The Food and Environment Research Agency

Annual Report and Accounts 2012/13

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Foreword by Adrian Belton

Chief Executive

Three headlines stand out from Fera's performance during 2012/13:

- A fourth year, since establishing Fera, of strong trading in what continue to be exceptionally challenging times. This has enabled us to protect and further invest in nationally important scientific capabilities that Government requires access to
- An unprecedented series of calls on Fera's response capabilities, supporting both Government and industry in times of contingency. Two high profile examples were the response to Ash Dieback in developing a method to detect and diagnose the spread of the virus, and the horsemeat scandal where our same capabilities were used to develop rapid tests for both speciation and the presence of phenylbutazone ('Bute')
- The development of a longer term strategy for securing Fera's capabilities in anticipation of sharply declining spend by Government over the coming years. This strategy flows from a vision to position Fera as a leading supplier of scientific solutions along the entirety of the agri-food supply chain.

Strong Trading

Our trading performance saw income go up again, productivity improve, and a greater share of what is a declining Government 'cake' for our services across a range of Government Departments. As a net-running cost Agency, we are required to deliver a 'net nil' result. Pleasingly we achieved this. Indeed, results before the revaluation of non-current assets demonstrate a small trading surplus. The income mix saw our non-Government revenues stay broadly the same as we took on more than forecast business from our Government customer. Our acclaimed Continuous Improvement (CI) Programme, now in its third year, has enabled us to exceed our efficiency target, reflected in our productivity as measured by income per Full Time Equivalent (FTE) (£82k). Customer satisfaction ratings with all our major customers also remained high. Staff engagement, as measured by the annual civil service wide survey, remained broadly static, conditioned by the need for greater clarity about the future of the Agency.

Fera discharges a number of regulatory responsibilities for Government, principally plant health and seeds inspection and certification. For many years the income from our regulated customers had been well below full economic cost. Now in the second year of a programme to recover full cost, the financial benefit is flowing through with increased income of £6.6m. Furthermore, through a series of task forces established with the Industry, we are making good progress in establishing more innovative ways of working together so that cost and responsibility can be shared more equitably between Government and industry without putting at undue risk the bio-security outcomes.

Rapid Response for Government and Industry

Response is the other *raison d'etre* for Fera's capabilities. Government and industry look to us for detection and diagnostic capabilities that not only help to assess risk, but more usefully can help design and deploy rapid solutions. Our capabilities have been put to the test on several occasions during the year, including: the eradication of Asian Longhorn Beetle in Kent that was threatening trees and plants; detecting the presence of *Chalara fraxinea* by developing a rapid diagnostic that enabled the entire country to be surveyed for the presence of Ash Dieback in a matter of weeks; and the development of tests to enable the rapid detection of the veterinary drug Phenylbutazone ('Bute') when the presence of horsemeat in food products was found.

At the heart of this response capability is Fera's unparalleled research capability which supports the development of advanced methods to detect and identify 'unknown unknowns'. The interaction between and integral nature of our regulatory, response and research capabilities is described more fully in the 'science wheel' set out on page seven in the Management Commentary.

A sustainable future

Our main campus, just outside York, is now becoming a magnet for organisations with a related interest in detection and diagnostics, with new partners, including SMEs, choosing to locate here during the year. This has enabled us to launch the Sand Hutton Applied Innovation Campus with the support of local partners including the Local Economic Partnership and the nearby University of York. The campus is being put at the heart of a combined city/rural growth plan.

Much of 2012/13 was spent considering the longer term sustainability of Fera's capabilities in the face of increasingly tough Government spending projections. Recognising that much of what we do is for the public good, which is why many of our scientists and specialists choose to work here, the Agency worked closely with our parent Department, Defra, to produce a strategy and a five-year plan that demonstrated how Government's needs could continue to be met. The longer term strategy has to be sustainable both financially and scientifically and its implementation may require alleviation from some of the constraints of operating within wholly owned Government control.

As part of developing the five-year plan, we have defined a new vision for the organisation to be:

"A leading supplier of scientific solutions, evidence and advice across the Agri-Food supply chain."

In focusing on the agri-food supply chain, where Fera's capabilities support both Government and industry, it was decided during the year to transfer out certain functions. These included the Plant Health Policy function, which has returned to Defra, and the Wildlife function, which has switched to a sister Agency, the Animal Health and Veterinary Laboratories Agency (AHVLA). Further adjustments in Fera's scope may take place during 2013/14. Taken together these changes mean that Fera effectively becomes a £60m turnover, 750 FTE organisation, compared to the £70m 850 FTE organisation it was during 2012/13. By focusing in this way, Fera will align strongly with the Government's recently announced agri-tech strategy, and is better placed to pursue opportunities to grow business with non-UK Government clients.

In conclusion, I would like to take this opportunity to thank all the staff and partners of Fera for another year in which our key Ministerial Performance Outcomes were delivered.

Adrian Belton

Adrian Belton

Chief Executive

13 June 2013

1. Management Commentary

Introduction

Fera was launched as a net running cost Executive Agency of the Department for Environment, Food and Rural Affairs (Defra) on 1 April 2009. The formation of Fera brought together three divisions of Defra and two existing Executive Agencies into this new Executive Agency. Details of Fera's legal framework are set out in our Framework Document 2009, available on our website.[1] Fera's accounts are consolidated into Defra as the parent and Whole of Government Accounts.

Fera carries statutory responsibility for delivering inspectorate functions in plant health, bee health, and plant varieties and seeds, and until January 2013 Fera was responsible for developing policy in these areas. In January 2013 policy functions returned to Defra which saw 20 staff transfer back to the Department. We also provide surveillance, scientific evidence and analysis in support of policy outcomes for other parts of Defra, such as land use assessment, Genetically Modified Organisms (GMO) risk and biodiversity. In summary, our services address risks to a safe, secure and productive food chain and its impacts on the wider environment. We also have a significant role in high profile work such as Chemical, Biological, Radiological and Nuclear (CBRN) incident management.

Whilst Fera's primary purpose is to support Defra's policy objectives, we also provide similar services to other Government departments, European Commission (EC) and commercial customers, through the wider application of our core skills.

Our results are achieved through translating scientific knowledge and contextual understanding of problems into practical solutions, often in multidisciplinary teams and in strategic partnerships.

The achievements outlined in this report are set against a background of the ongoing Science Agency Review (SAR) and the uncertainty about Fera's future that this causes.

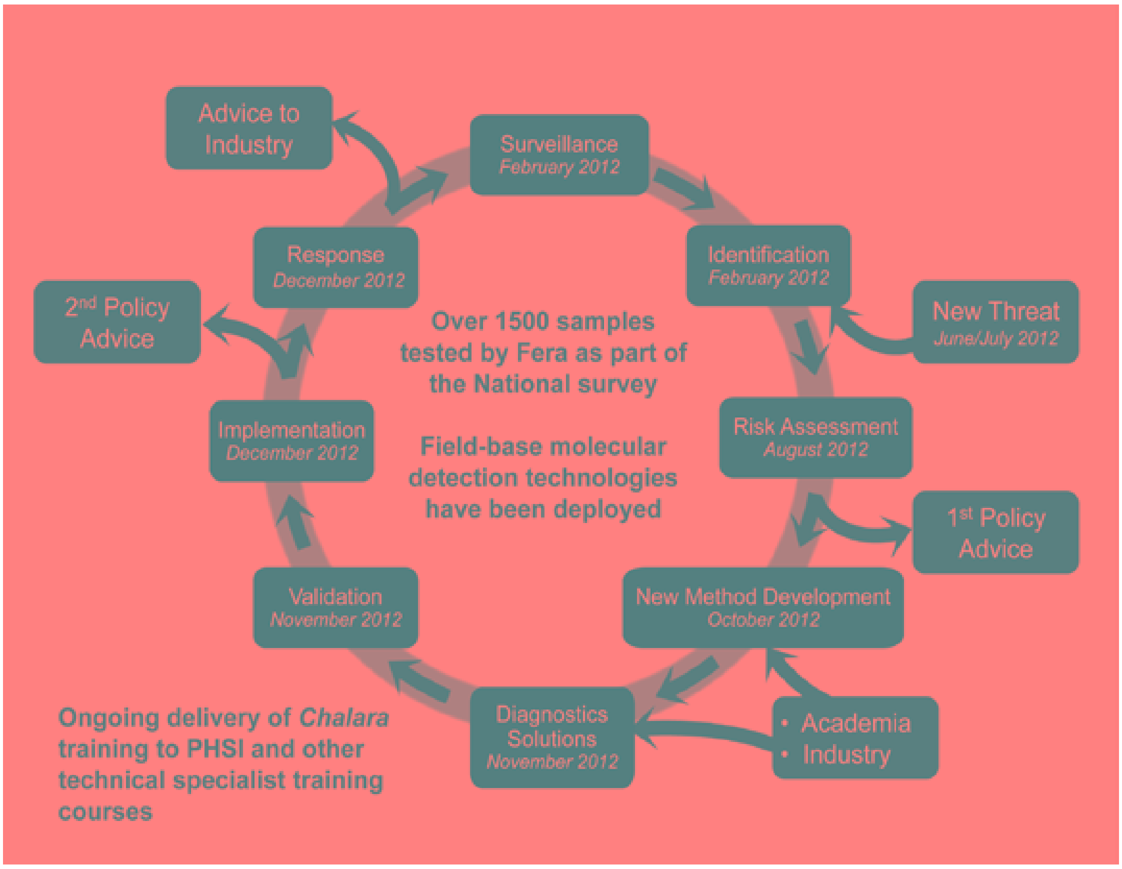
Performance overview

Strong science

This has been a busy year for Fera scientists and one which has shown the value of the integration of research and response when dealing with national emergencies affecting the farming sector and the environment. In particular, Fera's Plant Health and Seeds Inspectorate (PHSI) has deployed field teams to support major pest and disease outbreaks, including Asian Longhorn Beetle affecting trees in Kent and Oak Processionary Moth in London. Most recently, our plant pathologists and molecular biologists have supported Forest Research in developing and deploying new diagnostics tools to detect *Chalara fraxinea*, the causative agent of Ash Dieback. The Ash Dieback diagnostics story embodies several principles which underpin the operation of the Fera Science Wheel, which was a central theme emerging from the Science Strategy exercise which was completed in 2012. By taking the latest molecular pathology

[1] http://www.fera.defra.gov.uk/news/documents/feraFrameworkDocument.pdf

research tools in Ash Dieback detection, it was possible to work up a practical and validated in-field test for the disease based on isothermal DNA amplification technology which could be used by the teams in the field.



The speed with which this science response was assembled is a great credit to the hard work and dedication of our diagnosticians and an excellent example of the value of an integrated approach in delivering applied solutions. The rapid response to Ash Dieback outbreak also illustrates the broader context of Fera's science delivery. In addition to providing new diagnostic tools to the Defra network, our diagnosticians were responsive to the potential for joint working with researchers from the John Innes Centre and Exeter University in sequencing isolates of *C. fraxinea* (Ash Dieback) to build a genome map of this emerging pathogen. This project, funded by the Biotechnology and Biological Sciences Research Council (BBSRC) illustrates a new way of joint working whereby the latest 'omic' technologies are brought to bear at a much earlier stage in contingency responses to new biological threats.

The completion of the Science Strategy[2] exercise in 2012 has been invaluable in aligning Fera to fully deliver its potential in addressing the global challenge of food security. The Agency is unique in the UK in operating in all sectors of the food chain and with its increased focus on agri-food research is now in an excellent position to provide joined up solutions to its many customers in Government and industry. In particular, Fera is well placed to help develop national resilience in both agricultural production and food safety, as new trading practices and climate change are set to increase the arrival of new pests and pathogens which threaten our environment and farming industry. In addition to extending our horizon scanning activities to identify these new threats at an earlier stage, we will increasingly bring

[2] The Science Strategy can be found on Fera's website http://www.fera.defra.gov.uk/scienceResearch/scienceStrategy/index.cfm

our skills to bear in providing multi-layered defence strategies to protect our crops and ecosystems. Similarly, Fera is ideally situated to identify new threats in our food chain, extending from new chemical and microbial hazards and adulteration as global supply chains derive materials from new sources. The Science Strategy has helped inform our new five-year plan which is set to address these new challenges and provide new translational science solutions with an emphasis on cross-disciplinary working. It is also clear that Fera needs to extend its partnering with the University sector and Research Institutes to identify new science opportunities which can be jointly developed. To this end, Fera is now a formal partner in the 'White Rose' University Doctoral Training Programme funded by the BBSRC, based on the theme of food security research. We have also extended our working with the BBSRC institutes and our engagement with the Government Office of Science in inputting into the UK Agritechnology Strategy, as well as closer collaborative working with members of the Defra network.

Following on from the Science Strategy Fera has taken a leading role in developing new approaches and technologies which address its vision in delivering safety in the food chain and environment. In June 2013 Fera hosted an international conference on the application of 'omics' technologies in food science, as part of the Joint Institute for Food Safety and Applied Nutrition (JIFSAN) programme with the US Food and Drug Administration. Fera also organised and co-hosted with the Knowledge Transfer Networks and Foreign and Commonwealth Office a national workshop on biosensors and the potential for their future development using emerging technologies such as synthetic biology. Both meetings reviewed the latest cutting edge technologies which Fera is actively involved in developing. Fera continues to support innovation within the organisation through workshops, seedcorn funding and an annual science conference in October 2012, when we were able to welcome representatives from sister Agencies as well as the new Defra Chief Scientific Advisor, Professor Ian Boyd. In 2012 we have also launched the Fera Fellowship Scheme to allow our top scientists time and resource to develop new projects in the key themes emerging from the Science Strategy that will meet the needs of our customers.

Fera's scientists continue to play a major part in the international science scene with representation on both international and national strategy panels. We have maintained the quality of our publications based on impact factor and with the commissioning of an external Impact Survey, we now have a much better sense of the value of our work to the UK Government and industry. This survey revealed that Fera's work has contributed substantially to "recurring avoided costs to industry and society"; has helped to safeguard industries and develop new markets; and has guided public investment.

With a new year to look forward to, the science focus for 2013/14 will be to deliver the business plan, most notably those strands which require new interdisciplinary working and joint working with other institutions. A key challenge in the current funding environment will be to continue to build our science capability and influence while maximising delivery. This in turn will require both making the best of our current resources and a continued outward facing engagement strategy with key partners and stakeholders.

Developing and supporting policy

We have transferred Bee Health, Plant Health and Plant Varieties and Seeds policy functions from Fera to the core Department in line with the direction of travel for all policy functions, whilst continuing to ensure policy works seamlessly with our scientific and operational teams.

Working in partnership with the Devolved Administrations we have established advisory fora to help provide stakeholder input into strategic policy development, including UK negotiating positions for proposed changes in EU plant health and plant reproductive material rules. These fora have also been advising Defra's Chief Scientist on his review of the plant health regime in the UK.

We led on and supported two major pest and disease programmes concerning Asian Longhorn Beetle and *C. fraxinea*, which saw us working closely with partners such as the Forestry Commission and Local Government, advising on the policy and delivery options for control and containment.

During the year we set up a number of Government/industry taskforces across the eight statutory services Fera provides[3] and are working with our customers to deliver more efficient plant health services. This will constrain fee increases required in future years, as we move towards achieving the policy of full economic cost recovery for these services.

The taskforce for National Listing of plant varieties is considering a proposal for applications to be managed by an industry organisation, to be put out to public consultation during 2013. Negotiation by Fera experts achieved further flexibility in EU seeds regulation for the inspections of seed crops. From January 2013 seed company personnel, under Fera's quality assurance, will be able to inspect crops entered to produce pre-basic and basic seed.

Three years of the Healthy Bees Plan has generated valuable new information on bee pests and pathogens. That evidence has been used to revisit policy and ensure that the most appropriate measures are taken against each risk. Consultation on revised policies was completed in early 2013 and new measures will be delivered later in 2013, with a renewed focus on bee keeping husbandry.

Fera continued to support Defra policy initiatives to eradicate bovine TB, through continued delivery of the Badger Vaccine Deployment Programme and completion of the National Badger Population Survey.

