The Food and Environment Research Agency

Annual Report and Accounts 2011/12

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Contents

Foreword by Adrian Belton

Chief Executive

The business case to form The Food and Environment Research Agency in 2009 was predicated on realising synergy in the component agencies and divisions of Defra that were merged together. In this, the third Annual Report and Accounts since vesting, I am therefore pleased to set out:

- A further year of growth in our income up 4% to £68m on continuing operations.[i]
- Continued savings and efficiencies totalling £6.5m since we launched our 'Continuous Improvement' Programme in 2010 based on the principles of LEAN.
- Further improvement in our already high Customer Satisfaction ratings.
- A second consecutive year of improvement in our staff engagement scores as measured in the Civil Service wide annual survey.
- The achievement of our Ministerial Key Performance Measures.

In the Financial Commentary we set out how, as a net running cost Executive Agency tasked with balancing our annual budget, we closed the year with a deficit of just £0.3m (2010/11 unadjusted £1.6m deficit)[ii]. This was achieved against the backdrop of similar income[iii] from Defra, our parent Department, offset by another year of significant growth from other customers.

Demand for our science and services remains buoyant, especially in the food sector. We have been able to secure more than double the amount of capital investment from Defra anticipated at the start of the year. The return on investment that we are able to make has also enabled us to protect and enhance the nationally important scientific capability we provide to Government and non-Government customers. The significant development this year of our Science Strategy, under the leadership of our Chief Scientist, Professor Rob Edwards, is set out in the narrative.

Other notable achievements for the year include:

- Recruitment of 18 apprentices under the Government's scheme launched in 2011.
- Numerous awards, including: A National Training Award for the laboratory's work on 'Achieving sustainability through behaviour change and site empowerment'; the Defra Team Award for 'Excellence in Customer Service' won by Fera's Quality Systems (QS) experts. Fera was also shortlisted for the prestigious Lloyds Science of Risk Research Prize event in the technological risks/biological risks category, for a novel nanotechnology risk-assessment tool.
- High profile work to lead and support the Tree Health and Plant Biosecurity Action Plan launched by the Secretary of State in 2011.
- A significant increase in the productivity and inspections carried out by our Plant Health Inspectors to cope with a doubling in the notifications of consignments posing a risk to plant health in the UK.

All this has been possible thanks to the continued commitment and hard work of our 900 staff who have maintained their commitment and improved performance in another period of uncertainty over the future status of the Agency in the face of Government cut backs and reviews.

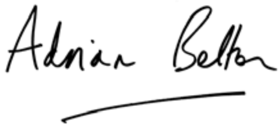
[i] Original 2010/11 income reported of £65.4m restated to £67.8m following the inclusion of capital grant and accommodation income previously in Defra accounts, (see Note 1.3 to the accounts) adjusted by £0.4m to exclude Defra funding for one-off costs. 2011/12 income adjusted by £2.4m for Defra funding of one-off costs and £0.2m for a capital grant.

[ii] Original deficit £1.6m, restated to surplus of £0.3m following the change in accounting treatment of capital grants, and the inclusion of accommodation income previously included in Defra accounts. See note 1.3 to the accounts.

[iii] Income from Defra at Note 4 to the accounts, includes one-off funding of £2.4m in 2011/12 and £0.4m in 2010/11.

My thanks and appreciation are also due to the many partner organisations with whom we work, and the Non-Executive Directors including Sir John Lawton who conducted the review of our science capability and now chairs our External Science Panel.

As we look to 2012/13 and beyond Fera is well placed to build on this successful year.



Adrian Belton
Chief Executive
14 June 2012

1. Management Commentary

Performance overview

Fera performance continued to improve despite the economic climate. Furthermore, Fera is playing its full part in supporting the Government's agenda for deficit reduction and, significantly, growth. The detailed Financial Commentary to the 2011/12 accounts is in Section 3.

Strong science

The focus for the year has been on further developing a secure future for Fera science, both alone and in partnership with external bodies.

With respect to sustainability, as an integral part of the reorganisation of Fera's delivery programmes in April 2011, Heads of Science roles were established in Wildlife, Plant Protection and Food and Environmental Safety. This has resulted in an improvement in science governance, the hosting of a very successful annual conference focused on developing interdisciplinary working and the establishment of an expert External Science Panel chaired by Sir John Lawton, who oversaw the capability review of 2011. As part of Fera's response to the review, a science strategy exercise was conducted and new cross-Agency initiatives identified.

The science profile and impact of the Agency has been developed across Government departments, industry and internationally with Fera gaining new long-term funding from the European Commission and others including the Technology Strategy Board (TSB). Fera science has made important contributions to the Tree Health and Plant Biosecurity Action Plan, and had published several high impact papers relating to metagenomics, badger ecology and food safety.

Fera's partnering activities include strengthening links with members of the Interlab Forum, the Defra network and the Biotechnology and Biological Sciences Research Council (BBSRC). Through the strategic use of Defra seedcorn funds, Fera has also strengthened its links with a number of partner universities, building joint research capability, notably in food security and wildlife science.

Developing policy

We have developed a clearer picture of the costs of providing our statutory services in plant health and the gap between those costs and income from fees. Consequently, Ministers agreed to a phased increase in fees to achieve full cost recovery, starting in April 2012. Sharing information on costs with customers has been a powerful impetus for working together on efficiencies, and Fera is setting up Government/industry task forces to minimise increases required in later phases.

For national listing of plant varieties, we are working with stakeholders to prepare proposals for a reduction in official administration, to be put out to consultation during 2012. Flexibility in EU seeds regulation was achieved in two areas as a result of negotiation by Fera experts. Vegetable varieties for amateur use and seed for conservation purposes, such as restoration of traditional hay meadows, can now be legally sold without undergoing the tests applied to commercial varieties.

The Tree Health and Plant Biosecurity Action Plan was launched by the Secretary of State in October, to help protect our woodlands from new pests and diseases. Two of the four themes, on public engagement and import controls, are being led by Fera, with Defra and Forestry Commission leading on research and practical actions respectively. The actions on import controls require improvements in EU plant health rules. Proposals are expected in

2012 and in partnership with the Devolved Administrations we are establishing advisory fora to help prepare UK negotiating positions.

Two years of the Healthy Bees Plan has generated valuable new information on bee pests and pathogens. That evidence is being used to revisit policy and ensure that the most appropriate measures are taken against each risk. Consultation on revised policies will be taking place during 2012.

Other development activities

Despite significant challenges in the marketplace Fera maintained its strong track record of growth. In 2011/12 this amounted to a 7.9% increase in revenues from outside of the parent Department.

Growth across the Defra network and Other Government Departments of 13.5% was primarily driven by the full year effect of the Veterinary Medicines Directorate Statutory Surveillance programme begun in the previous year.

Commercial income has continued to grow year on year by £1m (8%) to £13.6m. We continue to develop and strengthen our relationships with global food industry players, for example working on sweeteners with novel functionality as a substitute for sugar. We worked with a major multinational on the evaluation of the sustainability of global agriculture. We also saw success through extended long term product stewardship activities with major customers.

In the plant protection and environmental safety areas Fera secured growth in diagnostics, research and surveillance income from UK growers, and the adjacent water and waste industry. This came through a combination of understanding client needs and the application of significant technical advances. Fera also increased its international contracts for both services and capacity building to other governments, based upon our acknowledged expertise, a partnership approach and efficient service.

Fera’s leading position in providing advice and solutions to resolving human-wildlife conflict, particularly in reducing birdstrike risks at airports, was further substantiated.

Fera’s ambition to grow the Sand Hutton site as a science and innovation campus has also seen significant progress, with four new tenants moving in.

Operational delivery

Excellent progress in operational delivery stemmed from a redefinition of roles. Internal mergers created fewer, larger delivery programmes, enabling released senior staff to focus on scientific development. Greater attention to resource and cost management has driven increased efficiency and income generated per person, both of which exceeded targets.

Our Continuous Improvement Programme generated benefits worth over £4m, comprising process efficiencies and reduced running costs, capacity for added value activities, bottom line savings and customer service improvements. Fera is introducing visual management techniques to increase team engagement through performance and customer service.

