus of £5.28 million, with £5.14 million added to Revaluation Reserve and £145,000 released to the Statement of Comprehensive Income for the year.

FINANCIAL AND ACCOUNTING ARRANGEMENTS

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

The financial objectives of the College are detailed in a Treasury Minute dated 12 October 2009.

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 2011-12 financial year was £63,000 (2010-11: £56,000), as advised by the NAO and to be recharged to the College. No additional services were provided to the College by the Auditor.

AUDIT INFORMATION

The Accounting Officer of the 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.

SUMMARY OF 5 YEAR RESULTS

The amounts for the four years ended 31 March 2009 to 2012 are presented under International Financial Reporting Standards (IFRS), whilst 2008 is stated under UK Generally Accepted Accounting Practice (UK GAAP).

Year ending	Note	31 March 2012 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2009 £000s	31 March 2008 £000s
Total Revenue		**16,879**	18,471	21,727	21,579	22,614
Operating Costs						
Staff Costs	1	**9,049**	10,724	11,168	11,123	10,533
Depreciation and other asset costs	2	**2,251**	3,010	3,759	2,753	3,225
Other Costs including net finance costs		**8,019**	8,729	8,830	9,918	9,781
Total Operating Costs		**19,319**	22,463	23,757	23,794	23,539
Net deficit for the year		**(2,440)**	(3,992)	(2,030)	(2,215)	(925)
Exceptional income/(expenditure)		**-**	-	-	(12,264)	-
Deficit for the year after exceptional expenditure		**(2,440)**	(3,992)	(2,030)	(14,479)	(925)
Costs as a percentage of revenue						
Staff Costs		**54%**	58%	51%	52%	47%
Depreciation and other asset costs	2	**13%**	16%	17%	13%	14%
Other Costs		**48%**	47%	41%	46%	43%
Total		**114%**	122%	109%	111%	104%
Property, plant and equipment and intangible assets		**37,354**	33,266	37,367	40,713	67,743
Investment in property, plant and equipment and intangible assets		**1,361**	787	1,048	1,084	2,304
Increase/(decrease) in cash and cash equivalents		**578**	914	178	(1,032)	(1,431)
Staff Numbers (units not in thousands)	3	**197**	219	237	244	260
Average Staff Cost		**46**	49	47	46	41

Notes

1. Staff costs and staff numbers exclude staff working on product development, which were capitalised as intangible assets. No product development was capitalised in the years 2010-11 and 2011-12.

2. 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.

3. Staff numbers represent average Full-Time Equivalents (FTE) employed during the year.

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 Interim Finance and Commercial Director monitors bill paying performance and advises the Chief Executive. In 2011-12: 92.0% (2010-11: 96.1%) of invoices were paid within 30 days of receipt.

Kim ROBINSON
Chief Executive, The Fire Service College
2 July 2012

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FINANCIAL REPORT:
Statement of 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 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 HM 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 a going concern basis.

The accounts for 2011-12 have been prepared in accordance with IFRS as adapted or interpreted for the public sector context by HM Treasury.

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

The Treasury have subsequently appointed the Chief Executive as the Accounting Officer for the College. His relevant responsibilities as Trading Fund Accounting Officer, including the responsibilities 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 (updated August 2006). Chapter 13 of the latter document deals specifically with accountability.

8 FINANCIAL REPORT:
Certificate and Report of the Comptroller and Auditor General

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 31 March 2012 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity, 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 Accounting Officer's Responsibilities, the Chief Executive as 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, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

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

Opinion on 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 2012 and of its net deficit 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.

Emphasis of Matter – Going Concern
Without qualifying my opinion, I draw attention to the disclosures made in Note 1 of the financial statements which are prepared on a going concern basis. The Government launched the sale of the College in April 2012. There is, therefore, material uncertainty as to how long the College will continue to operate in its current form.

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 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report
I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 4 July 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	Note	31 March 2012 £000s	31 March 2011 £000s
Revenue	2.1	16,879	18,471
Cost of sales	2.2	(7,977)	(9,128)
Gross surplus		8,902	9,343
Administrative expenses	2.2	(10,988)	(12,955)
Trading deficit for the year		(2,086)	(3,612)
Interest receivable	5	23	2
Interest payable	6	(377)	(382)
Net deficit for the year after interest		(2,440)	(3,992)
Other comprehensive income and expenditure			
Net surplus on revaluation of property, plant and equipment		5,141	11,203
Reserves attributable to reinstatement of assets		-	58
		5,141	11,261
Total comprehensive income for the year		2,701	7,269

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

The Notes on pages 39 to 66 form part of these Financial Statements.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2012