Other development activities

The needs of customers, both Government and commercial, in the agri-food sector, are the driving force behind Fera's activities and has led to some exciting developments in 2012/13.

Fera, working with Waters Corporation, has launched a major new international training facility with the mission of improving compliance with EU food import standards. The Fera International Food Safety Training Laboratory (Fera IFSTL)[4] was officially opened by Defra Minister, Lord de Mauley, on 22 January 2013. It offers training in best practice methods for determining chemical contaminants and residues in food, using state-of-the-art technology and equipment. This will enable food producing countries around the world to implement their own solutions and gain access to the opportunities offered by trade with Europe.

In Africa Fera has been bringing its extensive plant pest and disease diagnostic capability to bear. Working with Kenyan plant health institutions and international partners, Fera helped to unravel the identity of a new and highly damaging maize disease in Kenya. With the initial application of traditional diagnostic methods proving inconclusive, Fera successfully applied 454-Next Generation Sequencing to identify the causal pathogen.

Fera continues to play a vital role in the UK Government's strategy to raise awareness about the threats to our countryside posed by new plant pests and diseases, which are often inadvertently spread by gardeners, tree and plant industry professionals and countryside users. One of the key activities was a stand at the RHS Chelsea Flower Show 2012 which broke with the tradition of luxurious gardens and healthy plant displays Chelsea is renowned for, to show the public the consequences of inaction and to outline how they can help prevent the spread of devastating plant pests and diseases. Fera's stand was awarded a silver medal by the RHS judging panel.

[3] Import inspections for plant health controlled material from non-European Union countries, Import inspections on potatoes imported from Egypt, Plant health licensing services, Plant passport services, Export certification services, Seed potato certification service, National Listing and Plant Breeders' Rights, and Seeds Marketing.
[4] https://secure.fera.defra.gov.uk/ifstl/

To maximise the potential of our main site at Sand Hutton near York, we have consolidated our science-based groups into a smaller footprint, which has released marketable accommodation. We have been successful in attracting eight partners to the renamed Sand Hutton Applied Innovation Campus, with three joining us on site this year.

Operational delivery

This year we have made further improvements in capability and responded to a variety of urgent and high profile demands.

In the area of plant health our inspectorate and diagnostics teams played a key role in the Ash Dieback outbreak, first detecting infected plants, working in partnership with other organisations to complete a national survey in a week. Working seamlessly, scientists and inspectors developed validated diagnostics tools and deployed them in the field in an unprecedentedly short time. Other 'firsts' in this area include;

- Highest interception rates in import inspections in Europe – 900 in 2012 compared with 270 in the second highest country.
- The registration of beekeepers to BeeBase increased to over 30,000, the highest total ever, with approximately 5,000 new subscribers.

During the run-up to the 2012 London Olympic and Paralympic Games, Fera's PHSI arranged for letters to go to the National Plant Protection Organisations (NPPOs) of the participating countries, highlighting the biosecurity risks associated with passenger movement as part of the Games. In particular the NPPOs were asked to distribute the information amongst the athletes, team members, politicians and diplomats attending so that they were aware of restrictions on moving plant material. PHSI also undertook growing season inspections on plant material to be contained in the victory bouquets. This allowed medal winners who received one of the 4,400 victory bouquets awarded, to obtain the necessary Plant Health certification which would enable them to take the bouquet home with them should they so wish.

Additionally, our Inspectorate and Plant Varieties and Seeds teams worked constructively together with industry in taskforces to review costs and quality of regulatory services. We have collectively identified opportunities to reduce cost and retain or improve effectiveness and service standards.

Our Wildlife programme has provided excellent results for their customers supporting Defra policy initiatives to eradicate bovine TB;

- The Badger Vaccine Deployment Project vaccinated 998 badgers in 2012 (628 in 2011) trained 65 lay vaccinators and monitored quality of their vaccination work through our audit process.
- National Badger population survey of England and Wales: An enormous two-year project, completed this year, we surveyed around 1,700 1km squares for badger setts, involving a team of over 30 staff, contacting over 17,000 land owners.

The programme also continued to expand its bird control auditing services across Europe, working with 30 airports where we achieved a 10% reduction in birdstrikes and a 30% reduction in flight delay time from birdstrikes at these sites.

Fera's breadth of bee and neonicotinoid pesticide expertise worked closely with Government customers to develop and deliver evidence for policy making, and with industry customers as an impartial provider of high quality independent research services.

Fera has worked in conjunction with the Food Standards Agency to support the "gated, positive release programme" for horsemeat entering the food chain, developing fit-for-purpose methodology for the determination of the veterinary drug Phenylbutazone (Bute) to meet the 48 hour turnaround required.

In addition to our surveillance, research and science-based service projects we conducted practical exercises to assure readiness for a CBRN incident, with particular focus on the London Olympics and Paralympic Games.

Plant health staff from across Fera also had achievements in public engagement, most notably a silver medal for a biosecurity exhibit at the RHS Chelsea Flower Show 2012, and production of a number of short educational videos[5] on Phytophthora, Citrus Longhorn Beetle and Ash Dieback.

Our Continuous Improvement programme has delivered customer focused increases in effectiveness and efficiency. Over 224 staff-generated efficiency initiatives have been implemented, and a new Customer Service Group has been introduced to improve customer care and internal procedures. We have also introduced processes to define, cascade and deliver strategic improvement initiatives. This is providing a clear line of sight to the Agency vision and aims for all areas of the business. We are collaborating with both public and private sector organisations and hosted seven visits in the course of the year to share experiences.

Income per Full Time Equivalent (FTE) increased to £82k, a rise of £2.5k (3.1%)[6] on last year, due to the combined benefits of efficiency, pricing and outsourcing. We also implemented a targeted restructuring programme, improving organisational design. Increased flexibility in resourcing has also contributed, through greater use of seasonal contracts and rapid introduction of shift working to deal with extreme workload peaks.

These are just some examples of achievements in a year in which we also demonstrated our resilience in delivering several hundred projects for our customers.

[5] Videos are available to view on Fera's website and YouTube channel http://www.youtube.com/user/FeraUK1
[6] Based on full year restated actuals, further details included in Financial Commentary on page 24

Ministerial targets

We have reviewed the Ministerial Key Performance measures and outcomes in our Business Plan and assessed them as indicated below:

1. Financial Performance - To meet agreed financial performance and efficiency targets. Met.

2. Customer focus - To achieve high standards of customer service and improved account management. Part Met.

   Our key enabling project – Customer Relations Management systems implementation was delayed. To increase our customer insight and our capacity to respond to opportunities identified we remain committed to driving this project to a successful conclusion. However, we have received excellent feedback from our core customer, Defra, on our quick and effective response to the high profile issues of bovine TB, Ash Dieback and horsemeat contamination.

3. Performance - To deliver effective and efficient policy outcomes, robust evidence, science services, and incident response. Met.

4. Science capability - To develop and maintain science capabilities to support Defra and wider Government needs. Met.

5. Leadership - To develop and maintain a culture of ownership and accountability that values everyone for their contribution. Met.

6. Embedding sustainability and support for the Big Society - To drive value by maximising the exploitation of our assets to embed the principles of sustainability further into our business activities and contribute to the Big Society agenda. Met.

Estates management

During 2012/13 Fera continued to drive a programme of space utilisation improvements to minimise costs, cost efficiencies were achieved by vacating four existing buildings where lease breaks have allowed. Staff in these locations have either relocated to more cost effective accommodation, including other under-utilised Government properties, or adopted home working.

At our Sand Hutton site consolidation of science based groups into a smaller footprint through open plan offices and making more efficient use of laboratories has released marketable accommodation for additional ‘Campus Partners’. There are now eight partners on site employing approximately 77 staff.

In addition to these new Campus Partners, a major new IFSTL facility was also created from space freed up. This 142m2 refurbishment project was completed and opened in January 2013.

The Sand Hutton site has now been operational for 17 years. During the final quarter of the financial year a significant capital sum has been expended to improve the resilience of the site infrastructure. Further spends are planned for the coming year.

Health and safety

The Fera Safety, Health and Environment team is in the first year of a five-year Health and Safety Strategy. This aims to move the Health and Safety culture from a reactive one based on compliance with Health and Safety legislation to one where employees and management work together to produce a proactive approach to Health and Safety. This will be achieved by inspiring staff at a local level to act as Health and Safety champions in their own work areas.

As training, understanding and accessibility of the system has developed during the reporting year, it is noticeable that the number of near misses reported continues to increase whilst incidents involving an injury have declined with only one reportable incident.

Incident data	2012/13	2011/12
Total number incidents, accidents and near misses reported, which breaks down to:	97	82
Incidents involving an injury	56	61
of which reportable to the HSE	1	4
Incidents involving near misses	41	21
Number of staff working at Fera (headcount)	920	904
Total reportable incidents per 100 staff	0.11	0.44

Information risk management

Fera has a dedicated Senior Information Risk Owner (SIRO) and an Information Asset Owner (IAO). The SIRO is a member of the Executive who is familiar with information risks and has the authority to decide on whether a risk should be mitigated or accepted. The IAO role is to understand what information is held, what is added and what is removed, how information is moved, and who has access and why.

As a result individuals are able to understand and address risks to ensure that information they are responsible for is fully used within the law for the public good. The IAO works with a number of key staff within the relevant programmes to assess the risks to their data, and these assessments are reported to our parent Department twice a year.

Additional measures have been put in place to ensure that Fera’s Information Assets are protected to a standard appropriate to a Government Agency.

Fera is not a major holder of protected personal or otherwise sensitive data. There were no major lapses of reportable data security within the year, and two minor incidents have resulted in improved processes.

All staff are required to pass Level 1 of the Protecting Information Course provided by Civil Service Learning, and are required to refresh this training annually. Take-up of this course has been carefully monitored through automated email notice, with further notifications through the line management chain taking place. As a result every one of Fera’s current staff has passed this course within the last year.

All staff are also required to agree to Fera’s Information Security Policy, which was revised and simplified recently before full computer access is granted. Fera’s Information Security and Assurance team provides a set of services which support Fera's secure use of IT systems and associated data to assure compliance with all relevant Government and legal requirements and practice. The team also advises the business on appropriate strategies, technologies and behaviours to minimise the risk and impact of failures of data security.

Staff and workforce capability

In contrast to the majority of the public sector, Fera has embarked upon a growth agenda driven by a sustained increase in non-Government funding. In order for the organisation to achieve the business objectives associated with this agenda, a key goal was the continued development of leadership and management skills. Following on from the successful Leadership and Management Development Programme, the Fera Essential Management Skills programme was attended by 91 Fera managers to better equip them for the challenges that lie ahead.

In 2012/13 Fera undertook some targeted restructuring with the intention of making the organisation better prepared for the challenges associated with the expected reduction in Government spending over the course of coming years. This has seen 27 staff leaving under voluntary terms with seven compulsory redundancies. The outcome is a workforce whose skills match is better focussed on Fera's business plans going forward.

Fera continues to have a sickness absence rate significantly lower than many of its civil service comparators. Over the course of the last two years, however, a small rise in absence has been noted peaking at an average of 5.6 days absence per person. In response, Fera has revised its sickness absence monitoring procedures to reinforce active line management of the issue. Most recent sickness absence figures indicate a slight fall in average absence at 5.4 days per person.

Fera's Health and Wellbeing Strategy was launched in April 2012 and aimed at moving the Agency to a more proactive and planned approach to improving the health and wellbeing of our staff. This was undertaken as part of our wider strategic engagement aim to be a Centre of Excellence that people aspire to work for: an employer of choice at all levels of the organisation. A study commenced in November with 63% of staff participating in an impact analysis questionnaire. The study has helped us not only identify the main concerns of staff but, more importantly, the degree to which these impact on their wellbeing, and engagement with the Agency. The results are helping to focus our action plans to further increase staff engagement and wellbeing.

Fera has been awarded the "Two Ticks (Positive About Disabled People)" accreditation and provides equal access to employment, training, career development and promotion opportunities irrespective of gender, marital status, race, ethnic origin, sex, nationality, national origin, disability, sexual orientation, religion or age. We oppose all forms of discrimination.

Fera has reviewed the requirements of PES (2012) 17 Annual Reporting Guidance 2012/13 and the new requirement to disclose tax arrangements of public sector appointees and off-payroll engagements. Fera can confirm there are no off-payroll engagements that fall into the categories requiring disclosure.

The following tables provide a breakdown of staff recruited in 2012/13 to Fera by grade, gender, disability status and declared ethnic origin.

Ethnic Origin	Gender	Bands 1-3	Band 4 and above	Total
White	Female	15	6	21
	Male	13	8	21
Non-white	Female	3	1	4
	Male	1	1	2
Not specified	Female	19	3	22
	Male	33	7	40
Total		**84**	**26**	**110**

Disability Status	Gender	Bands 1-3	Band 4 and above	Total
Non-disabled	Female	18	6	24
	Male	15	7	22
Disabled	Female	1	1	2
	Male	0	0	0
Not specified	Female	18	3	21
	Male	32	9	41
Total		**84**	**26**	**110**

Staff engagement

Employee engagement, as measured by the annual civil service survey, fell slightly. This comes against the background of some very challenging times with uncertainty over Fera's ownership, the restructuring of parts of the organisation and the specific funding challenges faced by the Agency. There have, however, been some notable successes in delivering significantly increased engagement scores in parts of the organisation that have previously demonstrated low employee engagement.

The regular Executive-led Open Forums to which all Fera staff are invited have been restructured to focus on and reflect the strategic messages of the business. They are webcast and recorded for staff not based at the main site at Sand Hutton. Teleconference briefings of the management cadre by the Chief Executive have been held regularly this year and we are about to initiate a two-way cascade loop to ensure inclusion of all levels of line management in the communications sharing process and to encourage line managers to take a key role in sharing the information that impacts across Fera and that all staff should be aware of. Communications cells around local performance also provide regular opportunities to encourage teams to discuss how they contribute to and influence Fera's performance and feedback any concerns to managers.

Additionally, the Strategic Communications Management Group has been established to exploit Fera existing communications channels to share information about Fera's Future, its new Five Year Business Plan and the wider political and economic factors that could affect us going forward. This includes emails to all staff, telecons, Executive presence at Programme meetings, and the opportunity to ask questions at the meetings, via a publicised email address for staff based away from the central Sand Hutton site and via an actual post box near the staff restaurant.

Publications such as FeraMatters (staff e-zine), the weekly Bulletin (collated 'need-to-know' messages from across the business) and Fera's Intranet Front Page News also carry vital information for staff reflecting Fera's performance as well as engaging colleagues by reporting our successes. The Internal Communications Team regularly conducts sense-checks and temperature checks with small focus groups to gauge effectiveness and opinion.

Social and community

This year Fera continued its Apprenticeship scheme, designed to open careers in science to people who may not otherwise choose them, by recruiting a further three apprentices. As part of our ongoing commitment to raising awareness of careers in science we also supported the Ryedale County Council 'Opportunity Knocks' careers fair speaking to students from a range of Ryedale schools.

During 2012/13 Fera have offered work experience placements to 24 school students as part of our ongoing commitment to enriching the experience for students studying the sciences. We have also hosted, or provided staff for eight school visits to site, and careers fairs.

During the year Fera provided summer internships for 11 students and two graduates from the University of York. The University's Student Internship Bureau links students seeking project-based work experience with appropriate employers in York and North Yorkshire. Fera have been part of the summer scheme since it was established three years ago.

Additionally our Finance team have worked with Universities to provide one year internships for Accountancy students. This provides the student with valuable work experience and accountancy expertise in preparation for their final year at University.

Future development

Fera continues to operate in challenging times with changes being considered by Defra on a number of fronts, which could have an impact on the Agency, in particular they continue to consider the future ownership of Fera. To inform this process, and in preparation for a possible more independent future, Fera has prepared a five-year plan for the Agency's development that will ensure the sustainability of the business both scientifically and financially. This plan has been informed by the Science Strategy prepared in 2011 and market research completed during 2012 for our commercial markets, and since the plan was prepared the Secretary of State has stated that Plant Health is one of his top four priorities.