Improved resource flexibility enabled Fera to respond to variable service demand, with significant cross-Fera working and rapid recruitment and training of short term appointments to resource the national badger survey with a short lead in time.

Examples of excellent delivery include:

- Veterinary medicines surveillance, where in the first full year of the statutory programme, circa 32,000 analyses were carried out, meeting service level targets with increased levels of detection. Unit costs were reduced by 40% in the ongoing non-statutory programme. As a result food producers and consumers have benefited from a timely and effective service and increased value for money.
- Increased productivity and effectiveness in plant health import inspections, where inspections per person rose by 240%, the number of monthly consignments inspected nationally increased by over 320% and notification of interceptions posing a plant health risk increased by circa 200%. As a result the UK's plant health status is better protected.
- Badger vaccination work, where circa 630 badgers were vaccinated against TB, (up 16% on last year) representing improved project effectiveness and value.
- New approaches to flexible working enabled over 45,000 samples to be diagnosed for plant pest and disease risk, within a reduced budget.

These are just some examples of achievements in a year in which we also successfully delivered several hundred projects for our customers, including high profile and collaborative work on bee health and Phytophthora control. In addition to our surveillance, research and science-based service projects we have increased national capability in incident response through training and practical exercises, including the specialist CBRN (Chemical, Biological, Radiological or Nuclear) decontamination suppliers and wider Government. These exercises increase preparedness and provide information on the best ways to solve the technical, logistical and cost challenges of CBRN decontamination.

Fera scientists have increased the average impact factor of their work from 2.32 to 3.29 from 2010 to 2011 and have published papers in the highest ranked journals in their respective fields including:

Lienau EK, Strain E, Wang C, Zheng J, Ottesen AR, Keys CE, Hammack TS, Musser SM, Brown EW, Allard MW, Cao GJ, Meng JH, **Stones R**. 2011. Identification of a Salmonellosis Outbreak by Means of Molecular Sequencing. *New England Journal of Medicine* **364:** 981-982. (JIF = 47.05).

Simberloff D, Alexander J, Allendorf F, **McDonald R, Robertson PA** et al 2011. Non-natives: 141 scientists object. *Nature* **475:** 36. (JIF = 34.48).

Studholme DJ, **Glover RH** and **Boonham N**. 2011. Application of High-Throughput DNA Sequencing in Phytopathology. *The Annual Review of Phytopathology* 49: 87-105. (JIF = 11.212).

Ministerial targets

Defra Internal Audit and Assurance Team have reviewed the Ministerial Key Performance Measures and outcomes in Fera's Business Plan and assessed them as indicated below:

1. Financial Performance - To meet agreed financial performance, service delivery and efficiency targets. Part met. Whilst assessed as having achieved an Executive Agency's overarching requirement to break even (within accepted tolerances) the audit determined that the Ministerial target as stated had only been part met as some lower level KPI's were not achieved even though the Agency had taken appropriate corrective action in other areas to achieve break even.
2. Customer Focus - To deliver the outcomes detailed in the Defra/Fera Service Level Agreement (SLA) through the provision of independent and impartial advice. Met.
3. Performance - To deliver effective and efficient Plant Health, Bee Health and Plant, Variety and Seeds policy services and outcomes. Met.
4. Science Capability and Incident Response - To provide a robust food and environmental research, response and recovery capability that supports Fera's, Defra's, and wider Government requirements. 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 all our assets and to embed the principles of sustainability further into our business operations. Met.

Health and safety

Fera has managed health and safety (H&S) by following the recommendations contained in the Health and Safety Executive (HSE) document 'Successful Health and Safety Management' HSG65. Staff manage their own work through a process of risk assessment, with the Safety, Health and Environment (SHE) team providing support. This has allowed our staff to develop and apply their own proportionate controls for any risks that they may encounter.

We are launching a new H&S Policy which will further empower our staff to comply with Sections 7 and 8 of the Health and Safety at Work Act 1974, under which employees must take reasonable care of their own health and safety, and that of anyone who may be affected by their acts or omissions, and to co-operate with their employer to ensure compliance with the employer's statutory obligations.

Fera continues to encourage staff to report incidents, and the figures are indicative of the success of this initiative. Two of the reportable incidents in 2011/12 were trips and falls in muddy fields against none in the previous year.

Incident data	**2011/12**	**2010/11**
Total number of incidents, accidents and near misses reported	82	87
Incidents reportable to the HSE	4	3
Incidents involving no injury (near misses)	21	35
Incidents involving an injury	61	52
Number of staff working at Fera	904	915
Total reportable incidents per 100 staff	0.44	0.33

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 business units to assess the risks to their data, and these assessments are passed 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 lapses of reportable data security within the year.

All staff are required to pass Level 1 of the National School of Government's Protecting Information Course, 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 Fera has a 100% success rate in this area.

All staff are also required to agree to Fera's Information Security Policies 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

Following the current Spending Review settlement it became clear that Defra will be required to make a saving of circa 30% across its total budget and this will impact on the funds available to commission evidence and research from Fera over the immediate years ahead. We recognise that to respond to this threat with large scale cuts in Fera's staff resource would seriously compromise our capability to deliver to other customers now and in the future. We have therefore adopted a strategy that, in the main, seeks to increase work outside Defra to replace revenue expected to be lost from the parent Department.

In 2011/12 Fera ran a Voluntary Early Departure (VED) Scheme and 47 staff took this opportunity.

There are certain scientific specialisms and disciplines where VED is not feasible. We are reviewing areas where reduction in funding is most expected to impact and where niche skills are required by Government. This is often in specialist regulatory areas where commercial markets do not exist.

A more targeted exercise is currently under way which will help ensure a focused skills match for our work going forward.

Despite the uncertainties and other challenges of the last 12 months, Fera has increased its overall staff engagement figure against a background of falling staff engagement across the Civil Service.

To maintain capability and responsiveness at affordable cost Fera is introducing multi-skilling and flexible resourcing models. Changes in science and technology, and in operational efficiency, also mean that some of our services can be provided equally well by fewer and more junior staff. Fera's 2011/12 Business Plan showed full time equivalents (FTE) of 898, over the year there has been an average head count of 904 staff, which equates to 857 FTE.

Also through 2011/12, Fera continued to deliver a Leadership and Management Development programme for our 84 Team Leaders as a further step to up-skilling our management cadre and better equip them for the challenges that lie ahead.

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

Ethnic Origin	**Gender**	**Bands 1-3**	**Band 4 and above**	**Total**
White	Female	6	0	6
	Male	12	6	18
Non-white	Female	1	0	1
	Male	0	0	0
Not specified	Female	18	6	24
	Male	25	5	30
Total		**62**	**17**	**79**

Disability Status	**Gender**	**Bands 1-3**	**Band 4 and above**	**Total**
Non- disabled	Female	8	0	8
	Male	15	6	21
Disabled	Female	0	1	1
	Male	0	1	1
Not specified	Female	17	5	22
	Male	22	4	26
Total		**62**	**17**	**79**

Social and community

This year Fera launched its Apprenticeship scheme designed to open careers in science to young people who may not otherwise choose them. The scheme has had an enthusiastic welcome with wide interest from schools and educational establishments in the area, many of whom have asked Fera to attend careers fairs and open evenings in order to give students a perspective on alternative career options. We have 18 apprentices enrolled in the scheme.

Fera's third group of undergraduates have continued our association with the York Cares initiative to deliver the 'Science of Food' module. In addition we continue to work with York Cares on the Children's University initiative as well as individual volunteering activities such as the 'largest Christmas party', which asked staff to help out at Christmas parties for the elderly.

Sixteen staff were involved in developing and delivering a workshop to hundreds of schoolchildren as part of 'Discovery Days' which took place over three days at the National Railway Museum in March. Discovery Days are held annually as part of National Science Week and allows local businesses to engage primary school children (and also the general public on one of the days) with different practical aspects of science. This year the workshop explained the process of anaerobic digestion and the role it can play in reducing waste.

During this year we have offered work experience placements to 31 students aged between 14 and 17 years as part of our ongoing commitment to enriching the experience for students studying the sciences.

We have also hosted six school visits to the Sand Hutton site, two Continuing Professional Development (CPD) days for teachers and taken part in several visits to schools.