	Public Dividend Capital	Revaluation Reserve	Retained Earnings/ (Accumu-lated Deficit)	Govern-ment Grant Reserve	Total Taxpayers' Equity
	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2010 as reported	16,721	11,395	(10,725)	15,503	32,894
Prior year adj on realised revaluation surplus	-	(236)	236	-	-
Balance at 31 March 2010 as adjusted	16,721	11,159	(10,489)	15,503	32,894
Changes in Taxpayers' Equity 2010-11					
Government capital grants received	-	-	-	304	304
Government grant amortisation	-	-	-	(540)	(540)
Loss on disposal of grant assets	-	-	-	(6)	(6)
Equity withdrawal	-	-	(4,746)	-	(4,746)
Recognised in Statement of Comprehensive Income					
Net deficit for the year after interest	-	-	(3,992)	-	(3,992)
Other comprehensive income and expenditure					
Net surplus/(deficit) on revaluation of property, plant and equipment	-	5,655	6,062	(514)	11,203
Reserves attributable to reinstatement of assets previously written-off	-	76	-	(18)	58
Transfers between reserves					
Realised depreciation	-	(435)	522	(87)	-
Realised revaluation surplus on asset disposal	-	(353)	353	-	-
Total changes in Taxpayers' Equity	-	4,943	(1,801)	(861)	2,281
Balance at 31 March 2011	16,721	16,102	(12,290)	14,642	35,175
Changes in Taxpayers' Equity 2011-12					
Government capital grants received	-	-	-	432	432
Government grant amortisation	-	-	-	(559)	(559)
Recognised in Statement of Comprehensive Income					
Net deficit for the year after interest	-	-	(2,440)	-	(2,440)
Other comprehensive income and expenditure					
Net surplus on revaluation of property, plant and equipment	-	3,976	-	1,165	5,141
Transfers between reserves					
Realised depreciation	-	(538)	633	(95)	-
Realised revaluation surplus on asset disposal	-	(118)	118	-	-
Other realised revaluation surplus	-	(314)	314	-	-
Transfer realised land sale revaluation surplus	-	(3,287)	3,287	-	-
Total changes in Taxpayers' Equity	-	(281)	1,912	943	2,574
Balance at 31 March 2012	**16,721**	**15,821**	**(10,378)**	**15,585**	**37,749**

The Notes on pages 39 to 66 form part of these Financial Statements.

Details of the prior year adjustment on realised revaluation surplus on disposal of property, plant & equipment is included in Note 1w.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

			Restated	Restated
		Years ending 31 March		
		2012	2011	2010
	Note	£000s	£000s	£000s
Non-current assets				
Property, plant and equipment	7	**37,100**	32,772	36,283
Intangible assets	8	**254**	494	1,084
Total non-current assets		**37,354**	33,266	37,367
Current assets				
Inventories	10	**38**	51	32
Trade and other receivables	11	**3,768**	8,993	5,355
Cash and cash equivalents	12	**2,781**	2,203	1,289
Assets held for sale	13	**3,288**	6,575	-
Total current assets		**9,875**	17,822	6,676
Total Assets		**47,229**	51,088	44,043
Current liabilities				
Trade and other payables	14	**4,381**	10,233	6,214
Provisions	16	**614**	1,128	405
Total current liabilities		**4,995**	11,361	6,619
Non-current liabilities				
Long-term Government loans	15a	**4,448**	4,491	4,530
Long-term Other loans	15b	**37**	61	-
Total non-current liabilities		**4,485**	4,552	4,530
Total Liabilities		**9,480**	15,913	11,149
NET ASSETS		**37,749**	35,175	32,894
Taxpayers' Equity				
Public Dividend capital	17	**16,721**	16,721	16,721
Revaluation Reserve		**15,821**	16,102	11,159
Accumulated Deficit		**(10,378)**	(12,290)	(10,489)
Government Grant Reserve		**15,585**	14,642	15,503
TOTAL TAXPAYERS' EQUITY		**37,749**	35,175	32,894

The Notes on pages 39 to 66 form part of these Financial Statements.

Details of the prior year adjustment on realised revaluation surplus on disposal of property, plant & equipment is included in Note 1w.

Kim ROBINSON
Chief Executive, The Fire Service College
2 July 2012

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

	Note	31 March 2012 £000s	31 March 2011 £000s
Net cash outflow from operating activities	**18**	**(1,939)**	(32)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,361)	(787)
Purchase of intangible assets		-	-
Proceeds from disposal of property, plant and equipment		3,509	1,479
Net cash inflow from investing activities		**2,148**	692
Cash flows from financing activities			
Equity withdrawal		-	(100)
Capital grants received		432	305
Repayment of short and long term loans		(63)	(36)
Short and long term other loans received		-	85
Net cash inflow from investing activities		**369**	254
Net increase in cash and cash equivalents		**578**	914
Cash and cash equivalents at the beginning of the year		**2,203**	1,289
Cash and cash equivalents at the end of the year		**2,781**	2,203

The Notes on pages 39 to 66 form part of these Financial Statements.

10 FINANCIAL REPORT: Notes to the Accounts

1. ACCOUNTING POLICIES

These Financial Statements have been prepared in accordance with the 2011-12 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply 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.

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. Going Concern

The Financial Statements have been prepared on a going concern basis.

In April 2012, the Government launched the sale of the College. The closure of the College Trading Fund is dependent on the passage of legislation and therefore whether the College will be sold and any resulting timetable for closure of the Trading Fund has yet to be decided. After the sale it is proposed that all of the College's functions will continue under the new owners.