As a result of this plan Defra and Fera are enacting a number of streamlining activities to sharpen the focus of the business, which has included the repatriation of the Bee Health, Plant Health, and Plant Varieties and Seeds Policy functions to the core Department in January 2013. These changes will result in a business focussed on the agri-food supply chain.

As a result of this focus, the transfer of certain functions out of Fera, and the identification of growth opportunities, a re-alignment of responsibilities among the wider Leadership Team has taken place in April 2013 to facilitate delivery of the five-year plan developed during the year.

Fera's quality standards

Quality standards applied by Fera are assessed by third parties including UKAS, the GLP Monitoring Authority, Lloyds QA, ISTA and the Chemicals Regulation Directorate so that Fera's customers can rest assured in the knowledge that the work carried out for them will meet or exceed their quality expectations.

- **ISO 9001:2008 Certification including TickIT for software development:** Provision of scientific services to Government and non-Government customers worldwide. Software development is in accordance with TickIT principles.
- **ISO 17025:2005 Accreditation:** Provision of food and plant health testing covering veterinary drug residues, pesticide residues, environmental contaminants, mycotoxins, food additives, authenticity, packaging, food microbiology, and plant pathogen detection.
- **ISO 17020 Accreditation:** Physical examination of controlled materials for quarantine pests and diseases covering plants, potatoes, produce, seeds and grains, and soils and growing media. Compliance to EU Council Directive 2000/29/EC, the Plant Health (England) Order 2005 and the Plant Health (Wales) Order 2006. Sampling of regulated materials for plant health testing and diagnostics.
- **ISO/IEC 17043:2010 Accreditation:** Provision of proficiency testing covering food chemistry (FAPAS), food microbiology (FEPAS), GM detection (GeMMA), and water and environmental (LEAP).
- **ISO 14001:2004 Certification Environmental Management System:** Activities at our Sand Hutton and Woodchester Park sites associated with analytical, diagnostic and consultancy services for land based and food industries.
- **Good Laboratory Practice (GLP) Compliance in accordance with Directive 2004/9/EC:** Covering analytical chemistry, ecosystems, environmental fate, and environmental toxicity.
- **International Seed Testing Association (ISTA) Accreditation:** Provision of seed quality testing, covering moisture content and purity.
- **Official Recognition of Efficacy Testing Organisations (ORETO) Compliance with Commission Directive 93/71/EEC:** Efficacy trials and testing in agriculture/horticulture, stored crops, vertebrate control, and biologicals and semiochemicals. Assessed by the Chemicals Regulation Directorate (CRD).
- **Investors In People (IIP) Accreditation:** Accredited since 1999 Fera undertook an IIP health check in 2011 which recognised further achievements in defining roles and accountabilities, improving leadership and management capabilities, developing future talent, and securing our commercial skills base.

Fera is also the National Reference Laboratory (NRL) for the UK and Malta for chemical safety in food, chemical contaminants in animal feed, pesticide residues and veterinary medicine residues.

In addition to holding the above quality standards, during the year Fera hosted five customer audits. The outcome of all these audits has been positive and have served to strengthen our relationship with these customers.

2. Sustainability Report

Sustainability is at the heart of the Food and Environment Research Agency's overarching purpose, which is to support and develop a sustainable food chain, a healthy natural environment, and to protect the global community from biological or chemical risks. Throughout our work in the areas of wildlife, plant life, the food chain and the environment, sustainability forms the bedrock of our organisation.

Overview

As part of its sustainable development strategy, the Government encourages both companies and public bodies to disclose their sustainability performance via their annual report and accounts. The Fera sustainability and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting, Guidance for 2012/13 Reporting.

It should be noted that as the Fera Science Innovation Campus is a growing business, this will have an impact on the ongoing sustainability performance of the Agency. There is a direct link between the amount of science on site and its impact on our energy, waste and water figures.

The information contained within this report has not been subject to audit but is covered by the NAO consistency opinion.

Our data

The data provided in this report is based upon the Sand Hutton site. There has been an increase of 13% occupancy of the site from last year, which includes new Fera staff and tenants. All data used for this report is un-apportioned and therefore includes the other tenants of the Sand Hutton site.

Energy and water consumption figures are based upon actual site meter readings and waste data from the quarterly facilities management waste return. The waste financial data is included within a larger Defra contract and unavailable to agencies at this time, but will be included when and if it becomes available. Due to reporting deadlines, the Q4 volume waste data is unavailable for inclusion in this report, therefore, we have used the 2011/12 Q4 data in order to provide a full year dataset. The waste data for year 2011/12 has been updated with the actual data for this period.

For business travel, the data for vehicles is unavailable in the required format for the first two years of the Greening Government Commitment, therefore reporting is only included from 2011/12.

By 2015, against a 2009/10 baseline, Fera is working towards achieving:

- Reduced greenhouse gas emissions from the whole estate and business related transport by 25%.
- Reduced the amount of waste generated by 25%.
- Reduced water consumption against a three year moving average by 20% on non-office water use.
- Ensuring that we buy more sustainable and efficient products and engage with our suppliers to understand and reduce the impacts of our supply chain.

Greenhouse gas emissions

Latest performance results show a 2.7% reduction against the baseline.

RAG status: RED – Increasing staff numbers and a growing business account for this increase as the more science on site the more energy we use. For the first two years of reporting we did not include vehicle emissions and therefore our emissions have increased in the past two years as this data is now included.

Fera has reduced electricity consumption by 6% and reduced gas consumption by 0.1% against the baseline year. The unseasonal weather experienced in this year has impacted on the heating requirements of the site with a 26% increase in Heating Degree Days experienced compared to the previous year. When the increase in staff numbers on the Sand Hutton site are taken into account, the electricity has improved by 8% and gas by 2.2% against the baseline year. We are continually identifying and reviewing opportunities for improving energy efficiency and implementing initiatives which will ensure that the agency strives to meet its CO2 reduction targets as set by Defra. Initiatives' undertaken during the year fall into the following categories:

- Staff behaviour change – we have a group of volunteers who lead on sustainable behaviours across the agency who work with staff to identify more efficient ways of working and have a greater awareness of the energy, water they are using and the waste they generate.
- Replacement of half the main chillers which will save 172 tCO2.
- Installation of more efficient burners to the gas boilers which is expected to reduce gas consumption by between 6% and 10% which is equivalent to 476 tCO2.
- Insulation of exposed pipe work in the green houses will reduce emissions by 85 tCO2.
- Installation of Automatic Meter Readers (AMR) will allow accurate and timely consumption data which can then be used to target specific areas of energy consumption.

ENERGY CONSUMPTION		**2012/13**	**2011/12**	**2010/11**	**2009/10 Baseline**
Non financial (kWh)	Electricity	16,993,772	17,317,239	17,577,243	18,086,778
	Gas	29,564,432	25,134,134	27,893,783	29,590,222
	TOTAL CONSUMPTION	46,558,204	42,451,373	45,471,026	47,677,000
Financial indicators (£)	Total energy expenditure	£2,542,102	£2,658,410	£1,876,667	£2,592,905

GREENHOUSE GAS EMISSIONS		2012/13	2011/12	2010/11	2009/10
Non financial (tCO_2e)	**Scope 1: Direct emissions**				
	Gas	5,469	4,738	5,160	5,474
	Vehicles	170	155	not available	not available
	TOTAL SCOPE 1	5,639	4,893	5,160	5,474
	Scope 2: Indirect emissions				
	Electricity	9,261	9,872	9,579	9,857
	TOTAL SCOPE 2	9,261	9,872	9,579	9,857
	Scope 3: Emissions from official business travel				
	Air	275	332	278	263
	Rail	66	65	65	72
	TOTAL SCOPE 3	341	397	343	335
Financial indicators (£)	Expenditure on official business travel	£581,099	£557,953	£413,134	£422,602

Waste

Latest performance results show an 18% increase against the baseline.

RAG Status: RED - Increasing staff numbers and a growing business account for this increase. The more science on site the more waste we generate.

Defra has a contract through our Facilities Management Contractor, Interserve, with DS Smith recycling, through which all our waste is managed according to the waste hierarchy - Reduce, Reuse, Recycle. This means that all our waste is disposed of in the most appropriate and environmentally responsible manner. In this financial year, an improvement in our hazardous waste disposal has been implemented whereby materials, that are suitable, have been incinerated with energy recovery. We have recently had a waste audit undertaken at the Sand Hutton site which will inform future opportunities.

Waste		2012/13	2011/12	2010/11	2009/10
Non financial indicators (tonnes)	**TOTAL WASTE**	**313.2**	**318.1**	**310.3**	**383.5**
	Hazardous waste	30.5	136.1	106.1	84.6
	Reused, recycled, composted	143.1	141.1	102.0	149.2
	Incinerated with energy recovery	91.8	0	0	0
	Incinerated without energy recovery	0	0	0	0
	Landfill	47.8	40.9	102.2	149.7
Financial indicators (£)	Total disposal costs – These form part of the central Defra contract and are not available at this time				

Water

Latest performance results show a 42.2% reduction against the baseline.

RAG Status: GREEN – Fera have exceeded the target.

The water consumption at Sand Hutton is predominately used by scientific processes and is used in many essential processes which include ensuring sterile laboratory environments are maintained and preventing contamination risk. Improvements are being identified from the water survey recently undertaken to replace water intensive laboratory plant and equipment with more efficient technologies. We have replaced humidification plant in one of our largest buildings, which has reduced water consumption by 30%.

Water		2012/13	2011/12	2010/11	2009/10
Non financial indicators (m3)	Water consumption - Supplied (non office estate)	34,702	55,984	63,948	60,067
Financial indicators (£)	Invoiced Water supply costs	£41,560	£107,864	£82,450	£144,259

The data provided in the first three years was from Defra, who are unable to provide a detailed breakdown of the costs. These are likely to include both consumption and discharge costs, whereas 2012/13 is only consumption costs as required.

Procurement

The procurement of sustainable goods and services is a key part of Fera's Environmental Management System, which is certified to the ISO 14001:2004 Environmental Management System Standard. Fera's Environmental Management System has been developed to progress the delivery of the Sustainable Procurement Task Force Action plans and ensures that our procurement policies and procedures are aligned with Defra's Sustainable Procurement Strategy.

Where possible, procurement is avoided and repair and reuse is the preferred option. Where purchase is unavoidable, sustainable procurement is undertaken through consideration of the whole-life cost of purchase rather than simply the initial purchase price, and through the inclusion of evaluated criteria relating to environmental impact within specifications. Contract and supplier management practices are embedded within Fera's procurement procedures and through these activities we ensure commitment throughout the supply chain to the sustainability agenda.

Biodiversity

Government Transparency Commitments include biodiversity and the natural environment and the actions being taken to conserve and enhance biodiversity. Fera have therefore established a biodiversity action group consisting of keen volunteers, who have considered and reviewed the Biodiversity Survey undertaken in 2010/11 and the subsequent recommendations.

From this survey, the group have developed an action plan which has made recommendations that will improve the biodiversity of the Sand Hutton site and be implemented by volunteers.

Environmental Management System (EMS)

Fera operates an Environmental Management System (EMS) which is externally certified to the internationally recognised standard ISO 14001:2004. This is supported by an Environmental Policy signed by Fera's Chief Executive. The EMS is in place at Fera's two main sites which demonstrates our ongoing commitment to managing environmental risk and continually improving our environmental performance.

Governance

Fera's Sustainability Committee oversees the implementation of the Sustainability Action Plan with key performance indicators reported to senior management on a monthly basis.

3. Financial Commentary

Financial review

Fera is continuing to manage the effects of Government austerity measures and working within Government constraints on recruitment and capital investment, along with the impact of the prolonged economic difficulties facing the global economy. Whilst this is proving more challenging than in previous years in delivering our ambition to grow commercially, our ability to respond quickly and effectively to high profile issues for our core Department (bovine TB, Ash Dieback, horsemeat) and the successful implementation of much of the first phase of the review of fees for statutory Plant Health services, has mitigated the impact on Fera's financial position.

Despite the challenges, for 2012/13 we delivered a net nil result. Indeed, results before the revaluation of non-current assets demonstrate a small trading surplus. This compares to a deficit of £0.3m in the previous year. A tough commercial market, particularly in the Food Sector, a delay in completing the entire first phase of the statutory fees review which resulted in lost income of £0.7m against budget, and continued year on year increases in accommodation costs (rates and utilities - £0.8m) have been successfully mitigated by Fera's ongoing efficiency programme and efforts to grow income across the business.

In the year Fera incurred additional costs of £1.3m in staff exit costs, compared to £2.4m in one-off costs in 2011/12, for which we have been reimbursed by Defra. Also, following an accounting change in the previous year, income from capital grants is now recognised in the year of receipt/asset purchase – this amounted to £0.2m in 2011/12. Finally there is a £0.35m income provision in 2012/13 relating to the recognition methodology used for EU funded projects. The figures below relate to the continuing operations of the Agency excluding these sums from both the income and expenditure lines where relevant.

Income

Operating income has increased by £1.9m (2.8%) to £70.0m[7] in the year. Income per FTE grew by 3.1% from £79.5k to £82k.

Operating income from Defra (after excluding tenant income) increased year on year by £0.8m (2.2%).[8] On the 1 January 2013, the Plant Health Policy team were repatriated from Fera to Defra, resulting in £0.4m of income (and matched costs) transferring back to the core Department. The underlying growth in Defra income relates to increased activity around key policy priorities for Defra which has more than offset reductions in core Plant Health funding.

Operating income from core Defra accounted for 55% of the total business compared to 54% last year. Income from sources other than Defra and its network of bodies grew by £1.2m (4.7%) in the year.

Income from tenants rose 42% to £0.8m for the year, which is all presented as Defra core income this year. The underlying outlook continues to be positive for future years, and despite one of our tenants going into administration in 2011/12, we are seeing the full year positive effect of new tenants who came on site in that year, and from another three tenants who came on site in 2012/13.

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[7] 2011/12 income adjusted down by £2.4m one-off income for staff related costs and £0.24m of capital grant income. 2012/13 income adjusted down by £1.3m for one-off staff related costs, and up by £0.35m provision for EU funded projects.

[8] Tenant income of £808k in 2012/13 was included in Defra Core income, and compares to £569k received in 2011/12, which consisted of £456k, £111k, and £1k in Other Government Department, Commercial, and Defra Network income lines, respectively.

Income from other Government departments remained flat after adjusting for £0.5m of tenant income in 2011/12, but new projects funded by the Food Standards Agency and Defence Science and Technology Laboratory offer interesting longer term collaboration opportunities.

Underlying income from the European Commission increased by £0.3m (13%) as new twinning projects won last financial year have now started to be delivered, but this has been reduced by £0.35m provision in relation to a disputed project costing methodology used by Fera and which had previously been approved by the Commission Auditors.

Commercial income has declined year-on-year by £1.0m (7.2%) (2011/12 adjusted by £0.1m for tenant income) to £12.5m, with the economic climate particularly impacting on business volumes within the Food programme.

Ministers agreed last year to the phased implementation of statutory fees for five of the eight Plant Health and Seeds Varieties schemes. This has resulted in a £1.8m (37.8%) increase in fees, predominantly from import inspections. Work is underway to implement the first phase of the review for the remaining schemes, and to identify efficiency savings to minimise subsequent fee increases over the subsequent two years to achieve full economic cost recovery.

Costs

After excluding early departure costs, £31.6m[9] was expended on labour, £0.4m (1.2%) up year on year. This includes a 1% pay award from the August pay settlement date, costing an additional £0.2m. During the year the Agency has made greater use of flexible resources through employment agencies, and through seasonal and zero-hours contracts to meet Defra's policy priorities resulting in peaks of activity during the autumn of 2012. Like for like, the proportion of staff to income fell from 45.8% in 2011/12 to 45.1% in 2012/13.