Future development

As the Agency moves into 2012/13 and beyond it has many opportunities to develop its capabilities and impact, and to develop a long term plan that protects and develops its science. The first challenge will be implementing the outcome of the Science Agency Review and once the decision is finalised, ensuring a robust programme to implement Ministers' decisions. This will potentially have an overriding impact on our other priorities.

The conclusions of the Science Agency Review were presented to Defra's Supervisory Board in March 2012. No decision was sought from Ministers, however they indicated that the Agency should be growing and this direction should be explored as a preference. Fera do not expect a formal decision before the autumn of 2012.

Fera needs to continue to grow income from sectors other than the parent Department to continue to deliver a balanced budget and maintain the expert capability required by Government. This will be particularly challenging given the current economic climate and limitations on flexibility for marketing, capital purchases and recruitment. The phased three-year programme to achieve full cost recovery for statutory services begins in April 2012 and we are now working with industry to identify further efficiencies to reduce financial impacts on trade customers. In order to grow our commercial and other income we will increase our focus on understanding and meeting our customers' needs, through improved skills in account management, assured service delivery and developing supporting business systems.

Fera will continue and intensify its Continuous Improvement Programme to drive efficiency, customer focus and staff engagement with performance improvement.

2012/13 will see the implementation of our five year science strategy developing science platforms aligned with our core capabilities and customer needs. This will involve nurturing and supporting innovation, developing new products and services and encouraging the development of multi-disciplinary science projects. Whilst focusing on our core competences we will work strategically with partners including sister agencies, research institutes and academia to broaden our reach.

The development of the York Science and Enterprise Centre at the Sand Hutton site is attracting interest from potential tenants and the coming year should see complementary businesses relocating to work alongside Fera.

On 25 June 2012, subsequent to the completion of the Annual Report and Accounts, the sale of the majority shareholding in Forsite Diagnostics Ltd was completed. As a result of this sale and, following a recapitalisation of the company, Fera will become a slightly smaller shareholder in Forsite, whilst maintaining its Board position. The financial effect on Fera's investment in Forsite (see Note 1.15) is negligible. Forsite will remain based on the Sand Hutton campus.

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 Chemical 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 York 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 Chemical 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 chemicals in food, pesticides, veterinary drug residues, and dioxins and PCBs in feed.

2. Sustainability Report

As part of its sustainable development strategy, the Government encourages both companies and public bodies to disclose sustainability performance via their Annual Report and Accounts. The Fera sustainability information 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 2011-12 Reporting.

There is a direct link between the amount of science we do and its impact on our energy, waste and water figures. Although total impact has increased, the performance of the Agency is encouraging given the increase in business and the new tenants on site. As all data used for this report is un-apportioned it therefore includes the other tenants of the Sand Hutton site.

The information contained within this report has not been subject to audit and does not form part of the auditors' opinion on the accounts.

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. The final quarter waste data is not yet available from Defra for inclusion in this report, therefore, we have used the 2010/11 final quarter data in order to provide a full year's dataset.

There are currently limitations in the level of our financial and non financial sustainability data and we continue to improve the level of internal control procedures. The data provided in this report is based upon the Sand Hutton site which is representative of the whole Agency, as this accounts for 98% of our whole estate.

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

The Greening Government Commitments set out a range of new measures on reducing greenhouse gas emissions, reducing waste, reducing water use and making procurement of goods and services more sustainable.

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

- Reduce greenhouse gas emissions from the whole estate and business related transport by 25%.
- Reduce the amount of waste generated by 25%.
- Reduce water consumption against a three year moving average by 20% on non-office water use.
- Ensure 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 4% reduction versus baseline.

Energy Consumption (kWh)	2011/12	2010/11	2009/10 Baseline
Electricity	17,317,239	17,577,243	18,086,778
Gas	25,134,134	27,893,783	29,590,222
Total	**42,451,373**	**45,471,026**	**47,677,000**
Total energy	**£2,658,410**	**£1,876,667**	**£2,592,905**

Greenhouse gas emissions (tCO_2e)	2011/12	2010/11	2009/10 Baseline
Gas	4,651	5,160	5,474
Vehicles	155	Not available	Not available
Total scope 1	**4,806**	**5,160**	**5,474**
Electricity	9,872	9,579	9,857
Total Scope 2	**9,872**	**9,579**	**9,857**
Air	332	278	263
Rail	65	65	72
Total Scope 3	**397**	**343**	**335**
Expenditure on official business travel	**£557,953**	**£413,134**	**£422,602**

Fera has reduced gas consumption by 15% against the baseline year and electricity reduced by 4.3%. We have achieved this by continually identifying and reviewing opportunities for improving energy efficiency and implementing initiatives which will ensure that the Agency strives to meet its CO_2 reduction targets as set by Defra. Initiatives fall into the following categories:

- Staff behaviour change – we have a group of volunteers who lead on sustainable behaviours across the Agency to identify more efficient ways of working and increase awareness of energy use. The behaviour change group successfully implemented an effective sustainability campaign which won Fera the regional National Training Award 2011 for our category.
- Improved management of building plant and equipment through engagement with facilities management colleagues and implementation of more effective control mechanisms.
- Implementation of technologies (such as low energy lighting, voltage optimisation, refrigeration plant), which improve the energy efficiency of the buildings.

Recommendations arising from a recent in-depth survey are currently being developed into business cases for project implementation in the 2012/13 financial year and are expected to contribute to further CO_2 savings.

Waste

Latest performance results show an 18.4% reduction versus baseline.

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.

Waste (tonnes)	2011/12	2010/11	2009/10 Baseline
Hazardous waste	132.7	106.1	84.6
Reused, recycled	135.9	102.0	149.2
Landfill	44.4	102.2	149.7
Total waste	**313.0**	**310.3**	**383.5**

Water

Latest performance results show a 15% reduction based on a three year moving average.

Water (m^3)	2011/12	2010/11	2009/10
Water consumption	55,984	63,948	60,067
Invoiced water cost	**£107,864**	**£82,450**	**£144,259**

The water consumption at Sand Hutton is predominately utilised in scientific processes and is used in many essential processes which includes ensuring sterile laboratory environments are maintained and to prevent contamination risk. Improvements are being identified from the water survey recently undertaken to replace water intensive laboratory plant and equipment with more efficient technologies.

Biodiversity

Following on from the biodiversity survey undertaken during 2010/11 at the Sand Hutton site, a biodiversity group has been established to review the recommendations and to make improvements to the site and adjacent woodland.

Sustainable procurement

The procurement of goods and services is a key part of Fera's Environmental Management System which has been developed to progress the delivery of the Sustainable Procurement Task Force Action plans. In addition, the pursuit of sustainability and continual environmental improvement is a key goal of Defra's (and therefore Fera's) procurement policy. Where possible, procurement is avoided and repair and re-use 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 setting of strict criteria for environmental impact within specifications. Ongoing measurement of supplier performance against these criteria is carried out to ensure commitment to the sustainability agenda throughout the supply chain.

3. Financial Commentary

Financial review

Fera's third year of operation has continued to be dominated by managing the effects of Government austerity measures instigated after the election. This includes working with constraints on both recruitment and capital investment. In an Agency looking to grow these have been particularly restricting. Despite these constraints we have been successful in attracting more business and towards the year end have had a significant increase in capital funding approved by Defra which will provide benefits in future years.

Whilst reporting a deficit of £0.3m (2010/11 £1.6m like for like deficit[iv]), we have significantly mitigated the loss of both £1.6m income due to the delay in the planned increase in statutory plant health fees and £0.5m in higher than expected estate/utility costs, through income growth and efficiency initiatives.

In the year Fera incurred additional costs of £2.4m, the majority of which related to a voluntary exit scheme and was reimbursed for these costs by Defra. Also, following an accounting change, income from capital grants are now recognised in the year of receipt/asset purchase. The figures below relate to the continuing operations of the Agency excluding these sums from both the income and expenditure lines where relevant.

Income

On a like for like basis income has increased by £2.8m (4.3%) to £68.1m[v] in the year. Like for like income per FTE grew by 4.2% from £76.3k to £79.5k.