At the point of sale it is proposed that the Executive Agency that is the College will be abolished and the Department will commence the processes necessary to revoke Trading Fund status. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt whether the College will continue to operate in its current form.

Having considered the circumstances described above, management have concluded that, in the absence of the passing of the legislation necessary to close the Trading Fund, whilst there is a material uncertainty over the future of the organisation, it is appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements until such time as the legislation is passed.

c. 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 Note 1d below and Note 7); and
- recognition criteria for intangible assets (See Note 1e below and Note 8).

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 Note 1d below and Note 7);
- useful lives of intangible assets and amortisation (See Note 1e below and Note 8);
- provisions for doubtful receivables (See Note 11); and
- liability provisions (See Note 16).

d. 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 re-valued at open market value. All other freehold buildings, site infrastructure and incident ground 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 are 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 and computer equipment 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;
- Incident ground facilities 5-50 years;
- Site infrastructure 10-50 years;
- Vehicles 3-15 years;
- Fixtures and fittings 1-15 years; and
- Computer equipment 1-15 years

e. 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 charged 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 as a proxy for fair value. Amortisation is over 3-5 years.

f.

f. 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 recoverable 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.

g. Inventories

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

h. Retirement Benefit Costs

Most employees of the College are members of the Principal Civil Service Pension Scheme (PCSPS) 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 PCSPS 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. Two employees belong to a Money Purchase Scheme (See Note 4.1).

i. Research and Development

Research and product maintenance expenditure is written off in the year in which it is incurred.

j. Insurance

The College insures its trading activities by the purchase of policies for professional indemnity insurance 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 College will consult the DCLG Secretary of State about the action to be taken.

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 Taxpayers' 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 Statement of Financial Position 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 in 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. As the majority of the College's sales are training related, they are exempt from VAT. The College is, however, entitled to claim input tax on partial exemption 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 is included in Taxpayers' Equity in the College. At any time the DCLG 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 Adopted in the Current Year

The College adopted the following standards/amendments to standards and interpretations. These standards have not had a material impact on the College's Financial Statements in the current financial year:

- Amendments to IFRS 7 (October 2010): Disclosures (Annual Improvements) relating to the nature and extent of risks, arising from financial instruments;

- IAS 24 (Revised November 2011): Related party disclosures, clarification and simplify in relation to government influence, significant influence to control.

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 2012-13 financial year and later. The following are the standards and interpretations which apply to the College; however, these standards are not expected to have a material impact on the College's Financial Statements:

- IFRS 13: Fair value measurement (1 January 2013), providing more consistent guidance, including a hierarchy for data input quality to be used;

- IAS 19 (Revised June 2011): Employee Benefits (1 January 2013);

- Amendments to IFRS 7 (October 2010): Disclosure – Transfer of financial assets (1 January 2013); and

- IFRS 9: Financial instruments (1 January 2013 or 2015) Phase 1 classification and measurement, Phase 2 impairment and 3 hedge accounting updating IAS 39.

w. Prior year adjustment for the realisation of revaluation surplus

Following the accounting for the revaluation of property, plant & equipment as at 31 March 2012, it was noted that the realisation of revaluation surplus on recent asset disposals had not been properly accounted for in previous years. As a result, a prior year adjustment has been made to account for this in the two years ended 31 March 2010 and 31 March 2011 as required by IAS 8. This is included in the individual reserve balances in the Statement of Taxpayers' Equity and the Statement of Financial Position.

2. REVENUE ANALYSIS AND SEGMENTED REPORTING

2.1 Analysis of Revenue by Customer Type

	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
UK Fire and Rescue Services	**7,705**	9,000
DCLG	**773**	765
Other public sector	**2,607**	2,993
Total public sector income	**11,085**	12,758
UK private sector	**1,718**	1,741
Overseas customers	**3,957**	3,899
Individuals	**119**	73
Total private sector income	**5,794**	5,713
Total revenue	**16,879**	18,471

2.2 Analysis of Trading Surplus / (Deficit) for the year by Segment

	Year ended 31 March 2012				Year ended 31 March 2011			
	Revenue	Cost of Sales	Administrative Expenses	Surplus/ (Deficit)	Revenue	Cost of Sales	Administrative Expenses	Surplus/ (Deficit)
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Training	14,123	(7,398)	(9,021)	(2,296)	16,274	(8,653)	(10,874)	(3,253)
Events	698	(26)	(573)	99	345	(8)	(341)	(4)
Infrastructure	369	-	(275)	94	441	(13)	(350)	78
Estate Rental Income	363	-	(186)	177	335	-	(186)	149
Other income from activities	394	(394)	-	-	310	(310)	-	-
Other income	932	(159)	(933)	(160)	766	(144)	(1,204)	(582)
	16,879	(7,977)	(10,988)	(2,086)	18,471	(9,128)	(12,955)	(3,612)

The Segmental analysis was re-classified last year to reflect the income streams recognised in internal management reporting.