Non-staff costs in the year amounted to £37.9m (54% of total costs), representing an increase of £0.5m (1.2%) year on year. The major reasons for this are increased utility and estates costs of £0.8m, and a £0.8m increase in consumable costs, offset by a fall in depreciation and amortisation of assets £0.8m, primarily due to the extension in asset lives of bespoke software systems supporting Plant Health and Seeds Varieties activities.

Capital

Fera's capital expenditure in the year was £7.0m, similar to the level of investment in 2011/12. This represents the second year of significant capital investment in the estate, scientific equipment and information technology after a long period of under investment. This is helping to protect Fera's operational resilience and improve the range and efficiency of the scientific capability and services we provide.

The net working capital reduction of £1.1m to £1.6m has been driven by increases in trade payables that more than offset the year on year increase in cash and trade receivables.

Overall the value of taxpayers' equity reduced by £5.5m from £111.2m to £105.6m, driven predominantly by a reduction in non-current assets of £4.7m to £104.4m and an increase in trade liabilities of £2.9m offset by an increase of £1.9m in current assets. The non-current asset reduction related to a £5.9m downward revaluation of Land and Buildings as part of the annual desktop revaluation of the estate.

[9] Staff costs have been adjusted for one-off costs of £2.4m and £1.3m for 2011/12 and 2012/13 respectively.

Cashflow

The reported breakeven position for the period from 1 April to 31 March 2013 was after charging depreciation, amortisation and other non-cash items of £6.0m in that period. Working capital movements result in a cash inflow of £2.1m. Debtor days outstanding (based on unadjusted income) at the end of March were 84, compared to 80 at the end of March 2012, and end of year debtors increased by £0.9m compared to the start of the year.

£7.0m has been expended on investing activities, predominantly capital purchases during the year. Net cash inflow for the year of £1.1m. There was no net transfer of cash between Defra and Fera in the year.

Against the Government target of paying 80% of undisputed invoices within five working days, Fera has achieved an average of 60%, with invoices taking on average 9.3 working days to pay.

Audit

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The accounts that follow are audited by the Comptroller and Auditor General (C&AG) for which Fera incurs a notional charge of £75k (£79k in 2011/12).

Adrian Belton

Adrian Belton

Chief Executive

13 June 2013

Audit and Risk Management Committee statement

The Committee's role is to support Fera's Accounting Officer in effecting his responsibilities over risk, internal control and governance, through the provision of advice, guidance and challenge on the adequacy of the control and risk management framework within Fera, and related issues affecting the overall governance of the Agency. This includes assessment of the extent to which the internal and external audit programmes and other key sources of assurance are sufficiently comprehensive. The Committee acts in an advisory capacity without executive powers.

The Committee's membership, which remained constant throughout the 2012/13 financial year, comprised Dr Roger Platt and Alexis Cleveland; and myself as Chair. Through both formal and informal discussion the Committee continued to expand its knowledge of Fera's portfolio of work and underpinning operational activities. This included being sighted on strategic issues for facilitating the Committee's consideration and discussion of the assurance needs of the Accounting Officer.

Four formal ARMC meetings were held during the financial year in accordance with the Committee's terms of reference. Throughout the year the Committee had full and ready access to the Accounting Officer, the Director of Finance and Corporate Services, the Head of Finance and Procurement and key representatives of Internal and External Audit, all of whom attended the Committee's formal meetings. Representatives of Defra Finance and Defra Internal Audit also attended each formal Committee meeting. In addition The Committee or an appropriate representative also met separately with the Fera Executive, Internal and External Audit and other key contacts as necessary, to discuss key business issues of relevance to The Committee's principal responsibilities. The Committee was sent comprehensive reports and papers prior to each meeting to assist it to carry out its role.

The Committee's primary focus was to provide advice and guidance to the Accounting Officer in considering the quality and robustness of sources of control and opinion of assurance in respect of the Accounting Officer's Governance Statement, specifically:

- Reviewing, monitoring and making recommendations in connection with the preparation of the 2012/13 Annual Report and Accounts.
- Examining and monitoring the Internal and External Audit Strategy – 11 internal audits were commissioned during the year, in total and all final reports completed.
- Reviewing and making recommendations in respect of Fera's Risk Management Strategy and its underpinning systems and procedures, where, despite growing risks covering areas such as the future of Fera, improvements were made in both process and reporting.

During the year, the Committee oversaw the deployment of Internal Control Questionnaires (ICQ), which this year were cascaded wider across the Agency than in 2011/12. The expanded use of ICQs has provided, and should continue to provide, better insight into both the state and efficacy of Fera's internal control systems.

The Committee carried out its formal annual Effectiveness Review of its performance in February 2013. The findings indicated that The Committee continued to operate effectively across all key principles of best practise as identified within the National Audit Office (NAO) self assessment checklist for Audit Committees. Considerations of the findings identified a small number of further enhancements which will be implemented during 2013/14.

Geoffrey Drage

ARMC Chairman

4. Remuneration Report

Policy on remuneration

The Chief Executive and Directors are all subject to the Senior Civil Service Pay system. Under this system, pay awards comprise both consolidated increases and non-consolidated bonuses, the sizes of which are dependent on performance.

Remuneration committee

The Senior Salaries Review Board provides independent advice to the Government on the remuneration of the judiciary, senior civil servants and senior officers of the armed forces. This Board sets the remuneration levels for the Fera Chief Executive and Directors.

Assessment of performance

The Chief Executive and all Directors are subject to a performance system that monitors their performance against agreed targets. For members of the Senior Civil Service this is the Performance Management system as introduced by the Civil Service Management Board.

Changes to the executive team

During 2012/13 there have been no changes to the executive team.

Duration of contracts

The Chief Executive, Adrian Belton, was appointed through open competition under the terms of the Civil Service Management Code on 3 March 2008. He was appointed on a fixed term contract, which has now been made permanent.

The Director of Finance and Corporate Services, Paul Whitfield, was also appointed through open competition under the terms of the Civil Service Management Code on 23 February 2009 with a three-year contract, this has been extended to August 2013.

The Chief Scientist, Professor Robert Edwards, was appointed on a 0.8 full time equivalent (FTE) contract starting on 9 August 2010, this is a three-year contract which has been extended to August 2015.

Hilary Aldridge, the current Director of Policy and Regulation has been recruited on an 18 month secondment from the Environment Agency with effect from March 2012, due to complete September 2013.

The remaining Directors were appointed through open competition under the terms of the Civil Service Management Code. They all have permanent contracts.

The Chief Executive and Directors are obliged to give Fera a minimum notice of three months. All executive directors are employed under Senior Civil Service contracts managed through Defra.

Directors' remuneration

The following tables show the Salary, Benefits in Kind and Pension details for the Chief Executive and the five Directors. These tables represent the part of the Remuneration Report to be audited, as referred to in the Audit Certificate.

Salary includes gross salaries, performance pay and bonuses, and recruitment and retention allowances where applicable. None of the Directors receive Benefits in Kind or London Weighting.

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses are paid in the financial year following the related period. The bonuses reported in 2012/13 relate to performance in 2011/12 and the comparative bonuses reported for 2011/12 relate to the performance in 2010/11.

Subject to Audit

		2012/13		**2011/12**	
Official	**Post**	**Salary**	**Bonus Payments**	**Salary**	**Bonus Payments**
		£000	**£000**	**£000**	**£000**
Adrian Belton	Chief Executive	110-115	5-10	110-115	5-10
Paul Whitfield	Finance & Corporate Services Director	95-100	N/A	95-100	N/A
Angus Hearmon	Director of External Affairs	90-95	N/A	90-95	5-10
Robert Edwards	Chief Scientist	90-95	N/A	90-95	N/A
Mike Wray	Operations Director	70-75	5-10	70-75	N/A
Hilary Aldridge*	Policy & Regulations Director (Joined March 2012)	115-120	N/A	N/A	N/A
Tony Harrington	Policy & Regulations Director (Left December 2011)	N/A	N/A	70-75 (105-110 Full Year Equivalent)	N/A

*As Hilary Aldridge is an employee of the Environment Agency on secondment to Fera, the values shown above relate to the reimbursement of the employer cost of the secondment to the Environment Agency.

Highest earners remuneration

Subject to Audit

	2012/13	**2011/12 Restated**
Highest earners Total Remuneration £000	120-125	120-125
Median Total Remuneration	£25,981	£26,117
Ratio	4.7	4.7

Reporting bodies are required to disclose the relationship between the salary of the most highly-paid director in their organisation and the median earning of the organisations workforce. The salary of the most highly paid director including bonuses for 2012/13 was £122,530, (2011/12 £121,905). This was 4.7 times (2011/12, 4.7) the median salary of the workforce, which was £25,981, (2011/12 £26,117).

The figures used in the calculation of the median salary exclude those staff not receiving salary as at 31 March, for example, staff on career breaks or extended maternity leave.

Non-Executive directors

Non-Executive members of the ARMC are paid a fee for attendance at each meeting. In addition they are reimbursed for expenses incurred relating to their attendance. During the year the committee met four times.

In his role as Chair, Geoffrey Drage has greater time commitments than the other Non-Executive Directors (NEDs), therefore receives higher fees. He was a member of the Strategic Advisory Board (SAB) with all costs relating to this activity being reimbursed directly by Defra.

Subject to Audit

Official	**Post**	**2012/13 Fees £000**	**2011/12 Fees £000**
Geoffrey Drage	Non-Executive Director - Audit and Risk Management Committee Chair from April 2010	5-10	5-10
Rod Morrod	Non-Executive Director - Audit and Risk Management Committee Member (left June 2011)	N/A	0-5
Roger Platt	Non-Executive Director - Audit and Risk Management Committee Member	0-5	0-5
Alexis Cleveland	Non-Executive Director - Audit and Risk Management Committee Member (joined February 2012)	0-5	NIL

All Non-Executives are now paid through payroll from which tax is deducted at source.

Directors' pension details

The Chief Executive and all the Directors are members of the Principal Civil Service Pension Scheme (PCSPS). Adrian Belton and Angus Hearmon are members of the premium scheme; Paul Whitfield and Robert Edwards are members of the nuvos scheme and Mike Wray is a member of the classic scheme. Further details of these schemes can be found in Note 2 to the Accounts. None of the Directors receive employer contributions to partnership pension accounts.

The table shows the member's Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period. The CETV effectively funded by the employer 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.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures and, from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Subject to Audit

Official	Post	Accrued Pension at age 65 as at 31/03/13 and related lump sum	Real Increase in Pension and related lump sum at pension age	CETV at 31/03/13	CETV at 31/03/12#	Real increase in CETV
		£000	£000	£000	£000	£000
Adrian Belton	Chief Executive	15-20	0-2.5	296	240	36
Paul Whitfield	Finance & Corporate Services Director	20-25	0-2.5	333	300	14
Angus Hearmon	Director of External Affairs	10-15	0-2.5	238	191	31
Robert Edwards	Chief Scientist (Joined August 2010)	5-10	0-2.5	76	47	19
Mike Wray*	Operations Director	15-20	0-2.5	321	276	15
		(45-50)*	(2.5-50)*			

#The Actuarial factors used to calculate the CETVs were changed in 2012/13. The CETVs at 31/03/13 and 31/03/12 have both been calculated using the new factors for consistency. The CETV at 31/03/12 differs from the corresponding figure in last year's report which was calculated using the previous factors.

*M Wray is the only Director to receive lump sum payments due to the nature of his pension scheme.

Adrian Belton

Adrian Belton

Chief Executive

13 June 2013

5. Annual Accounts

Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed Fera to prepare, for each financial year, a Statement of Accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by Fera.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Fera, the income and expenditure, the recognised gains and losses, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by HM Treasury and, in particular, to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis.

The Chief Executive of Fera was appointed by the Defra Accounting Officer with HM Treasury approval; with responsibility for preparing the Agency's accounts and for transmitting them in to the Comptroller and Auditor General.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets are set out in Managing Public Money published by HM Treasury.

Governance statement

As Accounting Officer for the Food and Environment Research Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly accountable to Ministers for the operation of the Agency within the policy framework set by the Minister, and to the Permanent Secretary for Defra, the Department's Principal Accounting Officer, for the financial management of Fera, in accordance with its Framework document and for the achievement of its business priorities in accordance with the Business Plan.

Governance arrangements

Through direct reporting to the Department I ensure the Department is aware of the risks I and my Executive team manage throughout the year. Additionally I observe guidance issued by HM Treasury and the Cabinet Office, and effect any recommendations of the Public Accounts Committee and other parliamentary select committees.

As Accounting Officer I am supported by five Directors who form my Executive team and the Fera Audit and Risk Management Committee (ARMC) consisting of three Non-Executive Directors, one of whom Chairs the committee. This support structure provides an advisory and challenge function and is designed to give me adequate insight into the business of the organisation, its risks and its use of resources to allow informed decisions about progress against business plans and targets. I am able to delegate to other senior managers, however my formal accountability cannot be delegated or shared.

I am pleased to be able to report in this Governance Statement that the uncertainty over the extension to my contract has been concluded, however at the time of writing two of my Directors are still on time limited contracts with one due to end in August 2013, in addition one Director is on a secondment which is also due to end in September 2013, which is a risk to effective management of Fera whilst the review of the Agency is still ongoing.

In so far as the Corporate Governance code applies to Departments, Fera applies the principles of the code which require that boards operate according to recognised precepts of good corporate governance in business: leadership, effectiveness, accountability and sustainability. It also requires that arrangements are in place for an annual evaluation of effectiveness and for the results of this to be acted upon. My Executive team assessed its compliance with the principles and have concluded that they comply with the code to the extent that it relates to an Executive Agency.

The diagrams on pages 41 and 42 show the Fera governance structures that were in place during the financial year. The diagrams also note the internal governance within the Agency, and external reporting into the Department. All internal committees are chaired by a Director and report on activities to the Executive.

Changes in Governance arrangements with Defra

In June 2012 the new post of Defra Director General Chief Operating Officer (DG COO) took departmental Corporate Owner responsibility for the effective functioning of all Defra's Executive Agencies. This change provided a timely opportunity to review the way in which Executive Agencies are governed; both in relation to Agencies' internal governance (e.g. Agency Management Boards) and Defra's governance of the Agencies (e.g. Strategic Advisory Boards).

The revised governance arrangements were first announced in January 2013 and are focussed on business and financial performance and future strategy. The transition to the new Fera Management Board was concluded, with formal constitution from 1 April 2013. The new arrangements should deliver a streamlined, easy-to-administer system, more focussed on assessing business and financial performance; but which nevertheless provides DG COO with an acceptable level of assurance, meets Cabinet Office/HM Treasury best practice guidance on governance and provides sharper, more relevant input to the Defra Supervisory Board through the provision of tighter management information which has been subjected to effective analysis.

The arrangements are also intended to provide a strategic horizon-scanning function and greater internal challenge to ensure that Agencies are clear on how they will adapt to key Government drivers; such as how they will contribute to growth; how they would cope with budget reductions and how they might better collaborate and share resource and expertise with other Agencies.

More focussed meetings with the corporate owner, through the Quarterly Performance Review (QPR) meetings, should provide an improved means to track and manage risk; for example health and safety will be a standing agenda item for all Agencies.

The changes in governance arrangements as stated previously meant the SAB was disbanded. Although this happened formally in December 2012 no SAB meeting took place after July 2012, and as the new arrangements came in from January 2013, no formal meeting of the Fera Management Board has yet taken place. During this interim period without formal meetings, Fera has continued to provide the monthly reporting pack to the Department in addition, two QPR meetings have taken place and we have continued dialogue regarding the future of the Agency. During the first half of the year Defra also held a number of meetings of a high level steering group to oversee the work of the SAR, the Chair of Fera's ARMC attended this group to represent the views of the NEDs.

From 1 April the Fera Management Board includes five NEDs; three of whom currently also sit on the ARMC, two of whom previously sat on the SAB. A Defra non-aligned Director; i.e. one with no direct policy or financial interest in the Agency; will join the other NEDs on the Fera Management Board.

Fera Internal governance

As Fera's Chief Executive, I am supported by five Executive Directors: Fera Chief Scientist, Directors of External Affairs, Finance and Corporate Services, Operations, and Policy and Regulation. The Executive Team meets informally weekly and formally monthly.