Income direct from Defra was broadly static year on year, at £37m, now accounting for 54% of the total business compared to 56% last year. Income from sources other than the parent Department grew by 7.9% in the year.

Income from bodies within the Defra network increased by £1.8m (64%) primarily due to this being the first full year of Fera delivering the Veterinary Medicines Directorate (VMD) Statutory Surveillance programme.

Income from Other Government Departments has decreased by £0.6m mainly because of reductions in demand for our services from Food Standards Agency and Devolved Administrations. We have been successful in attracting new tenants to the Sand Hutton site from across Government, bringing new income in the second half of the year.

Commercial income has continued to grow year on year by £1m (8%) to £13.6m, with a particularly excellent performance from the Food and Environmental Safety programme in areas of research and development for the agrochemical and veterinary pharmaceutical markets.

iv. Original deficit £1.6m, restated to surplus of £0.3m following the change in accounting treatment of capital grants, and the inclusion of accommodation income previously included in Defra accounts. See note 1.3 to the accounts.

v. 2010/11 restated income adjusted to exclude funding for capital grants £2.1m and one-off staff related costs £0.4m. 2011/12 income is adjusted by £2.4m one off funding from Defra and £0.2m for a capital grant.

Statutory charges amounted to £4.8m, the £0.5m increase from last year being in relation to a technical accounting change to match the timing of income recognition with costs for Plant Varieties and Seeds work. Fera has undertaken a major review of statutory charges resulting in Ministers agreeing to increase fees in the coming year as a first step to more closely reflecting the full economic cost of the services provided

Costs

£31.2m[vi] was expended on staff costs, £1.3m (4.1%) down year on year. The proportion of staff costs to income for continuing operations therefore fell from 49.9% in 2010/11 to 45.8% in 2011/12. This is the second year of the pay freeze for staff earning above £21,250 per annum. The cost of the pay award for staff earning below that was £0.1m.

Non-staff costs in the year amounted to £37.5m (55% of the adjusted total) of which £6.4m relates to depreciation and amortisation of assets. This represents an increase of £2.1m (6%) year on year. The largest single reason was the increase in utility and estates costs (£0.8m), due to the unforeseen market conditions, and a £0.4m increase in the cost of the Defra managed contract for the provision of IT services to a proportion of Fera staff. Costs have increased by £1m across several other categories.

Capital

Fera's capital spend in the year was £6.9m. This represents a significant increase from the £2.7m spent on equivalent investments in 2010/11 (prior to the £3m spent on the refurbishment of the York Science and Enterprise Centre, opened in May 2011). However much of this expenditure was late in the year and the benefits of these investments will be felt in 2012/13.

Cashflow

The reported deficit for the period of £0.3m was after charging depreciation and amortisation of £6.4m. After working capital movements resulting in an inflow of £0.4m, net cash from operating activities was an inflow of £6.5m of which £6.9m was expended on capital purchases giving a net cash outflow £0.5m before a net transfer to Defra of £1m was made.

Debtor days outstanding (based on unadjusted income) at the end of March 2012 were 74.9, compared to 64.4 days at the end of the previous year.

In line with the Government target of paying 80% of undisputed invoices within five working days, Fera has achieved 71.9%, with invoices taking on average seven 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 himself 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 £79k.

Adrian Belton

Adrian Belton
Chief Executive
14 June 2012

[vi] Staff costs adjusted for one-off costs by £0.4m and £2.4m in 2010/11 and 2011/12 respectively

Audit and Risk Management Committee statement (ARMC)

The Fera ARMC supports the Accounting Officer in his responsibilities for issues of risk, internal control and governance, through the provision of advice and guidance 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 on the extent to which the audit programme and other key sources of assurance are sufficiently comprehensive to satisfy the assurance needs of the Accounting Officer.

The Committee acts in an advisory capacity only, without executive powers and comprises three Non-Executive members; including myself as Chairperson. During the year we have seen the departure of a long standing member, Rod Morrod, to whom the Committee and Executive expresses sincere thanks and gratitude for his contribution and support; and have welcomed a newly appointed member, Alexis Cleveland.

Throughout the year the Committee has 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; to both inform and provide advice to the Committee. All of whom have attended the Committee's formal meetings. In addition, appropriate representation has been invited from Defra Finance and Defra Internal Audit at each Committee meeting.

Four formal Audit and Risk Management meetings were held during the financial year to in accordance with the Committee's Terms of Reference. In addition the Committee or where appropriate the Committee's Chair, also met separately with the Fera Executive, Internal and External audit and other key contacts as appropriate, to discuss key business issues of relevance to the Committee's principal responsibilities.

The Committee's primary focus has been to provide advice and guidance to the Accounting Officer in ensuring Fera maintains a robust system of internal control and governance. Key activities and issues addressed through the Committee have been the continued consideration of all sources of control and opinion of assurance in respect of the Accounting Officer's Governance Statement (formerly known as the Statement on Internal Control (SIC)), including:

1. Reviewing, monitoring and making recommendations in connection with the preparation of the 2011/12 Annual Report and Accounts;

2. Examining and monitoring the Internal and External Audit Strategy - during the year 10 internal audits had been commissioned in total and final reports completed and reviewed by the Committee. The quality systems operated across the Agency (see page 14) have also been externally audited;

3. Reviewing and making recommendations in respect of Fera's Risk Management strategy and process.

During the year, the Committee has overseen the deployment of Fera's first and second Internal Control Questionnaire (ICQ) and also carried out a formal Effectiveness Review of the Committee itself and is in the process of assessing and responding to the findings.

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

The former Director of Policy and Regulation Tony Harrington left the Agency in December 2011, Hilary Aldridge has recently joined the team in this role on an 18 month secondment from the Environment Agency.

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 with a three year contract, which has been extended to September 2013.

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, his contract has since been extended to 23 August 2013.

The Chief Scientist, Robert Edwards, was appointed on a 0.8 FTE contract starting on 9 August 2010, this is a three year contract with the option to be extended by agreement.

Hilary Aldridge, the current Director of Policy and Regulation has been recruited on an 18 month secondment from the Environment Agency.

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

The Chief Executive and Directors are obliged to give Fera a minimum notice of three months.

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, reserved rights to London weighting and recruitment and retention allowances where applicable. None of the directors receive Benefits-in-Kind.

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 2011/12 relate to performance in 2010/11 and the comparative bonuses reported for 2010/11 relate to the performance in 2009/10.

As Hilary Aldridge is an employee of the Environment Agency on secondment to Fera, we are not obliged to disclose details of her salary. The cost of the secondment in 2011/12 was NIL as she joined the organisation during March 2012.

Subject to Audit

		2011/12		**2010/11**	
Official	**Post**	**Salary £000**	**Bonus Payments £000**	**Salary £000**	**Bonus Payments £000**
A Belton	Chief Executive	110 - 115	5 - 10	110 – 115	10 – 15
P Whitfield	Finance and Corporate Services Director	95 - 100	N/A	95 – 100	5 – 10
R Hearmon	Director of External Affairs	90 - 95	5 - 10	90 – 95	5 – 10
R Edwards	Chief Scientist (Joined August 2010)	90 - 95	N/A	55 – 60 (90 – 95 Full Year Equivalent)	N/A
T Harrington	Policy and Regulations Director (Left December 2011)	70 - 75 (105 - 110 Full Year Equivalent)	N/A	105 – 110	5 – 10
M Wray	Operations Director	70 - 75	N/A	70 - 75	5 - 10

Highest earners remuneration

Reporting bodies are required to disclose the relationship between the salary of the most highly-paid individual in their organisation and the median FTE earning of the Fera workforce. The banded remuneration of the most highly paid individual for 2011/12 was £120,000, (2010/11 £125,000). This was 4.71 times (2010/11 4.79) the median salary of the workforce, which was £ 25,482, (2010/11 £26,117).

Subject to Audit	**2011/12**	**2010/11**
Highest earners Total £000	120 - 125	120 - 125
Median Total	£25,482	£26,117
Ratio	4.7	4.8

Non-Executive Directors

Non-Executive members of the Audit and Risk Management Committee (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. The membership of the Committee has been reviewed during the year with Alexis Cleveland replacing Rod Morrod as a Non-Executive member. Sir John Lawton, who sits on the Strategic Advisory Board (SAB), attended the October meeting whilst Rod's successor was being appointed.