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

The financial objectives for the College are set out in Note 25.

3. TRADING DEFICIT FOR THE YEAR

The trading deficit for the year is stated after charging/(crediting) the following:	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
Rental income	**(329)**	(335)
Rentals under operating leases	**154**	167
External audit fee*	**63**	56
Travel, subsistence and hospitality	**108**	179
Board members' remuneration	**603**	655
Non-cash items:		
Depreciation of property, plant and equipment	**2,156**	2,036
Amortisation of intangible assets	**240**	289
Amortisation of capital grant	**(559)**	(540)
Surplus on disposal of property, plant and equipment	**(58)**	(180)
Loss on disposal of property, plant and equipment	**-**	141
Less: Attributable to grant funded assets	**-**	(6)
(Profit)/loss on revaluation of property, plant and equipment	**(145)**	445
Impairment of intangible assets	**-**	301
Profit on reinstatement of property, plant and equipment	**-**	(196)

* The external audit fee is the fee for the Comptroller and Auditor General's annual certification of the College's Financial Statements. There was no remuneration due for non-audit work in the current or previous years.

4. STAFF NUMBERS AND RELATED COSTS

4.1 <u>Staff Costs</u>

	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
Wages and salaries	**4,245**	5,016
Social security costs	**310**	349
Superannuation costs	**767**	854
Seconded staff	**2,084**	2,181
Visiting lecturers & tutors and other contracted staff	**1,643**	2,324
	9,049	10,724

Pensions – Civil Servants

The Superannuation Acts 1965 and 1972 and subsequent amendments apply to those members of the Board who are Civil Servants. The 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.

From 30 July 2007, Civil Servants may be in one of four defined benefit schemes: either a final salary scheme (Classic, Premium or Classic Plus); or a whole career scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. New entrants after 1 October 2002 may opt for either the appropriate defined benefit arrangement or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Pensions payable under Classic, Premium, Classic Plus and Nuvos have been increased annually in line with changes in the Retail Prices Index (RPI) up to 1st April 2011, and in line with changes in the Consumer Prices Index (CPI) thereafter.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final 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. 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. In Nuvos a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up rated in line with RPI (CPI from 1 April 2012). In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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).

For 2011-12, employers' contributions of £767,000 were payable to the PCSPS (2010-11: £854,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to the revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Pensions - Firefighters

Regular fire fighters employed before 6 April 2006 were eligible for membership of the Firefighters' Pension Scheme (FPS). The Scheme was closed to new entrants with effect from 5 April 2006. A New Firefighters Pension Scheme (NFPS) was introduced for regular and retained firefighters employed since 6 April 2006.

Responsibility for policy on the fire fighter pension schemes rests with DCLG, working with administrations in Northern Ireland, Scotland and Wales. The administration and payment of individual pensions and benefits is the responsibility of fire and rescue authorities. Both Schemes (FPS and NFPS) are unfunded, defined benefit schemes.

The overall cost of funding the scheme was assessed by Government Actuaries in 2007. The cost of benefits accruing for each year of membership was assessed as 37.7% of pensionable pay for FPS members and 23.7% of pensionable pay for NFPS members, of which the seconded officer contributes 11% and 8.5% retrospectively. £326,000 was charged to the income and expenditure account (2010-11: £369,000). This represented the reimbursement of employer contributions made by FRSs which was recharged to the College.

The total amount charged to the Income Statement in respect of pension contributions is as follows:

	Year ended 31 March 2012 £000s	**Year ended 31 March 2011 £000s**
Civil Service contributions	**767**	854
Seconded staff contributions	**326**	369
Charge for year	**1,093**	1,223

4.2 Average number of persons employed or contracted

	Year ended 31 Mar 12		Year ended 31 Mar 11	
	Average Full Time Equivalent	**Average Number**	Average Full Time Equivalent	Average Number
Senior Management staff	**7**	**7**	6	6
Teaching staff	**64**	**65**	74	74
Non Teaching direct, safety and support staff	**62**	**64**	66	69
Administration staff	**64**	**68**	73	76
Non-Executive Directors	**-**	**3**	-	3
	197	**207**	219	228
Civil Service staff - employed	**149**	**156**	162	168
Seconded staff	**29**	**29**	32	32
Visiting Lecturers and Tutors	**16**	**16**	18	18
Other contracted staff	**3**	**3**	7	7
Non-Executive Directors	**-**	**3**	-	3
	197	**207**	219	228

4.3 Reporting of Civil Service and other compensation schemes – exit packages

	Number of Voluntary Redundancies
Exit package cost band	
£ 0 - £ 25,000	3
£25,000 - £ 50,000	4
£50,000 - £100,000	6
Total number	**13**
Total resource cost	**£700,000**

There were no compulsory or voluntary redundancies in 2010-11.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

5. INTEREST RECEIVABLE

	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
Bank interest	**23**	2

6. INTEREST PAYABLE

	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
Long-term loans	**377**	382