The Executive Team is supported by a broader leadership team of Heads of Programmes and Heads of Science. Accountability is cascaded through line management arrangements, with individual performance agreements setting this out.

The Defra Chief Scientific Adviser (CSA) has a key role in providing independent challenge to the scope, content and quality of scientific activities and, together with the Fera Chief Scientist, will arrange periodic independent science reviews to assess and challenge the relevance and quality of Fera's scientific activities. This includes representation on the Non-Executive chaired Fera External Science Panel, through which the Fera Chief Scientist is advised on science strategy and capability development. Other members of this panel come from Government departments, industry and academia. Science quality and integrity is assured by management systems, operating within recognised quality assurance schemes (with external accreditation and inspection and internal audit see page 18) and oversight of publications by Heads of Science.

All committees and boards are chaired by a member of my Executive team, except for the SAB, chaired by DG COO, and the External Science Panel and ARMC which are chaired by Non-Executives. All are required to keep full attendance records, minutes for each meeting are disclosed as required and protected as necessary. Terms of reference for each committee are reviewed regularly and each committee has completed an annual review of its effectiveness during this financial year.

Audit & Risk Management Committee

As Accounting Officer, I am advised by an ARMC, which includes a Non-Executive Chair and two further Non-Executive Directors and representatives from internal and external audit. The committee is normally attended by the Director of Finance and Corporate Services and the Head of Finance and Procurement Programme. This committee meets approximately four times a year to consider internal audit and external audit input, review the Agency's risk portfolio, and advise me on the final version of the Annual Report and Accounts.

Recommendations and actions from the ARMC are escalated to the Defra Chief Operating Officer, my line manager, where it is necessary to do so. The chair of the ARMC also meets the Defra Audit and Risk Committee chair and other Defra network ARMC chairs to discuss issues of concern and common interest.

Fera's Audit and Risk Management Committee completed its first effectiveness review in February 2012. The findings, which were collated by the NAO, predominately indicated The Committee to be working effectively across the key good practice principles as set out in the NAO's self assessment checklist for Audit Committees. A further review in February 2013 concluded that The Committee has remained focused on its continued improvement and has further enhanced its effectiveness through expansion of its knowledge and expertise, and driving forward active communication and engagement.

The control framework

A system of internal control within Fera is designed to provide assurances to myself, as Accounting Officer, and my Executive team that levels of risk are managed to a suitable standard and that through efficient, effective and economic processes, all major risks are mitigated to the best of the Agency's ability. The system of internal control is designed to manage risk to a level rather than to eliminate all risk of failure to achieve objectives and goals; it can, therefore, only provide reasonable and not absolute assurance of overall effectiveness.

A system of internal control has been in place within Fera for many years, and is continually under review to ensure adequacy and effectiveness. These controls, for the period to the year ended 31 March 2013, and, up to the date of approval of the Annual Report and Accounts, are in accordance with HM Treasury guidance.

As Accounting Officer I have a number of resources at my disposal to confirm to me that the systems of internal control in place within Fera is adequate and effective.

- Strategic Advisory Board (to July 2012) - chaired by the Department's Corporate Owner, with three Non-Executive Directors, including the ARMC Chair, providing valuable challenge to both Fera and the Department.
- The Fera Management Board (from April 2013) – As described previously, will include five NEDs and one Non-Aligned Director. Terms of Reference are yet to be determined, however no formal meetings took place prior to March 2013.
- Audit and Risk Management Committee - with three NEDs, one of whom is Chair, the ARMC is instrumental in providing a challenge to myself and my Executive, escalating issues through both internal and external Auditors and Defra. During the year a number of Heads of Programmes (HOPs) from across Fera have been invited to the ARMC to present the work of their programme and to observe the work of the committee in order to develop their own understanding. (for further information on the work of the ARMC see page 27)
- Comptroller and Auditor General – Through the work of the NAO, Fera's appointed external auditors. The NAO audit the statutory accounts and provide their annual management letter and other reports. The NAO also provide valuable challenge and assistance in many areas such as governance, finance and effectiveness.

- Fera's Internal auditors, RSM Tenon - provide an independent opinion on the adequacy and effectiveness of the Agency's internal controls and recommendations for improvements where necessary. The internal audit plan for this financial year was agreed through the ARMC and final reports are made available to the ARMC members for information. RSM Tenon produce an annual assurance statement in accordance with the Government Internal Audit Standards.
- The Executive Team – provide support in the formulation of strategy and ensuring efficient, effective controls are in place across the business. My Executive work closely with their managers to ensure risks are regularly reviewed and manage the performance of the Agency against its objectives and targets.
- Heads of Programme (HOP) - who manage each area of the Agency, be it scientific or support functions. Each HOP is challenged regularly by my Executive in regular reviews of their financial position, performance KPIs and risks for their programme.
- Information Asset Owner - who ensures Fera complies with Government requirements for data security, (further details on how Fera manages its security risks can be found on page 13).
- Quarterly reviews of corporate risk registers involving the wider Leadership Team take place, the outputs of which are reported to the Operational Performance Committee, the Executive and the ARMC.
- Additionally, Fera also ensures it is well placed in the scientific arena with the numerous accreditations and Quality Standards it holds, (further information can be found on page 18). An Internal Audit this financial year, focussing on our overarching Quality Assurance processes, resulted in no recommendations.
- Additionally, I am able to request independent reviews of specific areas of concern to me as Accounting Officer. This year I requested an update to the independent review of Health and Safety and Planned Preventative Maintenance in respect of the Facilities Management (FM) contract which has continued to cause concern across the Agency. The review, which was undertaken in partnership with Defra, reported its findings to both the ARMC and Defra Estates, with an update to the SAB. The results have supplied valuable information to enable the FM contractors to fulfil their commitment to the Agency and the Department much more effectively.
- The Fera External Science Panel has an advisory and reviewing function, which provides an independent challenge to the science activities of the Agency and promotes the visibility and impact of Fera across Government and industry. Chaired by a NED, the panel includes a number of experts from across industry and Government who attend either specialist panel reviews or the main meeting, annually, to challenge and scrutinise Fera's scientific capabilities and support of policy development.

Further management training has been rolled out across the Agency to enhance the management capabilities of the Agency going forward. A management conference was held in November 2012, which geared my management cadre into preparation for a potential future of Fera outside of Government and a more commercial direction.

The annual plan of the Internal Auditors has, since 2010/11 financial year, included the use of an Internal Control Questionnaire (ICQ). The ICQ is a questionnaire based on three main areas covering governance and management, commercial and resource management, and risk management. The results of the questionnaire and subsequent interviews, provide valuable feedback from various tiers of managers across the Agency and helps to inform future audit plans.

To underpin the Governments approach to tackling fraud, the Cabinet Office introduced an e-learning course that all civil servants should undertake by 31 March 2013. The course aims to raise levels of fraud awareness and help staff understand the role they play in identifying and reporting fraud. All Fera staff must pass this course using the Civil Service Learning website. There were a number of difficulties faced by Fera staff in accessing the course and there remains approximately 20% of staff who have not yet completed the requirements. This will be managed during the first quarter of 2013/14 to ensure full completion.

Risk framework

I am greatly encouraged by the progress made within the Agency this year in heightening the attention to risk throughout our processes.

Risk Registers are maintained within the Agency to capture risk data and provide assurance through the chain of delegation:

- Project risk registers – standard procedure when managing projects. Post-project lessons learnt processes are also in place, which are designed to improve knowledge sharing across the Agency.
- Programme risk registers – risks managed within individual programmes and owned by the respective Head of Programme who report to Directors at regular intervals.
- Operational risk register – reports risks affecting day to day operations of the business but require coordination or management across the organisation.
- Strategic risk register – contains key risks that could threaten achievement of Fera's main objectives and those of Defra.

Each register informs the next in the chain to ensure the Fera Executive and ARMC are aware of the most challenging risks and that actions are in place to mitigate each risk to the best of the Agency's ability.

The risk register records the actions being taken to mitigate risks and progress is reviewed and updated at the relevant periodic reviews. New risks or risks to be escalated are flagged through the line management chain and recorded on the risk register at the appropriate level. Defra has recently embarked on a strategic alignment review, which has potential to conflict with the work of the SAR. This risk has been added to our risk register and will be closely monitored.

Fera's first Risk Appetite statement was taken to the ARMC in February 2013. This document was well received and now lays the platform for the new Fera Management Board and the Agency to take forward in 2013/14.

The annual Customer Satisfaction Survey has taken place which shows Fera has maintained its overall result, thereby meeting its target. Improvements still need to be made and these will be taken forward into the new financial year.

Risk environment

Fera continues to operate in an environment where, due to Government austerity measures, consideration at Government and Department level to actions, in response to this economic environment are outside Fera's control. In particular, this includes Defra and Government wide contracts and initiatives, such as Defra's FM contract and constraints such as recruitment/marketing over which we have very little influence. Many of the risks we carry are therefore outside our control.

In light of further austerity measures and the SAR, Fera has produced a sustainable five-year plan based around continued further reductions in Government spending. The plan is based on areas of growth outside of Government as identified by market research commissioned by the Agency during the year. For further information on Fera's Business Plan please see the Fera website[10].

As the SAR has progressed Fera has been given permission to move forward with plans to upgrade the financial systems. A number of these systems are 10 years old and are receiving minimal support from suppliers thereby providing a major risk to Fera in meeting its statutory reporting and operational obligations. An experienced System Manager has been recruited who will be working across the Agency to ensure any new finance system combines Fera's need for improved workflow and ensures embedded project planning/project accounting and a budgeting and forecasting module. This is a significant change project still in the initial stages, so the risk of unsupported systems will continue into 2013/14.

Government recruitment constraints continue to hamper the progress of Fera. For the past three years all Government bodies have been restricted to recruiting on a fixed term basis only. I firmly believe this does not attract the best quality of applicants in some specialist areas to fulfil our vision.

Risk effectiveness

I am content with the controls the Agency has over managing the risks over which it has direct influence. Where deficiencies have been identified in previous years I feel the majority of these have been addressed successfully this year.

During the year the ARMC voiced concern placed over the accumulation of risks and the regular red status of a number of Fera's risks predominantly outside its control. This has been highlighted to the SAB and Defra DG COO on a number of occasions. The DG COO is kept appraised of the risks carried by Fera including the risks of central initiatives and our ability to escalate specific risks, such as the FM contract, have led to independent reviews taking place and risk level being subsequently reduced.

A global shortage of helium disrupted Fera's scientific processes for a short time. Collaborative working and swift process changes within the Agency has, for now, decreased the risk to our scientific capability. As a Government Agency Fera receives 100% of its helium requirement, for those outside government this is rationed to 75%. This is a potential risk to Fera if our future is outside Government.

I am pleased to record there were no major lapses of data security during the financial year. The Agency continues to contract an external company to conduct IT penetration tests twice a year and all findings from these tests have been acted upon.

Matters for ongoing monitoring

It is concerning to myself and my Executive that the Governance Statement for Fera continues to highlight challenges facing the Agency which remain largely outside our control. These could potentially give rise to significant control issues going forward.

The Departmental Facilities Management contract has continued to concern my management cadre and the ARMC. During 2011/12 I requested a number of independent audits to be carried out on the FM Suppliers, and further audits took place in 2012/13. The 2012/13 reviews focussed on Facilities Management, the outcome of which is positive and shows good progress against the previous recommendations.

[10] http://www.fera.defra.gov.uk/

However, Fera is also reliant on the FM supplier for the delivery of the majority of estates capital projects, the management of which has resulted in delays during the year, Fera has taken steps to ensure we are receiving value for money and is now looking at alternative solutions to fulfill delivery.

The SAR and the completion of the five-year plan continue to distract senior resource away from the day to day operations and the continued uncertainty to staff of the ongoing review continues to be disruptive. It should be noted the Fera results from the Civil Service Staff Engagement Survey showed a small downward movement from 51% to 50%.

At the time of writing, the future of Fera through the SAR review, continues to dominate my thoughts as well as those of my Executive team. It is apparent that declines in Government spending will affect the income Fera can expect from these sources. The market research mentioned previously has provided a valuable insight into the areas of growth for Fera as documented in the business plan.

During the year the Agency has assisted the Department by conducting independent market research of its work, providing evidence to support the five-year plan. Further Government constraints and austerity may mean Fera will find it challenging to deliver the first year of the plan as we run into 2013/14.

Significant issues

As mentioned above the areas I see as significant to Fera during 2012/13 that continue into 2013/14 are:

- The ongoing capability of Defra’s FM supplier to provide timely support, value for money and adequate project management to cover Fera estates capital projects, and
- The outcome of the SAR affecting our ability to manage for the long-term

In both cases we have seen significant progress over recent months and I remain focused on achieving a resolution to both issues going forward.

Adrian Belton

Adrian Belton

Chief Executive

13 June 2013

Fera Governance Structure
Effective up to December 2012

Strategic Advisory Board

Chaired by Defra's Director General, Food and Farming Group
Three independent members
Meets four times per annum

External Science Panel

Chaired by a Non-Executive member
With senior government, academic
and industry scientists
Meets fully once per annum

Audit and Risk Management Committee

Chaired by a Non-Executive member
With two further Non-Executive members
Meets four times per annum

Chief Executive/Accounting Officer

Executive Committee

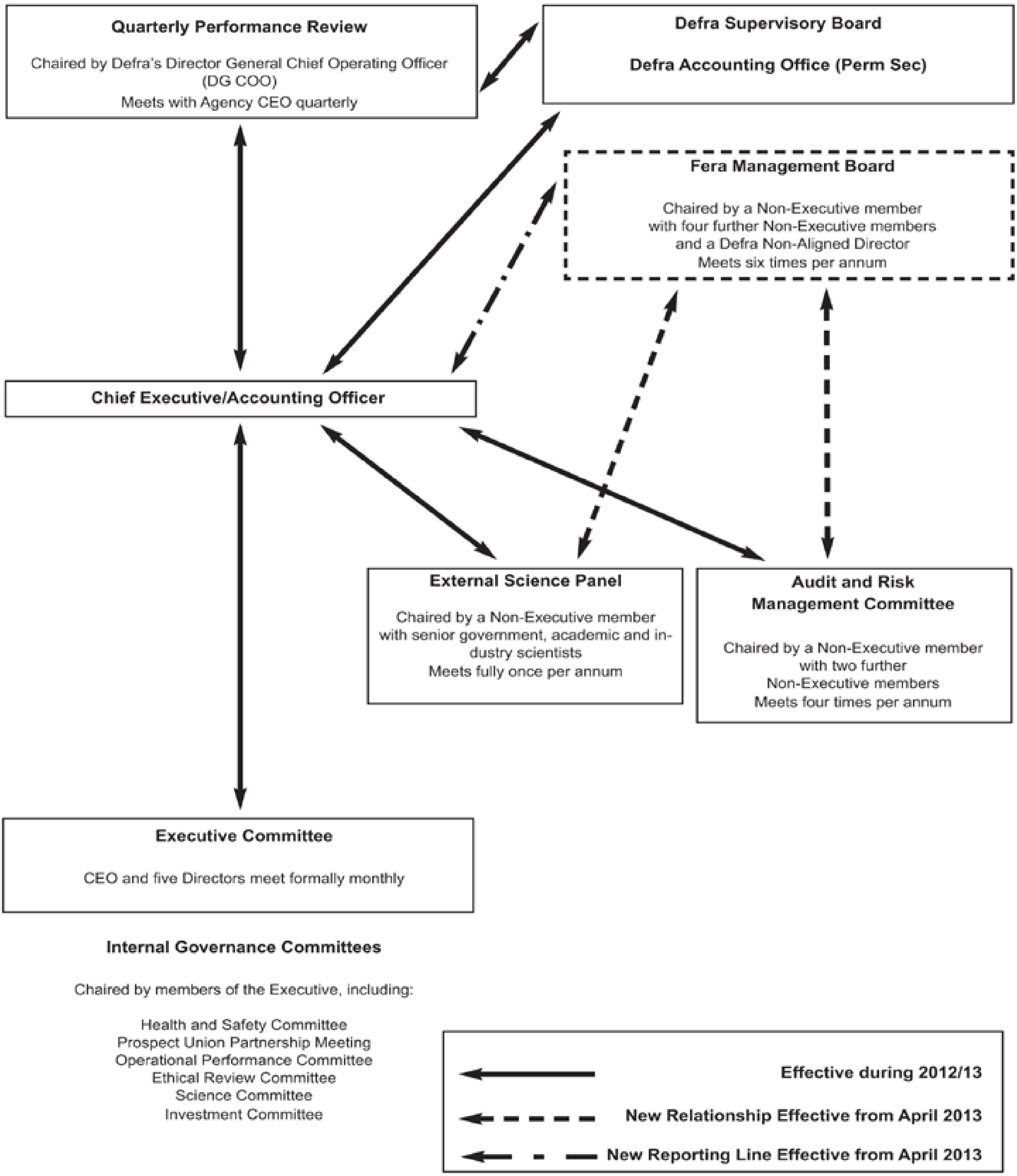
CEO and five Directors meet formally monthly