In his role as Chair, Geoffrey Drage has greater time commitments than the other Non-Executive Directors, therefore receives higher fees. He is also a member of the SAB; all costs relating to this activity are funded by Defra.

Subject to Audit

Official	**Post**	**2011/12 Fees £000**	**2010/11 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)	0 - 5	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	N/A

* These Non-Executives are paid through payroll from which tax is deducted at source.

** Alexis Cleveland has not claimed since joining the ARMC.

Directors' pension details

The Chief Executive and all the Directors are members of the Principal Civil Service Pension Scheme (PCSPS). Adrian Belton and R 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

Directors' Pension Details

Official	Post	Accrued Pension at age 65 as at 31/03/12 and related lump sum £000	Real Increase in Pension and related lump sum at pension age £000	CETV at 31/03/12 £000	CETV at 31/03/11 [vii] £000	Real increase in CETV
A Belton	Chief Executive	10-15	0 - 2.5	240	195	25
P Whitfield	Finance and Corporate Services Director	30-35	2.5 – 5.0	300	247	32
R Hearmon	Director of External Affairs	10-15	0 - 2.5	191	154	21
R Edwards	Chief Scientist (Joined August 2010)	0-5	2.5 – 5.0	47	18	24
T Harrington	Policy and Regulations Director (Left December 2011)	5-10	2.5 – 5.0	81	54	19
M Wray	Operations Director	15-20 (45-50*)	0 - 2.5 (2.5-5.0*)	278	232	13

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

Adrian Belton
Chief Executive
14 June 2012

[vii] The Actuarial factors used to calculate the CETVs were changed in 2011/12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors for consistency. The CETV at 31/03/11 differs from the corresponding figure in last year's report which was calculated using the previous factors.

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, resource 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and 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 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, I have responsibility for maintaining a sound system of internal control that supports the achievement of Fera’s policies, aims and objectives whilst safeguarding 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, the Cabinet Office and effect any recommendations of the Public Accounts Committee and other parliamentary select committees.

The diagram on the next page shows Fera's governance structure both internal within the Agency, and external through the SAB reporting directly into the Department.

Save for the SAB and the ARMC, all committees and boards are chaired by a member of my Executive team. All are required to keep full attendance records and minutes for each meeting and are disclosed as required and protected as necessary. Terms of Reference for each committee are reviewed regularly and I have asked each committee to complete an annual review of its effectiveness starting from 2012/13 financial year.

These reviews also include the ARMC, which completed its own effectiveness review, the findings of which were collated by the National Audit Office (NAO) and discussed with the committee members, at its February 2012 meeting. The consensus of opinion is that the ARMC is working effectively.

During December 2011 a member of the Executive team moved on to a new opportunity. We appointed an interim replacement on secondment from the Environment Agency for 18 months from March 2012.

This is a challenging time for the Agency and any further changes in the Executive team could cause instability. I am pleased to report that my contract and role as Accounting Officer for Fera has now been extended to September 2013. However the uncertainty and timing of extensions to, or renewals of, contracts by the Department for other members of the Executive on fixed term appointments remains a concern.

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.

Fera's governance structure

Strategic Advisory Board

Chaired by Defra's Director General, Food and Farming Group

Three independent members

Meets 4 times per annum

External Science Panel

Chaired by a Non-Executive member

With senior government, academic and industry scientists

Meets once per annum

Audit and Risk Management Committee

Chaired by a Non-Executive member

With two further Non-Executive members

Meets 4 times per annum

Chief Executive/Accounting Officer

Executive Committee

CEO and 5 Directors meet formally monthly

Internal Governance Committees

Chaired by members of the Executive
Include:

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

Recommendations and actions from the ARMC are regularly escalated to the SAB, where the ARMC Chair is also a member. 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.

At the start of the financial year a restructuring of our internal accountabilities and responsibilities took place, with frontline programmes merging and the roles of Head of Science being developed. The creation of these science roles will increase our development in science capability in line with our science strategy.

The control framework

The 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. As Accounting Officer, I can only provide reasonable and not absolute assurance of effectiveness.

The system of internal control has been in place within the Food and Environment Research Agency for many years, including the year ended 31 March 2012, and, up to the date of approval of the Annual Report and Accounts, accords with HM Treasury guidance.

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

- Strategic Advisory Board - 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.
- Audit and Risk Management Committee - with three Non-Executive Directors the ARMC is instrumental in providing a challenge and escalating issues with our Auditors and the Department. The meetings have developed and lengthened over the last year to include greater interactions with wider groups of managers (for further information on the work of the ARMC see page 20). All the Committee members have attended all formal meetings.
- Comptroller and Auditor General – through the National Audit Office (NAO) are Fera's appointed external auditors. The NAO audit Fera's statutory accounts and also provide valuable independent challenge and assistance in many areas around governance, finance and effectiveness.
- RSM Tenon, Fera's Internal auditors - who provide an audit opinion to myself and the ARMC. The audit plan for this financial year was agreed by the ARMC and included the use of an Internal Control Questionnaire (ICQ). The ICQ provides valuable feedback from my management team across the Agency and helps inform future audit plans.
- The Executive Team – provide support in the formulation of strategy and ensuring efficient, effective controls are in place across the business.
- Heads of Programme (HoP) - who represent each area of the Agency, be it scientific or support functions. Each HoP is challenged regularly by my Executive to provide reviews of the 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 information security risks is on page 11).

- Quarterly Risk Reporting workshops to review the corporate strategic and operational risk registers, 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 (for further detail please refer to page 14).

Furthermore I request independent reviews of specific areas of concern to me as Accounting Officer. This year I requested an independent review of Health and Safety and Planned Preventative Maintenance in respect of the facilities management (FM) contract which has been causing concern across the Agency. The review, which was led by Defra, reported its findings to both the ARMC and the SAB and has supplied valuable information to enable the FM sub-contractors to fulfil their commitment to the Agency and the Department much more effectively.

Following the beneficial leadership and management development training that took place last financial year colleagues now feel they are more involved in the Agency and its decisions and have the appropriate skills to carry out their role more effectively. Recently these managers have been invited to observe committee meetings they would not normally be party to, extending their training and knowledge base. Funding will be made available to deliver this training across the next tier of staff over the coming year.

Changes in fraud legislation led the Department to develop a fraud awareness workshop for disseminating across its network. The course took place in November with a selection of staff from across the Agency. This has established the building blocks for further training across the Agency and will be taken forward during the next year.

Additionally HM Treasury have introduced a 'Managing Risk of Financial Loss' initiative. Fera, in consultation with the Department's Financial Control function, is in the early stages of initiating the self assessment requirements.

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:

- Strategic risk register
- Operational risk register
- Programme risk registers
- Project risk registers

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.

Defra has introduced a more detailed and informative monthly reporting pack which enables them to understand their network agencies more effectively. The pack includes financial forecasts, summarised risks and opportunities and, for the new financial year, will include information on common areas of spend. The annual Customer Satisfaction Survey has taken place which shows further improvements year on year. Additionally the report identifies areas for the Agency to take forward over the coming year.

Risk environment

Fera has made progress and looked to grow despite continuing pressures on Government funding, austerity measures and restrictions on recruitment and marketing. The centralisation of some activities and contracts also hinders our ability to tailor arrangements with suppliers to maximise the operational benefits for a science agency. These issues have been raised through the SAB and ARMC and we await the results of the review of the Agency's future to determine which, if any, of these could be returned to the control of local management. The outcome of the Science Agency Review is still not finalised and continues to cause significant additional work for myself and my management team.

Fera continues to seek income from commercial sources and sources outside of the parent Department to offset the decline in Government income. Increased controls have been initiated to ensure the risks are appropriately understood and managed and the services Fera provide are properly remunerated.

Risk effectiveness

I am content in the controls the Agency has over managing the majority of risks it can influence. Where deficiencies have been identified in previous years I feel these have been successfully progressed this year to reduce the risks facing the Agency.