7. PROPERTY, PLANT AND EQUIPMENT

	Dwellings	Buildings	Freehold Land	Site Infrastructure	Incident Ground Facilities	Computer Equipment	Vehicles, Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
At 1 April 2011	5,408	24,055	1,762	8,167	5,070	3,912	3,891	291	**52,556**
Reclassifications	15	276	-	-	-	-	-	(291)	**-**
Additions	-	326	-	32	502	243	258	-	**1,361**
Disposals	(163)	-	-	-	-	(93)	(12)	-	**(268)**
Revaluation	530	2,806	1,989	1,931	247	46	43	-	**7,592**
At 31 March 2012	5,790	27,463	3,751	10,130	5,819	4,108	4,180	-	**61,241**
Accumulated Depreciation									
At 1 April 2011	-	8,774		4,181	2,057	2,476	2,296	-	**19,784**
Reclassifications	15	(15)	-	-	-	-	-	-	**-**
Depreciation charge for the year	-	912	-	423	211	265	345	-	**2,156**
Disposals	-	-	-	-	-	(93)	(12)	-	**(105)**
Revaluation	(15)	886	-	1,157	278	-	-	-	**2,306**
At 31 March 2012	-	10,557	-	5,761	2,546	2,648	2,629	-	**24,141**
Net Book Value at 31 March 2012	5,790	16,906	3,751	4,369	3,273	1,460	1,551	-	**37,100**
Asset Financing:									
Owned	5,790	16,906	3,751	4,369	3,273	1,460	1,551	-	**37,100**
Finance leased	-	-	-	-	-	-	-	-	**-**
Net Book Value at 31 March 2012	5,790	16,906	3,751	4,369	3,273	1,460	1,551	-	**37,100**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Dwellings	Buildings	Freehold Land	Site Infrastructure	Incident Ground Facilities	Computer Equipment	Vehicles, Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
At 1 April 2010	6,243	25,291	1,875	8,403	5,256	4,603	3,947	3	55,621
Additions	-	-	-	43	17	92	347	288	787
Reclassifications*	-	-	(6,575)	-	-	-	-	-	(6,575)
Disposals	(490)	(203)	(6,062)	-	-	(857)	(781)	-	(8,393)
Revaluation	(345)	(1,033)	12,524	(279)	(203)	74	378	-	11,116
At 31 March 2011	5,408	24,055	1,762	8,167	5,070	3,912	3,891	291	52,556
Accumulated Depreciation									
At 1 April 2010	-	7,988	-	3,763	1,867	3,099	2,621	-	19,338
Revaluations	-	-	-	-	-	-	104	-	104
Depreciation charge for the year	-	901	-	418	190	234	293	-	2,036
Disposals	-	(115)	-	-	-	(857)	(722)	-	(1,694)
At 31 March 2011	-	8,774	-	4,181	2,057	2,476	2,296	-	19,784
Net Book Value at 31 March 2011	5,408	15,281	1,762	3,986	3,013	1,436	1,595	291	32,772
Asset Financing:									
Owned	5,408	15,281	1,762	3,986	3,013	1,436	1,595	291	32,772
Finance leased	-	-	-	-	-	-	-	-	-
Net Book Value at 31 March 2011	5,408	15,281	1,762	3,986	3,013	1,436	1,595	291	32,772

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Reclassifications*: At the previous year ended 31 March 2011, the College completed the sale of 35 acres of surplus land for the development of residential housing. The sale comprised three phases with split completion dates. The land sold under the first phase was shown as a disposal in that year. For 2010-11, the land to be sold under Phases 2 & 3 for £6.6 million and for 2011-12, Phase 3 for £3.3 million, has been reclassified into current assets as an asset held for sale. See Note 13 below.

Land is valued on the basis of purchasing a notional replacement site in the same locality, equally suitable for the existing use. All buildings, site infrastructure and incident ground facilities were valued at 31 March 2012 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.

The Valuers' report on the revaluation of property, plant and equipment as at 31 March 2012 states that "in our opinion, given the planning constraints on the site and taking into account the value of the parcels of surplus land, we believe that, if the Fire Service College business was to cease and the property was to be placed on the open market for sale as one lot with vacant possession, the purchase price may be materially lower than the Depreciated Replacement Cost reported."

Assets with a cost of £2.09 million (2010-11: £1.68 million) have been fully depreciated but remain substantially in use. These sums have been retained in the total asset costs and accumulated depreciation disclosed above and will be reviewed in 2012-13 for possible life extension.

8. INTANGIBLE ASSETS

	Product development £000s
Cost or Valuation	
At 1 April 2011	**1,297**
Revaluation	**-**
At 31 March 2012	**1,297**
Accumulated Amortisation	
At 1 April 2011	**803**
Amortisation charge for the year	**240**
At 31 March 2012	**1,042**
Net Book Value at 31 March 2012	**254**
Cost or Valuation	
At 1 April 2010	1,699
Revaluation	(402)
At 31 March 2011	1,297
Accumulated Amortisation	
At 1 April 2010	615
Amortisation charge for the year	289
Revaluation	(101)
At 31 March 2011	803
Net Book Value at 31 March 2011	494

No intangible assets were capitalised in the years 2011-12 or 2010-11 consistent with the College's accounting policies set out in Note 1e.