Internal Governance Committees

Chaired by members of the Executive, including:

Health and Safety Committee
Prospect Union Partnership Meeting
Operational Performance Committee
Ethical Review Committee
Science Committee
Investment Committee

Fera Governance Structure
Effective from January 2013



The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Food and Environment Research Agency for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Chief Executive 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 Resources and Accounts Act 2000. 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 Food and Environment Research Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Food and Environment Research Agency; 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 Food and Environment Research Agency's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Financial Commentary and Management Commentary 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

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

17 June 2013

Fera accounts

Statement of Comprehensive Net Expenditure

for the period ending 31 March 2013

	Note	Staff Costs	Other Costs	2012/13 £000 Income	2011/12 £000
Administration Costs:					
Staff costs	2	32,736			33,588
Other running costs	3		38,077		37,311
Operating income	4			(70,971)	(70,519)
Income from Grants	4			-	(244)
Programme Costs:					
Staff costs	2	151			-
Other running costs	3		14		151
Totals		**32,887**	**38,091**	**(70,971)**	**287**
Bank interest receivable	14			(1)	(2)
Net Operating Cost				**6**	**285**

Other Comprehensive Expenditure

	Note	2012/13 £000	2011/12 £000
Net loss/(gain) on revaluation of Property, Plant and Equipment	5	5,828	13,824
Net (gain)/loss on revaluation of Intangibles	6	(40)	(17)
		5,788	**13,807**
Total Comprehensive Expenditure for the period ending 31 March 2013		**5,794**	**14,092**

The notes on pages 49 to 77 form part of these accounts

Statement of Financial Position

as at 31 March 2013

	Note		31 March 2013 £000		31 March 2012 £000
Non-current assets:					
Property, plant and equipment	5	102,771		107,971	
Intangible assets	6	1,532		1,058	
Investments	1.15	-		-	
Trade and other receivables	8	30		69	
Total non-current assets			104,333		109,098
Current assets:					
Inventories	7	356		404	
Trade and other receivables	8	16,260		15,371	
Cash and cash equivalents	10	2,883		1,787	
Total current assets			19,499		17,562
Total assets			123,832		126,660
Current liabilities:					
Trade and other payables	11	17,932		14,819	
Provisions	13	9		67	
Total current liabilities			17,941		14,886
Non-current assets plus net current assets			105,891		111,774
Non-current liabilities:					
Provisions	13	54		104	
Other payables	11	257		493	
Total non-current liabilities			311		597
Assets less liabilities			**105,580**		**111,177**
Taxpayers' equity:					
General fund			84,582		82,368
Revaluation reserve			20,998		28,809
Total taxpayers' equity			**105,580**		**111,177**

The notes on pages 49 to 77 form part of these accounts.

Adrian Belton
Chief Executive
13 June 2013

Statement of Cash Flows

for the period ending 31 March 2013

	Note	2012/13 £000	2011/12 £000
Cash flows from operating activities			
Net operating (cost)/surplus		(6)	(285)
Adjustments for non-cash transactions			
Depreciation	5	5,250	5,304
Amortisation	6	278	1,083
Impairment	5, 6	202	99
Release of excess downward land revaluation	3	184	-
Notional charges	3	197	124
(Gain)/Loss on disposal of fixed assets	3	(11)	19
Early departure costs	3	(97)	-
(Increase)/Decrease in trade and other receivables	8	(850)	(2,047)
(Increase)/Decrease in inventories	7	48	159
Increase/(Decrease) in trade payables	11	2,877	2,102
Use of provisions	13.1	(11)	(109)
Net cash inflow from operating activities		8,061	6,449
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(6,282)	(6,670)
Purchase of intangible assets	6	(712)	(271)
Proceeds from disposal of property, plant and equipment		29	12
Net cash outflow from investing activities		(6,965)	(6,929)
Cash flows from financing activities			
Excess cash repayable to Defra		(7,500)	(6,000)
Cash received from Defra		7,500	5,000
Net cash outflow from investing activities		-	(1,000)
Net Increase/(Decrease) in cash and cash equivalents in the period		1,096	(1,480)
Cash and cash equivalents at the beginning of the period	10	1,787	3,267
Cash and cash equivalents at the end of the period		2,883	1,787

The notes on pages 47 to 77 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the period ending 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2011		81,355	44,782	126,137
Changes in taxpayers' equity for 2011/12				
Excess cash generated and repayable to Defra		(6,000)		(6,000)
Cash received from Defra		5,000		5,000
Non-cash charges – auditor's remuneration	3	79		79
Non-cash charges – Departmental Investigation Service	3	53		53
Transfers between reserves		2,166	(2,166)	-
Net operating cost for the year		(285)		(285)
Comprehensive expenditure for the year			(13,807)	(13,807)
Balance at 31 March 2012		**82,368**	**28,809**	**111,177**
Changes in taxpayers' equity for 2012/13				
Excess cash generated and repayable to Defra		(7,500)		(7,500)
Cash received from Defra		7,500		7,500
Non-cash charges – auditor's remuneration	3	75		75
Non-cash charges – Departmental Investigation Service	3	122		122
Transfers between reserves		2,023	(2,023)	-
Net operating cost for the year		(6)		(6)
Comprehensive expenditure for the year – Property, Plant and Equipment			(5,828)	(5,828)
Comprehensive expenditure for the year – Intangibles			40	40
Balance at 31 March 2013		**84,582**	**20,998**	**105,580**

The notes on pages 49 to 77 form part of these accounts.

Notes to the Fera accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and comply with the guidelines issued by the International Financial Reporting Interpretations Committee (IFRIC).

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 Food and Environment Research Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items that are considered material in relation to the accounts.

1.1 Accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. For example, pension provision liabilities are assessed by actuaries and are based on factors such as life expectancy, age of scheme members, prevailing interest and inflation rates and projected returns on invested funds. Actual results may differ from these estimates.

In the process of applying the Agency's accounting policies, management have made the following judgements, apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

- Project adjustments; the Agency is responsible for managing projects which may span multiple financial years and the preparation of the financial statements require the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, that it fully and accurately reflects the completeness of the project at this point, making such adjustments as may be appropriate. (See also Note 1.6)
- Indexation of non-current assets, the Agency restates the value of the intangible assets in line with current cost as outlined in Note 1.10. Judgements are made in relation to determining the useful economic life of all assets, over which depreciation will be spread.

1.2 Accounting convention

These accounts have been prepared on a going concern basis, on the accruals basis and under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and, where material, inventories.

These accounts are presented in Great British Pound Sterling and all figures are stated to the nearest thousand pounds.

1.3 Prior period adjustments

In accordance with IAS 8, adjustments applicable to prior periods arising from either changes in accounting policy or correction of material errors, are accounted for as prior year adjustments. Opening balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the preceding period are restated.

1.4 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure shows administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition set by HM Treasury.

1.5 Operating income

Operating income represents the value of amounts of goods sold and services provided (net of discounts and value added tax) from the ordinary activities of the business in the year. Fees and charges are primarily for services rendered and are based on a full cost recovery basis to external customers. Fera's activities are applied research, solutions development, commercial testing, emergency response, policy and inspection, and proficiency testing.

1.6 Revenue recognition

Revenue on projects is recognised in line with IAS 18. The majority of Fera's work falls under the classification of rendering of services. Income is recognised when the revenue can be reliably measured and future economic benefits are probable. Due to the long term nature of a large proportion of Fera projects revenue recognition is based upon the extent to which activities, or stages of projects, have been completed within the financial period.

Where the monies received are in excess of stages of completion this will be carried forward as Deferred Income; likewise where monies are identified as owing this will be raised as Accrued Income and held as a debtor until such time as these can be contractually recovered. Where stages of completion cannot be reliably recognised the cost recovery approach is taken.

1.7 Capital grants

Grants have been provided for purchase or development of Fera assets. In line with FReM requirements these grants are recognised as income in the period in which they are received and/or the asset is purchased.

1.8 Research and development expenditure

The Agency's expenditure on research activities is written off to the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development costs is contingent on fulfillment of the criteria noted in IAS 38 (Intangible Assets).

1.9 Property, plant and equipment

Plant and equipment

Plant and equipment are capitalised by the Agency where the purchase cost is £5k or more and where there is an expected useful economic life of more than one year. On initial recognition they are measured at cost, including any additional expenditure such as installation directly attributable to bringing them into working condition.

Non-property tangible fixed assets initially costing under £100k are held at depreciated historic cost. An annual exercise is completed to establish a fair value for those assets with a purchase value over £100k. Where this cannot be established the depreciated historic cost is used as a proxy. Assets under construction are not depreciated or revalued until the completed asset is brought into service.

Land and buildings

Land and buildings are stated at fair value. As the Sand Hutton site is a specialised property it is valued at depreciated replacement cost as required by the FReM.

Freehold land and buildings and, where appropriate, construction in progress, are subject to professional valuation at five yearly intervals. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the Royal Institute Chartered Surveyors (RICS) Red Book. The most recent valuation was conducted in May 2011 by DTZ Ltd. Between professional valuations annual desk top revaluations are conducted, which have regard for prevailing local and national conditions.

1.10 Intangible non current assets

Intangible non current assets comprise software licences, internally developed IT software both by Fera and by third parties, including assets under construction.

The FReM 5.4.40 requires software to be classified under the following headings:

Information Technology – software developed in house or by third parties.

Software Licences – the right to use software developed by third parties.

Fera is unable to reclassify the items previously captured as Bought in Software under these headings due to systems limitations. In making the decision not to reclassify as required by the FReM Fera has considered materiality and significance of the information.

In-house developed software that meets the IFRS criteria is capitalised on the basis of the cost of development and, where appropriate, as assets under construction. Research costs are written off to the Statement of Comprehensive Net Expenditure as incurred. Internally generated software includes capitalisation of internal IT staff costs on projects which cost in excess of £20k. Assets under construction are not amortised or revalued until the completed asset is brought into service. In-house developed software is valued at each Statement of Financial Position using the latest Retail Price Index (RPI).

Purchased software is capitalised at cost and written off over its useful economic life using straight line depreciation.

1.11 Reserves

The revaluation reserve relates to increases in the carrying amount arising on revaluation of Fera buildings and intangible assets which are credited to the revaluation reserve in tax payers equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity, all other decreases are charged to the Statement of Comprehensive Net Expenditure and depreciation and amortisation based on the assets original cost, is transferred to the general fund.

The general fund represents the net assets taken over by the Agency at 1 April 2009 and the surplus generated from notional charges and trading activities.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and cash balances held by the Government Banking Service.

1.13 Depreciation and amortisation

Depreciation is provided on all property, plant and equipment, other than land, at rates calculated to write off the cost or valuation (less any estimated residual value) of each asset evenly over the expected useful life of the asset and is charged in the month the asset comes into use but not in the month of disposal.

Depreciation is not charged on assets held for sale, freehold land and assets under the course of construction.

Amortisation is provided on all intangible non current assets at rates calculated to write off the cost or valuation of each asset evenly over the expected useful life of the asset and is charged in the month the asset comes into use but not in the month of disposal.

The useful economic lives are normally in the following ranges:

Buildings	Componentised over 4 to 80 years
Scientific Equipment	5 to 15 years
IT Hardware	3 to 5 years
Internally Generated Software	3 to 7 years
Bought In Software	3 to 7 years
Motor Vehicles	5 to 7 years
Furniture	10 years

The Right of Use Asset and finance leases are depreciated over the life of their contracts.

This policy is varied only for those assets which are expected to remain useful for periods significantly different to those stated above. In these cases a specific life is used.

1.14 Impairment

The carrying amounts of Fera’s tangible and finite life intangible assets are reviewed at each Statement of Financial Position date to establish whether there are any indications of impairment. If such indications are evident, the estimated recoverable amount of the assets are compared to their carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value, less costs to sell, and the value in use. The value in use is an estimate of the future cash flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.15 Investments

Where Fera has an investment in another entity it is accounted for following the requirements of IAS 39 and held as a financial asset.

1.16 Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value determined by IAS 2 and in accordance with the FReM.

Work in progress is stated at the lower of cost or net realisable value. The provision of IAS 18 relating to revenue recognition has been applied to long term contracts and, where losses are expected, these have been provided for.

1.17 Bad debts

Outstanding trade receivables are reviewed and high risk debts are identified and provided for on a monthly basis. See Note 21.

1.18 Value added tax (VAT)

Fera is included under the VAT registration of Defra along with its other Executive Agencies. Most activities relating to the group are outside the scope of VAT. As a result, input tax cannot generally be recovered. However, under a Treasury concession applying to government departments, limited input VAT recovery may be possible on certain specified contracted out services attributable to those activities.

For those activities where output VAT is charged, directly attributable input VAT can be recovered under the normal rules.

Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

1.19 Foreign exchange

Transactions that are denominated in a foreign currency are recorded at the exchange rate prevailing at the date of each transaction. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the Statement of Financial Position. Any gains or losses on translation are recorded against expenditure in the year they are incurred.

1.20 Pensions

Pension benefits are provided through the civil service pension arrangements, full details of which can be found in the Remuneration Report and in Note 2.

Although the Principal Civil Service Pension Scheme (PCSPS) is an unfunded defined benefit scheme, in accordance with explicit requirements in the FReM, Fera account for the scheme as if it were a defined contribution plan. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

The PCSPS pension scheme undergoes a reassessment of the contribution rates by the Government Actuary at four-yearly intervals.

1.21 Provisions

Fera provides for obligations arising from past events where it has a present obligation at the reporting date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where appropriate, future costs have been discounted as directed by HM Treasury. The short term commitments relating to expected spending within one year are presented under current liabilities.

Fera is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who depart early.

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The early departure cost provision is reversed over the period until normal retirement age has been reached. The provision is based on an actuarial valuation taking account of options available to the employee. These are adjusted for future values through the use of discount rates as per the PES (2012) 16 guidelines, currently 2.35%. (2011/12, 2.8%)

1.22 Other employee benefits

Fera recognises a liability and expense for employee benefits, including unused annual leave, accrued at the financial statement date, provided these amounts are material in the context of the overall staff costs.

Termination benefits are recognised as a liability when the Agency has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date.

Fera is required to meet additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Fera provides in full for this cost when the early retirement agreement is in place and binding upon the Agency.

1.23 Notional charges

The following notional costs borne on the Statement of Comprehensive Net Expenditure are credited to the General Fund: External Audit charges and Departmental Investigation Services. All other charges are paid on invoice.

1.24 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Comprehensive Net Expenditure over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.25 Service concession arrangements

Defra has entered into a contract with IBM for the supply of IT services and support. The contract is for a term of eight years from February 2010 and was approved by HM Treasury. The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the Department and Fera will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.26 Specialist funding

Specialist funding covers the running costs of maintaining the Sand Hutton specialist facilities in support of the scientific and research needs of the wider Defra network. This funding is provided by Defra outside of the normal full cost recovery basis.

1.27 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the Agency discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.28 Financial instruments

Financial assets

The Agency hold Loans and Receivables in this category. Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried in the Statement of

Financial Position at cost less appropriate provisions for specific doubtful receivables. Loans are not material in Fera's accounts.