During the year the ARMC voiced its concern over the accumulation of risks and the regular red status of a number of Fera's risks. This has been highlighted to the SAB on a number of occasions.

The Department's Accounting Officer is kept apprised of the risks carried by Fera and risks of central initiatives. Fera's ability to escalate specific risks, such as the FM contract have led to independent reviews taking place.

I am pleased to record there were no major reportable lapses of data security during the financial year. To ensure the Agency's procedures are robust an internal audit was commissioned during the year which recorded six medium or low rated recommendations, none of which were of sufficient gravity to change my view.

Additionally an Assurance Stocktake audit has taken place in the final quarter that has resulted in two medium rated recommendations.

Challenges and progress

My comments in the Statement of Internal Control in the Annual Report and Accounts for Fera in 2010/11 recorded the fact that there were three challenges facing Fera which were largely outside the Agency's control and could potentially give rise to significant control issues. These were:

1. Longer term sustainability of the business of the Agency under current strategic and operational arrangements.
2. The increasing exposure of the Agency to risks introduced by pan-Department/Government initiatives, particularly the FM contract.
3. Adequacy of capital investment to maintain and develop the Agency's capabilities required to respond to national contingency and generate the necessary income to balance the books.

I can positively report that capital investment in Fera has been significant this year and that a similar amount is being made available for the coming year. However, the other two areas still cause me concern.

The Departmental Facilities Management contract has continued to concern myself, my Executive, my management team and the ARMC and as mentioned previously I requested a number of independent audits to be carried out on the FM supplier. These audits have been reported to both the SAB and the ARMC. This review considered the capabilities of the contractor and, along with a much improved local response from the contractor, has led to improved planning through remedial plans from the contractor relating to Planned Preventative Maintenance and Health and Safety plans.

I am grateful to the Non-Executives on the ARMC and SAB for their sound advice and for the challenge they put upon me and my Executive. The mix of expertise we have gathered this year from the changes that have taken place on both boards mean I feel well advised and more able to mitigate challenges as they come my way.

Significant issues

As mentioned above, the areas I see as significant to Fera are:

- The Department's facilities management contractor completing its health and safety, and planned preventative maintenance remedial action plans as agreed 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 swift resolution to both issues in the new financial year.

Adrian Belton

Adrian Belton
Chief Executive
14 June 2012

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 2012 under the Government Resources and Accounts Act 2000. These 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive 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 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 the Financial Statements

In my opinion:

- the Financial Statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2012 and of the expenditure and net operating deficit 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, Sustainability Report 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 or returns; or
- I have not received all 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

28 June 2012

Fera Accounts

Statement of Comprehensive Net Expenditure for year ended 31 March 2012

	Note	Staff Costs	Other	2011/12 £000 Income	Total £000	Restated 2010/11 £000
Administration Costs:						
Staff costs	2	33,588			33,588	32,179
Other running costs	3		37,311		37,311	35,079
Operating income	4			(70,519)	(70,519)	(65,662)
Income from Grants				(244)	(244)	(2,131)
Programme Costs:						
Other running costs	3		151		151	259
Totals		**33,588**	**37,462**	**(70,763)**	**287**	**(276)**
Bank interest receivable	14			(2)	(2)	(2)
Net Operating Deficit/ (Surplus)					**285**	**(278)**

Adjusted for change in the Government's policy on accounting for capital grants, as referred to in Note 1.7. 2010/11 deficit was £1.6m, see Note 1.3.

Other Comprehensive Expenditure

	Note	2011/12 £000	Restated 2010/11 £000
Net loss/(gain) on revaluation of Property, Plant and Equipment	5	13,824	(11,497)
Net (gain)/loss on revaluation of Intangibles	6	(17)	752
		13,807	**(10,745)**
Total Comprehensive Deficit/(Surplus) for the year ended 31 March 2012		**14,092**	**(11,023)**

The notes on pages 39 to 67 form part of these accounts.

Statement of Financial Position

for year ended 31 March 2012

	Note	31 March 2012 £000		Restated 31 March 2011 £000		31 March 2010 £000	
Non-current assets:							
Property, plant and equipment	5	107,971		120,559		109,369	
Intangible assets	6	1,058		1,853		3,374	
Investments	1.15	-		-		-	
Trade and other receivables	8	69		43		12	
Total non-current assets			109,098		122,455		112,755
Current assets:							
Inventories	7	404		563		187	
Trade and other receivables	8	15,371		13,350		12,589	
Cash and cash equivalents	10	1,787		3,267		7,628	
Total current assets			17,562		17,180		20,404
Total assets			126,660		139,635		133,159
Current liabilities:							
Trade and other payables	11	14,819		12,574		8,968	
Provisions	13	67		126		302	
Total current liabilities			14,886		12,700		9,270
Non-current assets plus net current assets			111,774		126,935		123,889
Non-current liabilities:							
Provisions	13	104		162		252	
Other payables	11	493		636		1,018	
Total non-current liabilities			597		798		1,270
Assets less liabilities			111,177		126,137		122,619
Taxpayers' equity:							
General fund			82,368		81,355		86,457
Revaluation reserve			28,809		44,782		36,162
Total taxpayers' equity			111,177		126,137		122,619

Adjusted for change in the Government's policy on accounting for capital grants, as referred to in Note 1.7. 2010/11 deficit was £1.6m, see Note 1.3.

The notes on pages 39 to 67 form part of these accounts.

Adrian Belton

Adrian Belton
Chief Executive
14 June 2012

Statement of Cash Flows

for year ended 31 March 2012

	Note	2011/12 £000	Restated 2010/11 £000
Cash flows from operating activities			
Net operating (cost)/surplus		(285)	278
Adjustments for non-cash transactions			
Depreciation	5	5,304	5,211
Amortisation	6	1,083	1,084
Impairment	5, 6	99	405
Notional Charges	3	124	7,502
Loss / (gain) on disposal of fixed assets	3	19	39
Other		-	(2)
(Increase)/Decrease in trade and other receivables	8	(2,047)	(792)
Decrease/(Increase) in inventories	7	159	(376)
Increase/(Decrease) in trade payables	11	2,102	3,224
Movement of provisions	13	(109)	(271)
Net cash inflow from operating activities		6,449	16,302
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(6,670)	(5,305)
Purchase of intangible assets	6	(271)	(373)
Proceeds from disposal of property, plant and equipment		12	15
Net cash outflow from investing activities		(6,929)	(5,663)
Cash flows from financing activities			
Excess cash repayable to Defra		(6,000)	(15,000)
Cash received from Defra		5,000	-
Net cash outflow from investing activities		(1,000)	(15,000)
Net (Decrease) in cash and cash equivalents in the period		(1,480)	(4,361)
Cash and cash equivalents at the beginning of the period	10	3,267	7,628
Cash and cash equivalents at the end of the period		1,787	3,267

Adjusted for change in the Government's policy on accounting for capital grants, as referred to in Note 1.7. 2010/11 deficit was £1.6m, see Note 1.3.

The notes on pages 39 to 67 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for year ended 31 March 2012

	Note	General Fund £000	Revaluation Reserve £000	Government Grants Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Balance at 31 March 2010		86,457	36,162			122,619
Changes in taxpayers' equity for 2010/11						
Excess cash generated and repayable to Defra		(15,000)				(15,000)
Non-cash charges – auditor's remuneration	3	69				69
Non-cash charges – accommodation	3	7,128				7,128
Non-cash charges – Departmental Investigation Service	3	30				30
Additions - grant reserve	1.3			2,116	15	2,131
Release to grant asset	1.3			(10)	(1)	(11)
Transfers between reserves		2,125	(2,125)			-
Net operating cost for the year		(1,613)				(1,613)
Comprehensive expenditure for the year			10,745			10,745
Balance at 31 March 2011		**79,196**	**44,782**	**2,106**	**14**	**126,098**
Changes in Accounting policy:						
Removal of grant reserves	1.3			(2,116)	(15)	(2,131)
Removal of grant depreciation release	1.3			10	1	11
Adjustment to Net Operating Costs for year	1.3	2,159				2,159
Restated 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				80
Non-cash charges – Departmental Investigation Service	3	53				52
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**

Adjusted for change in the Government's policy on accounting for capital grants. Capital grants are now recognised as income when received. 2010/11 deficit was £1.6m, see Note 1.3.