9. IMPAIRMENTS AND REVALUATION LOSSES

	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
Losses on revaluation of property, plant and equipment		
Representing a reversal of previous revaluation surpluses charged to Revaluation Reserve	-	(920)
Losses not covered by previous revaluation surpluses charged to income statement - included in administration expenses	-	(445)
Losses attributable to grant funded assets charged to Grant Reserve	-	(514)
Representing a reinstatement of an asset currently in use, previously written off. Charged to Grant Reserve	-	(18)
Losses on revaluation of intangible assets		
Loss attributable to impairment review	-	(301)
Total losses	-	(2,198)
Revaluation of land under sale agreement	-	12,637
Representing a reinstatement of an asset currently in use, previously written off. Included in administration expenses	-	196
Representing a reinstatement of an asset currently in use, previously written off. Included in Revaluation Reserve	-	76
Revaluation surplus credited to Revaluation Reserve	**3,976**	-
Revaluation surplus credited to Grant Reserve	**1,165**	-
Total gains	**5,141**	12,909
Total revaluation and impairment gains	**5,141**	10,711

10. INVENTORIES

	31 Mar 12 £000s	31 Mar 11 £000s
Consumables	**38**	51

11. TRADE AND OTHER RECEIVABLES

11.1 Analysis of Trade and Other Receivables

	31 Mar 12 £000s	31 Mar 11 £000s
Amounts falling due within one year:		
Trade receivables	**4,065**	9,557
Less: Provision for doubtful receivables	**(1,103)**	(1,352)
	2,962	8,205
Other receivables	**305**	350
Prepayments and accrued income	**501**	438
	3,768	8,993

Included within receivables falling due within one year are the following intra-Governmental balances, considered a related party to the College:

	31 Mar 12 £000s	31 Mar 11 £000s
Central Government	**65**	479
Local Authorities	**721**	1,508
Public Corporations and Trading Funds	**228**	249
	1,014	2,236

11.2 Receivables past their due date but not impaired

	31 Mar 12 £000s	31 Mar 11 £000s
By 1 month	**130**	971
By 2 months	**9**	99
By 3 months	**2**	37
By more than 4 months	**1,094**	750
	1,235	1,857

11.3 Provision for doubtful receivables

	31 Mar 12 £000s	31 Mar 11 £000s
Balance at 1 April	**1,352**	478
Amount written off during the year	**(80)**	(5)
(Decrease)/increase in receivables impaired	**(169)**	879
Balance at 31 March	**1,103**	1,352

12. CASH AND CASH EQUIVALENTS

	31 Mar 12 £000s	31 Mar 11 £000s
Balance at 1 April	**2,203**	1,289
Net change in cash and cash equivalent balances	**578**	914
Balance at 31 March	**2,781**	2,203

The College's cash balances are kept in interest bearing current or short term treasury deposit accounts with the Lloyds TSB Banking Group.

13. ASSETS HELD FOR SALE

The land sold under Phase 3 of the land sale is included within current assets as an asset held for sale. It has a carrying value of £3.3 million (2010-11: Phases 2 and 3: £6.6 million), being the contracted sale price.

14. TRADE AND OTHER PAYABLES

	31 Mar 12 £000s	31 Mar 11 £000s
Amounts falling due within one year		
Government loans	**43**	39
Other loans	**24**	24
Trade payables	**668**	962
Accruals	**2,779**	7,349
Deferred income	**867**	1,860
	4,381	10,233

Included within payables falling due within one year are the following intra-Governmental balances, considered a related party to the College:

	31 Mar 12 £000s	31 Mar 11 £000s
Central Government	**984**	6,005
Local Authorities	**735**	2,193
Public Corporations and Trading funds	**7**	17
	1,726	8,215

15a. LONG-TERM GOVERNMENT LOANS

	31 Mar 12 £000s	31 Mar 11 £000s
Repayable as follows:		
Over 1 up to 2 years	**46**	42
Over 2 up to 5 years	**52**	148
After 5 years	**4,350**	4,301
	4,448	4,491

All loans were taken out between 1992 and 1994, are unsecured and repayable in instalments of £209,000 (including interest) paid twice every year. All loans bear rates of interest which are fixed for the full period of the loan, which varied between 20 and 60 years. For 2011-12 the weighted average period of loans is 40 years and the weighted average interest rate is 8.37% (2010-11: 8.37%).

Included within payables falling due after more than one year are the following intra-Governmental balances, considered a related party to the College:

	31 Mar 12 £000s	31 Mar 11 £000s
Central Government	**4,448**	4,491

15b. LONG-TERM OTHER LOAN

	31 Mar 12 £000s	31 Mar 11 £000s
Repayable as follows:		
Over 1 up to 2 years	**24**	24
Over 2 up to 5 years	**13**	37
After 5 years	**-**	-
	37	61

The other loan is with Salix Energy Efficiency Loan Scheme which was set up in 2010-11 to finance the purchase of energy efficiency assets. The loan is unsecured, interest free and repayable in instalments of £12,242 paid twice every year until completion in 2014-15.