Financial liabilities

These comprise trade and other payables and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

For further details, see Notes 8 and 11. Further disclosures in line with IFRS 7 are included in Note 15.

1.29 Third party assets

Fera holds third party assets in its capacity as Project Co-ordinator on EU and other grant funded project collaborations. These are not Agency assets and are removed from the Fera financial statements. The monies are held in separate third party bank accounts in accordance with the FReM. For additional information see Note 23.

1.30 Disclosure of IFRSs in issue but not yet effective

Fera has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to "new IFRSs" includes new Interpretations and any new amendments to IFRSs and Interpretations.

Fera has opted not to adopt any of the following standards ahead of their implementation date.

Standard	Subject	Applies to Reporting Period
IFRS 9	Financial Instruments, classification and measurement	2015/16
IFRS 13	Fair value measurement	2013/14

It has been determined that the following IFRSs will not be relevant to Fera.

Standard	Subject	Applies to Reporting Period
IAS 27	Separate financial statements	2013/14
IFRS 10	Consolidated financial statements	2013/14
IFRS 11	Joint Arrangements	2013/14
IFRS 12	Disclosure of interests in other entities	2013/14

1.31 Major FReM changes for 2012/13

Fera has reviewed the 2012/13 FReM and determined that there are no major changes affecting the 2012/13 accounts except for changes to IFRS 3 (Business Combinations), which clarifies the position involving entities under common control. The Policy function transferred to Defra on 1 January 2013 however, as this is a transfer of function within the Department, merger accounting is no longer applied, with no need for Fera to restate.

2 Staff numbers and related costs

(i) Staff costs comprise:

Administration Costs				**2012/13**	**2011/12**
				£000	**£000**
	Permanently employed staff	**Staff employed on FTA**	**Staff employed as casual and STA**	**Total**	**Total**
Wages and salaries	22,440	1,960	541	24,941	25,331
Social security costs	1,602	127	63	1,792	1,842
Other pension costs	4,026	307	-	4,333	4,556
Sub Total	28,068	2,394	604	31,066	31,729
Secondment staff costs	-	-	125	125	16
Agency staff costs	-	-	397	397	112
Departure costs	1,148	-	-	1,148	1,731
Total Staff Costs	29,216	2,394	1,126	32,736	33,588
Total net costs	29,216	2,394	1,126	32,736	33,588
Programme Costs					
Departure Costs	151	-	-	151	-
Total net costs	151	-	-	151	-

Staff costs include an increase of £1k in the employee benefit accrual (2011/12 £15k increase).

For 2012/13 normal employers' contributions were payable to the Principal Civil Service Pension Scheme (PCSPS) at the following rates:

Salary Level : £21,000 and under	16.7%
Salary Level : £21,001 to £43,500	18.8%
Salary Level : £43,501 to £74,500	21.8%
Salary Level : greater than £74,501	24.3%

For the coming year the following rates will be applicable:

Salary Level : £21,500 and under	16.7%
Salary Level : £21,501 to £44,500	18.8%
Salary Level : £44,501 to £74,500	21.8%
Salary Level : greater than £74,501	24.3%

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contributions reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. Further details of the schemes can be found below.

(ii) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme for which Fera is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012/13, employers' contributions of £4,335k were payable to the PCSPS (2011/12 £4,427k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Further contributions are made to other pension providers. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2013/14, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £45k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4k, 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the financial statement date were nil. Contributions prepaid at that date were nil.

(iii) For details of the Chief Executive's and Directors' salaries please refer to the Remuneration Report which can be found on page 28.

(iv) Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows:

	2012/13 Number Total	2011/12 Number Total
Permanent staff	746	785
Fixed Term Appointments (FTA)	84	60
Casual and Short Term Appointments (STA)	24	12
Total	**854**	**857**

2.1 Reporting of Civil Service and other compensation schemes - exit packages

	2012/13		2011/12	
	Number of compulsory redundancies	**Number of other departures agreed**	**Number of compulsory redundancies**	**Number of other departures agreed**
Exit package costs band				
<£10,000	-	1	-	2
£10,000 - £25,000	4	11	-	18
£25,000 - £50,000	3	6	-	13
£50,000 - £100,000	-	7	-	13
£100,000 - £150,000	-	2	-	1
£150,000 - £200,000	-	-	-	-
Total number of exit packages	**7**	**27**	**-**	**47**
Total resource cost (£000)	**165**	**1,134**	**-**	**1,731**

During 2011/12 a voluntary early departure scheme was run across the Defra network, during the year 47 members of staff took this opportunity at a cost of £1,731k, the majority of which was funded by Defra. Defra funded a further scheme costing £1,299k in 2012/13 which saw 27 staff leaving voluntarily and seven on compulsory terms. No exit costs were paid to Directors in either year.

Ill-health retirement costs are met by the pension scheme and are not included in the table.

3 Other running costs

	Note	2012/13 £000	2011/12 £000
Administration Costs			
Consumables		15,118	14,327
Travel & Subsistence		2,080	1,852
Office services		1,851	1,733
Right of Use asset		1,754	1,734
Property, plant and equipment rentals under operating leases		14	115
Photocopier rentals under operating leases		55	276
Defra Shared Services		158	150
Legal costs		119	205
Accreditation audit costs		57	59
Internal auditors' remuneration and expenses		62	60
Finance charge on finance leases		36	84
Training		325	292
Business consultant fees		229	201
Other		770	994
Accommodation		9,291	8,533
Non-cash items			
Depreciation	5	5,250	5,304
Amortisation	6	278	1,083
Impairment	5, 16	202	99
Release of excess downward land revaluation	5	184	-
(Gain)/Loss on disposal of property, plant and equipment		(11)	19
External auditors' remuneration and expenses (notional charge)		75	79
Departmental Investigation Service (notional charge)		122	53
Exchange losses - DEL		58	59
Sub Total		**38,077**	**37,311**
Programme Costs			
Non-cash items			
Debt Provision		93	132
Exchange losses - AME		18	27
Early departure costs	13.1	(97)	(8)
Sub Total		**14**	**151**
Total		**38,091**	**37,462**

Within the Statement of Comprehensive Net Expenditure the cost of Accommodation reflects the buildings that are either owned or leased by Defra or specialised properties held in the Agency's Statement of Financial Position. The costs are proportionate to occupation and include rates, utilities, management overheads and facilities management. For Defra leasehold properties, this also includes rental costs. There are no rental costs for Defra freehold properties.

Charges for the Right of Use asset are passed onto Fera via the recharge mechanism, as agreed with IBM through the Core Defra contract. For more information on the Right of Use Asset see Notes 1.25 and 5.1.

The reduction of rentals under operating leases in 2012/13 is due to the purchase of Scientific Equipment previously held under lease arrangements.

4 Income

	Note	2012/13 £000 Total	2011/12 £000 Total
Defra - Core		32,187	31,663
Defra - Specialist funding	1.26	7,765	7,765
Defra - Network		4,013	4,513
Defra - Non-departmental Public Bodies		912	749
Other Government Departments		4,949	5,338
Government Grants		-	244
European Commission		2,033	2,105
Commercial (UK and overseas) and other income		12,503	13,590
Statutory and Regulatory fees and charges	4.1	6,609	4,796
Total		**70,971**	**70,763**

The European Commission income in 2012/13 is reduced by £350k in relation to an audit finding regarding project cashing methodology which Fera are disputing. For further details please see the financial commentary on page 24.

Fera does not report under IFRS 8 Operating Segments for any business division other than providing details for fees and charges purposes, as to do so may compromise commercial integrity.

4.1 Fees and charges

			2012/13			2011/12
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
National listing of seed varieties	1,391	(1,925)	(534)	1,404	(1,816)	(412)
Seed certification and seed training	792	(1,530)	(738)	1,026	(1,365)	(339)
Plant health inspections	4,426	(5,904)	(1,478)	2,366	(5,425)	(3,059)
Total	**6,609**	**(9,359)**	**(2,750)**	**4,796**	**(8,606)**	**(3,810)**

The Statutory and Regulatory schemes cover Imports (including Egyptian Potatoes), Plant Passporting, Plant Health Licensing, Seed Potato, Export, National Listing of Plant Breeders Rights and Seed Certification.

Fera is required by Ministers to ensure that the costs are fully covered by the income received from the customers of these services. A review of costs has been undertaken which has resulted in Parliamentary approval for a phased increase in charges for these eight schemes, which began in April 2012. The initial full economic cost (FEC) review identified a deficit of circa £6m per annum across all schemes; these costs less any efficiency savings (which will be passed on to our customers) are expected to be fully recovered within the next three years . The relevant reviews and implementation of each scheme did not occur at the same time; five schemes were fully implemented in 2012/13 and the remaining three schemes set for implementation during 2013/14.

Fera is committed to continuous improvement in all its activities and has now set up joint industry taskforces for each scheme to investigate new ways of working to ensure the full cost of the services is covered whilst minimising the effect on industry customers. Fera is a public sector information holder and has complied with the cost allocation and charging requirements as set out in HM Treasury Managing Public Money Chapter 6.

This information is provided for Fees and Charges purposes not for IFRS 8.

5 Property, plant and equipment

	Land	Buildings	Furniture	Vehicles	Information Technology	Scientific Equipment	Right of Use	Finance Lease	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2012	7,720	97,150	359	366	1,603	9,501	932	60	117,691
Additions	-	4,134	-	74	762	1,312	-	-	6,282
Disposals	-	(1,405)	(1)	(42)	(12)	(24)	-	-	(1,484)
Impairment	-	-	-	-	-	-	(202)	-	(202)
Revaluations	(385)	(12,283)	-	-	-	-	-	-	(12,668)
At 31 March 2013	7,335	87,596	358	398	2,353	10,789	730	60	109,619
Depreciation									
At 1 April 2012	-	5,569	91	285	293	2,977	458	47	9,720
Charged in year	-	3,725	33	36	277	1,079	90	10	5,250
Disposals	-	(1,405)	-	(31)	(12)	(18)	-	-	(1,466)
Impairment	-	-	-	-	-	-	-	-	-
Revaluations	-	(6,656)	-	-	-	-	-	-	(6,656)
At 31 March 2013	-	1,233	124	290	558	4,038	548	57	6,848
Net book value at 31 March 2013	**7,335**	**86,363**	**234**	**108**	**1,795**	**6,751**	**182**	**3**	**102,771**
Net book value at 31 March 2012	7,720	91,581	268	81	1,310	6,524	474	13	107,971

	Land	Buildings	Furniture	Vehicles	Information Technology	Scientific Equipment	Right of Use	Finance Lease	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2011	7,720	114,865	430	398	705	7,171	1,031	60	132,380
Additions	-	3,413	-	-	899	2,358	-	-	6,670
Disposals	-	(404)	(71)	(32)	(1)	(28)	-	-	(536)
mpairment	-	-	-	-	-	-	(99)	-	(99)
Revaluations	-	(20,724)	-	-	-	-	-	-	(20,724)
At 31 March 2012	7,720	97,150	359	366	1,603	9,501	932	60	117,691
Depreciation									
At 1 April 2011	-	9,014	85	238	171	1,963	314	36	11,821
Charged in year	-	3,859	49	79	123	1,039	144	11	5,304
Disposals	-	(404)	(43)	(32)	(1)	(25)	-	-	(505)
Impairment	-	-	-	-	-	-	-	-	-
Revaluations	-	(6,900)	-	-	-	-	-	-	(6,900)
At 31 March 2012	-	5,569	91	285	293	2,977	458	47	9,720
Net book value at 31 March 2012	**7,720**	**91,581**	**268**	**81**	**1,310**	**6,524**	**474**	**13**	**107,971**
Net book value at 31 March 2011	7,720	105,851	345	160	534	5,208	717	24	120,559

Property values are included in the financial statements where the Agency is the sole or major occupier and a charge is made for depreciation. All properties are valued as fully equipped. On 31 March 2011, as part of the five yearly review of departmental estate, Defra obtained an independent valuation from DTZ. They valued the York site at £94,254k. DTZ, update the valuation annually by adopting the Building Cost Information Service All–In Tender Price Index supplied by the Royal Institute of Chartered Surveyors.

The Right of Use asset relates to IT services provided under the Defra service concession contract with IBM. (See Notes 1.25 and 5.1).

Of the Revaluation Surplus currently held in the Statement of Financial Position £21.0m (2011/12 £28.6m) relates to Buildings.

5.1 Service concession assets

	2012/13	2011/12
	£000	£000
Opening balance	474	717
Extension to the service concession arrangement	-	-
Adjustment to the service concession arrangement	(202)	(99)
Depreciation	(90)	(144)
Closing balance	**182**	**474**

Defra have a contract with IBM for the provision of IT services and infrastructure assets. This contract was renewed in February 2010. It aims to support the Department and therefore Fera, by providing a modernised IT infrastructure, in line with the wider Government IS strategy, which will give the Department access to cost effective IT services and infrastructure.

During the life of the contract, Defra has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by the Department.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the Consumer Price Index (CPI) as at the end of January in the previous financial year. Costs are passed on to Fera via the recharge mechanism.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of contract, although the Department has the option to purchase specified assets at net book value on exiting the contract. This gives the Department control of the assets during the life of the contract.

For further information on the service concession agreement see Note 1.25.

6 Intangible assets

	Bought in Software	Internally Generated Systems	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2012	416	3,678	4,094
Additions	158	554	712
Disposals	-	-	-
Revaluation	-	54	54
Impairment	-	-	-
At 31 March 2013	574	4,286	4,860
Amortisation			
At 1 April 2012	139	2,897	3,036
Charged in year	75	203	278
Disposals	-	-	-
Revaluation	-	14	14
At 31 March 2013	214	3,114	3,328
Net book value at 31 March 2013	**360**	**1,172**	**1,532**
Net book value at 31 March 2012	277	781	1,058

	Bought in Software	Internally Generated Systems	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2011	288	3,519	3,807
Additions	129	142	271
Disposals	(1)	-	(1)
Revaluation	-	17	17
Impairment	-	-	-
At 31 March 2012	416	3,678	4,094
Amortisation			
At 1 April 2011	88	1,866	1,954
Charged in year	52	1,031	1,083
Disposals	(1)	-	(1)
Revaluation	-	-	-
At 31 March 2012	139	2,897	3,036
Net book value at 31 March 2012	**277**	**781**	**1,058**
Net book value at 31 March 2011	200	1,653	1,853

A significant element of the Intangible Assets relates to the eDomero Import module, which contains the inspections recording database and links to various wider Government systems, shown under Internally Generated Assets at a net book value of £671k (2011/12 £401k). Following discussions with the asset owner and IT specialists this asset was re-lifed at 1 April 2012, with a revised expected life through to 2016, in line with industry knowledge and anticipated future use and system development.

Fera applies indexations to Internally Generated assets as we are unable to establish a market value for these assets. Had Fera not revalued the Internally Generated assets using indices, the current carrying value of these assets using straight line depreciation would be £1,170k (2011/12 £714k). Fera does not apply indexation to the bought in software assets.

Of the Revaluation Surplus currently held in the Statement of Financial position £3.5k (2011/12 £Nil) relates to Internally Generated Systems.

7 Inventories

	2012/13	2011/12
	£000	£000
Inventories	329	291
Work in progress	27	113
Total	**356**	**404**

The work in progress exercise identifies prepayments and accrued income adjustments on projects where work is partially completed but no invoice has yet been raised.