Notes to the Fera Accounts

These financial statements have been prepared in accordance with the 2011/12 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 and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect 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.

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. The restatement has no effect on 2009/10 closing balances. A reconciliation of restated balances is provided below.

	Note	2010/11 Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
Statement of Comprehensive Net Expenditure					
Operating income	4	(65,393)	(67,793)	(116)	Transfer of (Government) Grant Income from Reserves to Income
Operating income	4			(2,015)	Transfer of (non-Gov.) Grant Income from Reserves to Income
Operating income	4			(269)	Income realisation for tenants
Other running costs	3	34,829	35,338	11	Transferred accumulated depreciation from Grant funded assets
Other running costs				269	Increased accommodation costs for tenants
Other running costs				230	Bad debt provision for tenant
Net operating cost/(surplus)		1,613	(278)	(1,891)	
Statement of Financial Position					
General Fund		79,196	81,355	2,131	Transfer of Grant Income from Reserves to Income
General Fund				(230)	Bad debt provision for tenant
General Fund				(11)	Removal of credit applied to Grant Asset depreciation
General Fund				269	Increased notional accommodation costs for tenants
Government grants reserve		2,106	-	(2,116)	Recognition of Grant Reserve as Income
Government grants reserve				10	Removal of Grant Asset Depreciation release
Donated asset reserve		14	-	(15)	Recognition of Donated Asset Reserve as Income
Donated asset reserve				1	Removal of Grant Asset Depreciation release
Trade receivables and other current assets	8	13,311	13,350	269	Income realisation for tenants
Trade receivables and other current assets	8			(230)	Bad debt provision for tenant

	Note	2010/11 Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
Statement of Cashflows					
Net operating (cost)/surplus		(1,613)	278	1,891	
Notional charges	3	7,234	7,502	(269)	Increase accommodation costs for tenants
Depreciation	3	5,200	5,211	11	Removal of Credit applied to Grant Asset depreciation
Grant Asset Funding	4	2,131	-	(2,131)	Transfer of Grant Income from Reserves to Income
Statement of Changes in Taxpayers' Equity					
Additions - Govt grant reserve		2,116	-	(2,116)	Removal of Grant Asset reserve transactions
Additions - Donated Asset reserve		15	-	(15)	Removal of Grant Asset reserve transactions
Release to grant asset - Govt	3	(10)	-	10	Removal of Grant Asset reserve transactions
Release to grant asset - Donated Asset	3	(1)	-	1	Removal of Grant Asset reserve transactions
Non cash charges - Accommodation	3	7,128	7,396	269	Increase accommodation for tenants
Net operating cost for year		1,613	(278)	(1,891)	

The FReM states that the option provided in IAS 20 to offset grants against the cost of the asset has been withdrawn. The funding of grants financed by Government (including donated assets) is recognised as income and taken through the Statement of Comprehensive Net Expenditure. Fera has restated the 2010/11 accounts to move grant funding from reserves into income.

Fera in consultation with Defra has changed the way tenants and their associated risks and income are managed. Tenants are contracted via the Secretary of State, but all the risks and rewards of being on the Sand Hutton site remain with Fera.

Rental income owed to Fera and Defra has remained unpaid. All the debt is now in Fera’s accounts and both Fera (and Defra) have made a prior year adjustment.

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. Following revisions in this guidance Fera now splits certain costs between administration and programme expenditure.

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. 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. 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, income recognition will be based upon the extent to which activities have been completed within the financial period. Where the monies received are in excess of completion this will be taken forward as Income in Advance, likewise where monies are identified as owing this will be raised as an accrual and held as a debtor until such time as these can be contractually recovered.

1.7 Grants

Grants, in line with FReM requirements and International Public Sector Accounting Standards (IPSAS) 23, are recognised as income in the period they are received, unless it can be demonstrated that the funding is made subject to a condition. In that instance, it is treated as deferred income, with amounts being released to the Statement of Comprehensive Net Expenditure to offset depreciation and impairment charges relating to the asset.

Fera is in receipt of Capital Grants provided for purchase or development of Fera assets. The sources and values of these grants received are identified in Note 4. For conditions relating to current grants received please see Note 20. Fera is not in receipt of grants other than for asset purchase and development.

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 fulfilment of the criteria noted in IAS 38 (Intangible Assets).

1.9 Property, plant and equipment

Property, 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 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.

Freehold land and buildings are stated at fair value and are professionally revalued at least every five years at existing use value, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The latest revaluation took place in 2010/11. As a specialist facility, a suitably independent and qualified valuer, DTZ, updates the valuation annually by adopting the Building Cost Information Service All–In Tender Price Index supplied by the Royal Institute of Chartered Surveyors.

1.10 Intangible non current assets

Intangible non-current assets comprise software licences, purchased software and internally developed IT software, including assets under construction.

Purchased software is capitalised at cost. Internally generated 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.

Assets are valued using Depreciated Replacement Cost. An annual exercise is completed to establish a fair value of those assets. Where no active market exists, the asset is revalued using indices, to the lower of Depreciated Replacement Cost and value in use (if applicable).

1.11 Revaluation reserve

The revaluation reserve relates to increases in the carrying amount arising on revaluation of Fera buildings 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 the depreciation and amortisation based on the assets original cost, is transferred to the general fund.

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
Vehicles	5 to 7 years
Furniture	10 years

Right of Use assets 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

Fera owns 24% of a spin out company Forsite Diagnostics Limited (FDL). In addition, Fera has a small percentage shareholding in the Parent, SGBio Ltd. Fera provides various ongoing site and R&D services to FDL, for which FDL is charged at full cost recovery rates.

Where Fera has an investment in another entity it is accounted for following the requirements of IAS 39 and held as a financial asset. At the date of the Statement of Financial Position the investment had a nil value.

1.16 Inventories and work in progress

Inventories are stated at historic cost. Where material, inventories are modified to fair value as 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.

1.18 Value added tax

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 HM 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 prevailing exchange rate 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 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 accounts 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 Early departure costs

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 (2011) 08 guidelines, currently 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. Prior year figures include the notional cost of accommodation and rentals under operating leases.

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 or 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. The contract is for a term of eight years from February 2010. The contract falls within the scope of IFRIC 12 and is disclosed within these 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 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.

1.27 Financial instruments

Financial assets

The Agency holds 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, 11 and 15.

1.28 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 2011/12.

1.29 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. It has been determined that none of the new IFRSs issued in 2011/12 are relevant to Fera.

1.30 Major FReM changes for 2011/12

Fera has reviewed the major FReM changes for 2011/12 and determined that the treatment of Grants under IAS 20 has been amended.

The FReM states that the option provided in IAS 20 to offset grants against the cost of the asset has been withdrawn. The funding of grants financed by Government (including donated assets) is recognised as income and taken through the Statement of Comprehensive Net Expenditure. Fera has restated the 2010/11 accounts to move grant funding from reserves into income.

In addition FReM requirements for 2011/12 bring into line budgetary controls and financial reporting requirements, thereby improving the comparability of financial data. This has required Fera to show the budget level splits for certain transactions between Administration and Programme in line with the HM Treasury definitions. Fera has therefore, re-presented 2010/11 accounts to show the budgetary splits.

1.31 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, see Note 1.21.

The short-term commitments relating to expected spending within one year are presented under current liabilities.

2 Staff Numbers and related costs

(i) Staff costs comprise:

			2011/12	**2010/11**
			£000	**£000**
	Permanently employed	**Others**	**Total**	**Total**
Wages and salaries	25,077	254	25,331	25,006
Social security costs	1,811	31	1,842	1,746
Other pension costs	4,556	-	4,556	4,494
Sub Total	31,444	285	31,729	31,246
Secondment staff costs		16	16	154
Agency staff costs		112	112	416
VED Departures	1,731		1,731	363
Total staff costs	33,175	413	33,588	32,179

Staff costs include an increase of £41k in the employee benefit accrual (2010/11 £15k increase). 2010/11 included £90k relating to early retirement and changes to pension calculations for employees retiring after 16 July 2008 under EPN 269.