16. PROVISIONS

	Personal Injury Claims £000s	Pension Liabilities £000s	Total £000s
Balance at 31 March 2011	139	989	**1,128**
Provided/(released) in the year	36	(429)	**(393)**
Utilised in the year	(101)	(20)	**(121)**
Balance at 31 March 2012	74	540	**614**
	-	-	**-**
Analysis of expected timing of cash flows:	-	-	**-**
Within 1 year	74	80	**154**
Over 2 up to 5 years	-	302	**302**
After five years	-	158	**158**
	74	540	**614**

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 and covers the estimated compensation and relevant legal costs. The transfer of economic benefits is expected to take place within the next financial year.

The pension provision relates to pension liabilities set up in previous years, part of which are payable monthly to two (2010-11: three) past employees and part a provision against future claims based on experience over the last five years.

17. PUBLIC DIVIDEND CAPITAL

	31 Mar 12 £000s	31 Mar 11 £000s
Issued pursuant to Government Trading Funds Act 1973	**16,721**	16,721

18. NOTES TO THE STATEMENT OF CASH FLOWS

	Year ended 31 Mar 12 £000s	Year ended 31 Mar 11 £000s
Net cash inflow/(outflow) from operating activities		
Net deficit for the year after interest	(2,440)	(3,992)
Depreciation of property, plant and equipment	2,156	2,036
Amortisation of intangible assets	240	289
Capital grants amortised in year	(559)	(540)
Surplus on disposal of fixed assets	(58)	(45)
(Profit)/loss on revaluation of fixed assets	(145)	550
(Decrease)/increase in deferred income	(993)	624
Decrease in provisions in the year	(514)	(7)
Decrease/(increase) in inventories	13	(19)
Decrease in trade and other operating receivables	5,225	1,621
Decrease in trade and other payables	(4,864)	(549)
	(1,939)	(32)

19. ANALYSIS OF CHANGE IN FINANCING

	Long Term Loans		
	Repayable Within One Year £000s	Repayable After One Year £000s	Total £000s
At 1 April 2011	63	4,552	4,615
Movement from long term to short term loan	67	(67)	-
Loans repaid	(63)	-	(63)
At 31 March 2012	67	4,485	4,552

20. CAPITAL COMMITMENTS

At 31 March 2012 the College had contractual commitments for capital expenditure in respect of the acquisition of property, plant and equipment amounting to £128,000 (2010-11: £381,000) made up as follows:

	31 Mar 12 £000s	31 Mar 11 £000s
Buildings	16	374
Computer equipment	39	-
Fireground Facilities	15	-
Vehicles, furniture and equipment	58	7
	128	381

21. 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 2012 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 (2010-11: nil).

22. CONTINGENT LIABILITIES

The College potentially has a contingent liability in relation to tax planning, a legacy item, which it is currently unable to quantify and is looking to resolve in due course.

In 2010, the College received a counter claim against a debt due from an overseas customer. The directors of the College are still considering this but do not believe that there is any significant exposure.

23. RELATED PARTY TRANSACTIONS

As stated in the Annual Report, the College is an Executive Agency, with Trading Fund status. Responsibility for the College rests with DCLG. In the normal course of its business, the College provides fire related training to both the public and private sectors. During the year, the College has had a significant number of material transactions with related parties as follows:

- UK FRS: revenue of £7.7 million (2010-11; £9.0 million); expenditure of £1.7 million (2010-11; £2.4 million);
- DCLG: revenue of £0.8 million (2010-11; £0.8 million); expenditure of £nil million (2010-11; £0.03 million);
- Other Government Agencies:
    - National Resilience Assurance Team: £1.8 million revenue (2010-11; £1.6 million);
    - The Department of Health: £0.1 million revenue (2010-11; £0.5 million);
    - HM Prison Service: £0.2 million revenue (2010-11; £0.2 million);
    - The Environment Agency: £0.12 million revenue (2010-11; £0.12 million);
    - The Home Office: £5.0 million expenditure (2010-11; £5.8 million);
    - HM Revenue & Customs: £0.4 million expenditure (2010-11; £0.8 million);

23. RELATED PARTY TRANSACTIONS (continued)

- Mr Vogel's services as Interim Finance and Commercial Director were procured by the College, from 1 May 2011, through Opus One Consultancy Limited, of which Mr. Vogel is a major shareholder. For 2011-12, expenditure of £104,000 (2010-11: nil) was invoiced by the company in respect of his services and the College had a nil balance as at 31 March 2012;

- Mr Copley's services as Interim Business Development Director were procured by the College, from 1 June 2011, through Linden Lea International Limited, of which Mr. Copley is a major shareholder. For 2011-12, expenditure of £92,000 (2010-11: nil) was invoiced by the company in respect of his services and the College had a nil balance as at 31 March 2012.

Trade receivable balances with related parties, mainly UK Government, are summarised in Note 11.1. Trade and other payable balances with related parties are summarised in Note 14.