8 Trade receivables and other current assets

	2012/13	2011/12
	£000	£000
Amounts falling due within one year:		
Trade receivables	1,787	3,150
Defra & Defra Agencies receivables	6,063	5,869
Other receivables	53	125
Defra & Defra Agencies accrued income	3,333	1,104
Prepayments and accrued income	5,024	5,123
Total	**16,260**	**15,371**
Amounts falling due after more than one year:		
Prepayments and accrued income	30	69
Total	**30**	**69**

9 Trade receivables - Intra Government balances

	2012/13	2011/12
	£000	£000
Amounts falling due within one year:		
Balances with Central Government Bodies	10,489	8,236
Balances with Local Authorities	(3)	7
Balances with Other Public Bodies	115	84
Balances with Public Corporations and Trading Funds	-	-
Balances with bodies external to Government	5,659	7,044
Total	**16,260**	**15,371**
Amounts falling due after more than one year		
Balances with bodies external to Government	30	69
Total	**30**	**69**

10 Cash and cash equivalents

	2012/13	2011/12
	£000	£000
Balance at 1 April 2012	1,787	3,267
Net change in cash and cash equivalent balances	1,096	(1,480)
Balance at 31 March 2013	**2,883**	**1,787**
The following balances at 31 March 2013 were held at:		
Government Banking Service	2,105	1,183
Commercial banks and cash in hand	778	604
Balance at 31 March 2013	**2,883**	**1,787**

In addition to the above balances for 2012/13, Fera hold £3.1m of monies relating to Third Party Collaborators (2011/12 £1.6m). See Note 23.

Cash held in other currencies represents 8.1% of total cash.

During 2010/11 in line with other Government organisations Fera moved bank accounts from the Office of HM Paymaster General to the Government Banking Service for its Government banking. A working capital balance is held in commercial bank accounts.

In 2012/13 Fera received £7.5m cash funding from Defra to meet cash requirements (2011/12 £5m). £7.5m of excess cash was transferred back to Defra in the second half of 2012/13 (2011/12 £6m).

11 Trade payables and other current liabilities

	2012/13	2011/12
	£000	£000
Amounts falling due within one year		
VAT	402	366
Other taxation and social security	594	654
Trade payables	287	863
Defra & Defra Agencies payables	444	104
Other payables	686	598
Defra & Defra Agencies deferred income	666	304
Other deferred income	2,720	2,732
Accruals	8,539	6,058
Defra & Defra Agencies accruals	3,594	3,140
	17,932	**14,819**
Amounts falling due after more than one year:		
Defra payables	257	490
Other payables	-	3
	257	**493**

Included within Defra payables is the future liability to pay for the Right of Use asset to IBM. The current liability is £68k (2011/12 £104k), the non-current liability is £287k (2011/12 £490k).

Cabinet Office regulations require all Government Departments and its network bodies to pay 80% of undisputed invoices within a five day target, thus reducing the number of suppliers with whom Fera have credit.

12 Trade payables - Intra Government balances

	2012/13	2011/12
	£000	£000
Amounts falling due within one year		
Balances with Central Government Bodies	5,174	4,734
Balances with Local Authorities	3	-
Balances with Other Public Bodies	43	-
Balances with Public Corporations and Trading Funds	-	-
Balances with bodies external to Government	12,712	10,085
	17,932	**14,819**
Amounts falling due after more than one year:		
Defra payables	257	490
Other payables	-	3
	257	**493**

13 Provisions for liabilities and charges

13.1 Early departure costs

	2012/13	2011/12
	£000	£000
Balance at 1 April 2012	171	288
Provided in the year	(6)	(28)
Provisions utilised in the year	(11)	(109)
Release of provision not utilised	(100)	-
Unwinding of discount	9	20
Balance at 31 March 2013	**63**	**171**

	2012/13	2011/12
	£000	£000
Not later than 1 year	9	67
Later than 1 year but not later than 5 years	42	88
Later than 5 years	12	16
Balance at 31 March 2013	**63**	**171**

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The provision is reversed over the period until normal retirement age has been reached, see Note 1.21. This does not include the Voluntary Early Departure Scheme whereby any payment for future years has been met under the terms of the scheme. (see Note 2.1.)

During 2012/13 Defra agreed to repay all Early Departure Costs for staff on the Defra systems. Defra paid the costs and agreed there was no further liability on Fera as Defra had also accrued the costs on consolidation at the last financial year-end. This has resulted in a £100k un-utilised provision in the Fera accounts. The remaining balance on the account relates to one member of staff, who was not on the Defra system who is due to retire in 2019/20 financial year.

14 Returns on investments and servicing of finance

	2012/13	2011/12
	£000	**£000**
Interest received	1	2
	1	**2**

15 Financial instruments

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments had during the year in creating or changing the risks faced by the Agency in undertaking its activities. The non trading nature of the Agency's activities, and the way that Agencies are financed, means that Fera is not exposed to the degree of financial risk faced by other business entities. Fera has no powers to borrow or invest surplus funds and financial assets and liabilities generated by day to day operational activities are not held to change the risks facing the Agency in undertaking its activities.

Financial instruments by category

	2012/13	2011/12
Assets as per Statement of Financial Position	**£000**	**£000**
Trade and other receivables, excluding prepayments	11,812	10,248
Cash & cash equivalents	2,883	1,787
	14,695	**12,035**

	2012/13	2011/12
Liabilities as per Statement of Financial Position	**£000**	**£000**
Trade and other payables, excluding statutory liabilities	13,098	10,616
Finance lease	4	12
Capital accruals	3,834	3,171
Provisions	63	171
	16,999	**13,970**

Debt and equity securities: These are financial instruments from the perspectives of both the holder and the issuer. This category includes investments in subsidiaries, associates, and joint ventures. Fera owned 24% of a spin out company Forsite Diagnostics Limited. On 25 June 2012 the majority shareholding in Forsite changed and the company was recapitalised. As a consequence Fera's shareholding is now 14% and we no longer have an interest in SGBio who were the previous owners. Fera provides ongoing various site and R&D services to Forsite, for which

Forsite is charged at full cost recovery rates. The investment is valued at fair value (IAS39). The value at 31 March 2013 based on the latest draft accounts is £NIL.

Liquidity risk: no significant exposure given the Agency's net resource requirement is financed through resources voted annually by Parliament.

Interest rate risk: no exposure as the Agency's main financial assets and liabilities carry nil or fixed rates of interest.

Foreign currency risk: Fera transacts in Euros and Dollars as well as Sterling to reduce the risk from translation. This includes customer receipts and supplier payments, Fera manages its own risk and reduces its exposure to foreign currencies by netting receipts and payments in the same currencies before translating any remaining funds to pounds sterling. Additionally, Fera regularly reviews balances held in foreign currency accounts, with excess balances being exchanged to sterling at the most favourable rate possible. Fera does not hedge.

This cannot eliminate all foreign exchange risk, further details of foreign exchange losses can be found in Note 21.

Balances held at 31 March in denominated currency

	Euros	**US Dollar**
	€000	**$000**
As at March 2013	159	82
As at March 2012	211	73

Credit risk: the Agency does not have a significant credit risk as the majority of its activities are for Government entities. Working capital is managed to ensure that cash requirements from Defra are kept to a minimum.

Included within Trade Receivables is £779k provision for doubtful debt, this includes £723k for Forsite Diagnostics Ltd. Although new commercial customers are reviewed for credit worthiness and appropriate trading terms agreed, the current economic climate does mean a number of Fera smaller commercial customers are requesting extended payment terms or have gone into administration. Fera's bad debt provision relates to 46 customers owing £56k, (2011/12 £20k). See Note 1.17.

Aged Debtor Analysis

	0-30 days	**31-60 days**	**61-90 days**	**90 days+**
	£000	**£000**	**£000**	**£000**
As at March 2013	6,570	487	322	907
As at March 2012	8,352	376	323	743

In response to the introduction of IAS 32 Fera has reviewed current contracts for potential financial instruments and has put in place procedures for the review of future contracts to ensure these are identified.

16 Impairments

During 2012/13 Fera recognised an impairment of £202k on the Right of Use asset. In 2011/12 Fera had an impairment of £99k, which also related to the Right of Use asset.

17 Capital commitments

In 2012/13 Fera had capital commitments of £1.48m relating to the Estates contract. In 2011/12 Fera had no capital commitments under the Estates contract.

18 Commitments under leases

18.1 Operating leases

	2012/13	2011/12
	£000	£000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	189	201
Later than 1 year but not later than 5 years	281	362
Later than 5 years but not later than 10 years	33	53
Later than 10 years but not later than 15 years	2	5
Expiry thereafter	-	-
	505	**621**
Land:		
Not later than 1 year	0	0
Later than 1 year but not later than 5 years	1	1
Later than 5 years but not later than 10 years	1	1
Later than 10 years but not later than 15 years	1	1
Expiry thereafter	5	5
	8	**8**

Fera have no other obligations under operating leases.

Commitments under operating leases to pay rentals for the life of the lease remaining following the year of these accounts are given in the table above, analysed according to the period in which the lease expires. Land and buildings are managed by Defra under the Estates contract.

Included within the operating leases commitment are costs relating to the proportion of the occupation of Defra leasehold properties. These arrangements between the Agency and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of leasehold accommodation.

18.2 Finance leases

	2012/13	2011/12
	£000	£000
Obligations under finance lease arrangements comprise:		
Not later than 1 year	4	8
Later than 1 year but not later than 5 years	-	4
	4	**12**

Finance leases relate to a contract for printer, copier, scanning machines.

18.3 Service concessions

	2012/13	2011/12
	£000	£000
Obligations under service concession arrangements comprise:		
Not later than 1 year	73	104
Later than 1 year but not later than 5 years	257	398
Later than 5 years but not later than 10 years	-	91
Later than 10 years but not later than 15 years	-	-
Expiry thereafter	-	-
	330	**593**

Service concession arrangements relate to the Right of Use asset. For further details see Notes 1.25 and 5.1.

18.4 Operating leases from tenants (receipts)

	2012/13	2011/12
	£000	£000
Benefits due from tenants under operating leases comprise:		
Not later than 1 year	531	260
Later than 1 year but not later than 5 years	1,405	943
Expiry thereafter	-	-
	1,936	**1,203**

Future receipts from tenants for rental of sections of the Sand Hutton site were not disclosed in 2011/12 Accounts however, as the amounts are material, the FReM requires Fera to make a disclosure. Figures are the current obligation to either the end of the contract or the lease break, whichever is the sooner.

19 Other financial commitments

	2012/13			2011/12		
	Defra Managed Contracts	Fera Managed Contracts	Total	Defra Managed Contracts	Fera Managed Contracts	Total
	£000	£000	£000	£000	£000	£000
Not later than 1 year	5,705	2,553	8,258	5,105	2,516	7,621
Later than 1 year but not later than 5 years	21,230	4,810	26,040	19,608	7,207	26,815
Later than 5 years but not later than 10 years	19,619	-	19,619	24,338	-	24,338
Expiry thereafter	-	-	-	-	-	-
	46,554	**7,363**	**53,917**	**49,051**	**9,723**	**58,774**

Defra Managed Contracts

These costs relate to facilities management charges associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on the Agency's Statement of Financial Position. Costs relating to the service element of the Right of Use contract are also included within financial commitments. The payments to which the Agency is committed are the full contractual costs over the period of the contract.

The estimated value of non-specialised freehold property owned by Defra but occupied by the Agency at 31 March 2013 is £166k (2011/12 £177k). There are no rental costs on Defra freehold properties.

Fera Managed Contracts

The Agency has entered into non-cancellable contracts (which are not leases or PFI contracts), for nursery and daycare, photocopiers, service provision, software and systems support. The payments to which the Agency is committed during 2012/13 are the full contractual costs over the period of the lease.

The 2011/12 Fera figures have been restated to show actual amounts due in each financial year, as opposed to amounts by contract expiry date.

20 Contingent liabilities disclosed under IAS 37

Fera was awarded a European Regional Development Fund (ERDF) grant, administered by Yorkshire Forward/ Department for Communities and Local Government (DCLG), of £2m to refurbish science accommodation and provide supporting infrastructure to let out to small and medium sized science-based enterprises. The works were completed during March 2011. If Fera are unable to meet the objectives and conditions of the grant by December 2014, some monies may be repayable to ERDF.

21 Losses and special payments

During the year, Fera wrote off losses of £22k. These related to 71 cases of bad debts. Fera also paid HM Revenue & Customs £69k in settlement of a liability in relation to taxable benefits. A loss of £8k relating to a closed project has also been provided for.

In 2011/12 Fera wrote off losses of £147k. These related to 87 cases of bad debts and £6k relating to an administrative write off. Special payments made during 2011/12 amounted to £200k.

During 2012/13 Fera wrote off £16k in foreign exchange losses, of which £14k related to the Euro. In 2011/12 Fera wrote off £59k, £63k relating to Euro with £4k gain on US Dollars.

22 Related-party transactions

During the year Fera had dealings with Defra and its sponsored bodies, notably the Animal Health and Veterinary Laboratories Agency, Rural Payments Agency, Centre for Environment, Fisheries & Aquaculture Science and Veterinary Medicines Directorate. None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with Fera.

Dr R Angus Hearmon holds the position of Director of External Affairs and represents Fera's interests on the Board of Forsite Diagnostics Ltd in a Non-Executive role. Dr Hearmon receives no financial recompense for this position.

During the 2012/13 financial year transactions between Fera and Forsite Diagnostics Ltd totalled income of £43k (2011/12 £200k) and expenditure of £104k (2011/12 £114k). The income related to administrative expense, IT and Health and Safety support. Expenditure related to consumables, rent, site services and contractor costs. The outstanding receivables at the period end totalled £723k and have been provided for in full. There were no outstanding payables and all transactions were conducted at arm's length.

Adrian Belton is Chair for the Institute of Environmental Management and Assessment (IEMA) but receives no payment for this position. Mr Belton also sits on the Board of the Association of Chief Executives (ACE) but again receives no payment for this position.

Mike Wray holds preserved rights in the NIAB Pension Scheme. Although Mr Wray has no direct dealings with NIAB, from 1 January to 31 March 2013 he had temporary management of the Plant Varieties and Seeds (PVS) operational team who deal with NIAB on a day to day basis. Mr Wray had no interaction with the PVS team relating to NIAB.

Professor Robert Edwards, Chief Scientist, has a joint appointment with the Centre for Novel Agricultural Products (CNAP), Department of Biology, University of York, where he holds a Chair in Crop Protection. The CNAP post represents a 0.2 FTE appointment whilst the Fera post is 0.8 FTE. A Memorandum of Understanding is being drawn up with the University which will cover the role of staff employed by both organisations.

During the year Professor Edwards was not involved in joint negotiations on contracted work with the University of York. Any joint work would require Professor Edwards to declare a conflict of interest, with technical advisory work involving the University to be overseen by another Fera Director.

Professor Edwards also received £1k from the Society of Plant Physiology as an honorarium for work as an associate editor of the 'Plant Physiology' journal.

Additionally Professor Edwards is a grant assessor for the Biotechnology and Biological Sciences Research Council (BBSRC) and Technology Strategy Board (TSB), with whom Fera have contracts in place. In both cases well established processes are in place to avoid conflicts and preferential treatment when assessing. Professor Edwards is not involved in contractual negotiations.

Hilary Aldridge, the Director of Policy and Regulation joined Fera on secondment from the Environment Agency during March 2012. Ms Aldridge is not involved in any contractual negotiations with the Environment Agency.

23 Third-party assets

Fera holds third-party assets in its capacity as Project Co-ordinator on EU and other Grant funded project collaborations. These are not Agency assets and are not included in the accounts. The assets held at the financial statement date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit. They are set out in the table immediately below.

	31 March 2012	Gross inflows	Gross outflows	31 March 2013
	£000	£000	£000	£000
3rd Party bank balances - Euros	1,517	4,339	(2,814)	3,042
3rd Party bank balances - GBP	64	389	(421)	32
	1,581	**4,728**	**(3,235)**	**3,074**

24 Events after the reporting period

The Wildlife division of Fera transferred to AHVLA, a network body of Defra. As AHVLA and Fera are under common control Fera do not need to restate its accounts under the requirements of IFRS3, business combinations. The Wildlife division accounts for £6.5m of Fera income in the 2012/13 financial year.

The new Fera Management Board will take effect from 1 April 2013. The two NEDs on the original SAB will be joined by a non-aligned Director from Defra. One of the NEDs, Sir John Lawton is Chairman of the Yorkshire Wildlife Trust and Vice-President of the RSPB. In both cases Sir John has no involvement in assessment or contractual processes.

The Accounts were authorised for issue on the 17 June 2013.