None of the College's Management Board members, key management staff or other related parties has undertaken any material transactions with the College during the year except as noted above.

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 except as noted above.

24. THIRD PARTY ASSETS

The College does not hold any third party assets.

25. TRADING FUND OBJECTIVES

The DCLG Secretary of State has determined financial objectives for the Fire Service College Trading Fund. These were confirmed by Treasury Minute dated 12 October 2009.

The financial objective for the College is to achieve a return of a minimum of 4% averaged over the period 1 April 2009 to 31 March 2012, 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 £2.1 million before interest (2010-11: £3.6 million deficit) represents a negative return on the average net assets employed of 5.1% (2010-11: negative return 9.4%). The cumulative negative return on average net assets for the 3 year period 1 April 2009 to 31 March 2012 is 18.5% (2010-11: two years 13.6%).

26. FINANCIAL INSTRUMENTS

	At 31 March 2012			At 31 March 2011		
	Carrying	value	Fair value	Carrying	value	Fair value
	£000s	£000s	£000s	£000s	£000s	£000s
Financial assets						
Loans and receivables at amortised cost						
Trade receivables		2,962	2,962		8,205	8,205
Other receivables	305			350		
Less: Non-financial assets	(34)	271	271	-	350	350
Cash and cash equivalents		2,781	2,781		2,203	2,203
		6,014	6,014		10,758	10,758
Financial liabilities - at amortised cost						
Trade payables		668	668		962	962
Long term loans		4,491	4,491		4,615	4,615
		5,159	5,159		5,577	5,577

The total instalments of capital and interest remaining to be paid to extinguish the long-term loans over their contracted terms amounts to £16.0 million (2010-11: £16.4 million).

27. CAPITAL MANAGEMENT AND FINANCIAL RISKS

Capital Management

The capital structure of the College is presented in the Statement of Financial Position. The College's policy seeks to ensure that adequate financial resources are available for the management and development of the College's business whilst managing its market and credit risks. Note 17 provides detail of its Public Dividend Capital and, in addition, the College has several long-term Government and other loans outlined in Notes 15a and 15b to the Accounts.

Liquidity Risk

The responsibility for the overall financing of the College rests with DCLG which provides 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 11.9% (2010-11: 13.6%) of Total Taxpayers' Equity and the interest rate is fixed. Deposits earning interest at a variable rate against bank base rate represented 7.3% (2010-11: 6.6%) of Total Taxpayers' Equity.

The College has a number of loans with HM Treasury via the DCLG Secretary of State. Most of the loans 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 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 has procedures in place to manage and minimise this.

Market Risk

Approximately 66% of total revenues in 2011-12 were derived from the public sector (2010-11: 69%) which has been subject to continuing budget constraints, adversely impacting on their overall training spend at the College.

In-year, the College has reduced its prices to the FRS to become more competitive, but given the budget pressures of its UK customers, the degree of competition (often funded by the taxpayer/ratepayer) and the College's high overheads (without funding, the College cannot afford to reduce them), the FRS market outlook is conservative. As a result, the College remains focused on growing its international business, Government constraints permitting. Whilst this was a strategy last year, Government recruitment freezes slowed progress.

Interoperability is a key requirement of local and national resilience, which are mutually dependant and vital to national security. As such, as well as maintaining the FRS business and growing International business, the College's strategy also includes the development of this emerging market for multi-agency interoperability, including joint training and exercising. Multi-agency training includes other responders and critical infrastructure organisations and is not limited to the emergency services.

The College's revenue have fallen significantly in the last three years, but the management have stabilised the business, significantly reducing costs and improving operational and commercial controls to provide a platform for future growth. There is still a market risk to the College but this is being met by a much more focused business in better shape for competing in both the UK and the overseas marketplace.

Sensitivity analysis

A review of the various market risks to which the College is exposed, indicates that a sensitivity analysis is not necessary for most risks, due to immateriality as in the case of currency or interest rate risk. As stated before, most customers are UK Government funded, but the College has a potential, but low, credit risk with overseas customers, although most of these are also funded by their own governments.

If the College experienced a 10% default on its total overseas debts as at 31 March 2012, the College's deficit for the year would have been £167,000 higher (2010-11: £75,000).

28. EVENTS AFTER THE REPORTING PERIOD

The Government launched the sale of the College in April 2012. Indicative bids have now been received and evaluated and the organisations to be taken through to due diligence have been identified.

The Government have insisted on a number of conditions on the proposed sale, including commitments not only that the College will be preserved as a national training college for the Fire and Rescue Service, but also that it will continue to offer wider national resilience and emergency services training and exercises, that the wider emergency services will be involved in the overall setting of training governance and that Government permission will be required to sell the site on for other uses.

No other significant events have taken place since the year end that have not been accounted for within the Financial Statements which require further disclosure.

The College's Annual Report and Accounts are laid before the Houses of Parliament. IAS 10 (Events after the Reporting Period) requires the College to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the Annual Report and Accounts are certified by the Comptroller and Auditor General.

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