For 2011/12 normal employers' contributions were payable to the Principal Civil Service Pension Scheme (PCSPS) at the following rates:

Salary level:	2011/12
£21,000 and under	16.7%
£21,001 to £43,500	18.8%
£43,501 to £74,500	21.8%
greater than £74,501	24.3%

For the coming year the following rates will be applicable:

Salary level:	2012/13
£21,500 and under	16.7%
£21,501 to £44,500	18.8%
£44,501 to £74,500	21.8%
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-pensions.gov.uk).

For 2011/12, employers' contributions of £4,427k were payable to the PCSPS (2010/11 £4,492k) 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 2012/13, 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 2011/12 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 £41k 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 £5k, 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 21.

(iv) Average number of persons employed

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

				2011/12 Number				**2010/11 Number**
	Permanent Staff	**Fixed Term Appointments**	**Others**	**Total**	**Permanent Staff**	**Fixed Term Appointments**	**Others**	**Total**
Directly Employed	785	60	12	857	797	38	20	855
Total	785	60	12	857	797	38	20	855

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

	2011/12		2010/11	
	Number of compulsory redundancies	**Number of other departures agreed**	**Number of compulsory redundancies**	**Number of other departures agreed**
Exit package costs band				
<£10,000	-	2	11	-
£10,000 - £25,000	-	18	4	-
£25,000 - £50,000	-	13	2	1
£50,000 - £100,000	-	13	2	-
£100,000 - £150,000	-	1	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages	-	47	19	1
Total resource cost (£000)	-	1,731	321	42

During 2011/12 a Voluntary Early Departure (VED) scheme was run across the Defra network, 47 members of staff took this opportunity at a cost of £1,731k, the majority of which was funded by Defra.

In 2010/11 twenty five staff transferred to Fera following the decision to transfer the Veterinary Medicine Directorate Statutory Surveillance Programme contract to Fera. Staff were consulted and the above figures relate to those who opted to take redundancy rather than transfer and relocate to York. Under TUPE all redundancy packages were calculated in line with their existing policy rather than Fera's and redundancy took effect from the date of transfer, 1 January 2011, this was funded by Defra.

Other departure costs in 2010/11 have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Agency has agreed early departures, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

3 Other running costs

	Note	2011/12 £000	Restated 2010/11 £000
Administration Costs			
Consumables and subcontractors		14,327	14,250
Travel and subsistence		1,852	1,929
Office services		1,733	1,661
Right of Use asset		1,734	1,320
Property, plant and equipment rentals under operating leases		115	102
Rentals under operating leases		276	14
Defra Shared Services		150	151
Legal costs		205	103
Accreditation audit costs		59	39
Internal auditors' remuneration and expenses		60	42
Finance charge on finance leases		84	77
Training		292	321
Business consultant fees		201	168
Other		994	258
Accommodation		8,533	306
Non-cash items			
Accommodation (notional charge)		-	7,393
Depreciation	5	5,304	5,211
Amortisation	6	1,083	1,084
Impairment	16	99	405
Loss on disposal of property, plant and equipment		19	39
External auditors' remuneration and expenses (notional charge)		79	69
Rentals under operating leases (notional charge)		-	5
Departmental Investigation Service (notional charge)		53	30
Exchange losses - DEL		59	102
Sub Total		**37,311**	**35,079**
Programme Costs			
Debt provision		132	229
Non-cash items			
Revaluation losses - AME		27	25
Early departure costs (notional charge)	13.1	(8)	5
Sub Total		**151**	**259**
Total		**37,462**	**35,338**

Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to 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.

In 2009/10 Fera was adopted into a Defra wide Estates Management contract. In the 2010/11 accounts these costs were treated as notional and charged to the General Fund, in 2011/12 these costs have been invoiced and cash payments made.

With regard to the Right of Use asset Defra, from whom Fera receive IT services and support, entered into a new agreement with IBM in February 2010. This new contract (which has been approved by HM Treasury) offered significant improvements to the previous service and significantly strengthened the IT infrastructure of the network. The consequence of the new contract was a significant uplift in cost from prior years, and this has been subsequently passed onto Fera via the recharge mechanism.

The reduction of rentals under operating leases (notional charge) in 2010/11 is due to offsetting sublet income through the Defra facilities management contract. Previously Fera showed income and full cost. In 2011/12 rentals under operating leases are no longer notional.

Other costs for 2010/11 have been restated to include insurance costs and show the additional movements on bad debt provision for the tenants, this is also adjusted to reallocate an element of the provision to Programme costs.

4. Income

	Note	2011/12 £000 Total	Restated 2010/11 £000 Total
Defra - Core		31,663	29,726
Defra - Specialist funding		7,765	7,120
Defra - Network		4,513	2,748
Defra - Non-departmental Public Bodies		749	641
Other Government Departments		5,338	5,951
Government Grants		244	116
Non Government Grants		-	2,015
European Commission		2,105	2,555
Commercial (UK and overseas) and other income		13,590	12,581
Statutory and Regulatory fees and charges	4.1	4,796	4,340
Total		**70,763**	**67,793**

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.

Regulatory export fees have been merged with statutory fees and charges, for further explanation see Note 4.1

4.1 Fees and Charges

	2011/12			2010/11		
	Income £000	Full Cost £000	Surplus (Deficit) £000	Income £000	Full Cost £000	Surplus (Deficit) £000
National listing of seed varieties	1,404	(1,816)	(412)	773	(1,995)	(1,222)
Seed certification and seed training	1,026	(1,365)	(339)	1,228	(1,191)	37
Plant health inspections	2,366	(5,425)	(3,059)	1,513	(2,247)	(734)
Total	**4,796**	**(8,606)**	**(3,810)**	**3,514**	**(5,433)**	**(1,919)**

	2011/12			Restated 2010/11		
	Income £000	Full Cost £000	Surplus (Deficit) £000	Income £000	Full Cost £000	Surplus (Deficit) £000
National listing of seed varieties	1,404	(1,816)	(412)	773	(1,797)	(1,024)
Seed certification and seed training	1,026	(1,365)	(339)	1,228	(1,450)	(222)
Plant health inspections	2,366	(5,425)	(3,059)	2,339	(4,804)	(2,465)
Total	**4,796**	**(8,606)**	**(3,810)**	**4,340**	**(8,051)**	**(3,711)**

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. In addition Fera began the year at risk of infraction proceedings being brought by the European Commission as the level of import inspections was significantly below that required to meet EU legislation, during the year an increase in inspectors and levels of inspections has significantly mitigated this risk.

A review of costs has been undertaken which has resulted in Parliamentary approval for a phased increase in charges for 5 of the 8 schemes beginning in April 2012, with approval for the remaining three expected during 2012/13 financial year.

Consequently, the costs of the services has been restated, and now includes all Statutory and Regulatory income received including that from Plant Health Exports (£826k in 2010/11).

The full economic cost (FEC) review identified a deficit of circa £6m per annum across all schemes when the increased level of inspections to mitigate the infraction risks are taken into account. The 2011/12 and 2010/11 actual deficit is lower than that required to meet our obligations. 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.

5 Property, plant and equipment

	Land £000	Buildings £000	Furniture £000	Vehicles £000	Information Technology £000	Scientific Equipment £000	Right of Use £000	Finance Lease £000	Total £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)
Impairment	-	-	-	-	-	-	(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 2010, 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. Additional capital works of £327k were carried out at the end of year and were not considered in the valuation. These have been added to the valuation figure. The next review is due mid 2015. In the intervening years a desk based review is carried out.

	Land £000	Buildings £000	Furniture £000	Vehicles £000	Information Technology £000	Scientific Equipment £000	Right of Use £000	Finance Lease £000	Total £000
Cost or valuation									
At 1 April 2010	7,720	98,235	399	397	403	5,872	1,378	36	114,440
Additions	-	3,542	31	-	304	1,404	-	24	5,305
Disposals	-	-	-	1	(2)	(105)	-	-	(106)
Reclassifications	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	(347)	-	(347)
Revaluations	-	13,088	-	-	-	-	-	-	13,088
At 31 March 2011	7,720	114,865	430	398	705	7,171	1,031	60	132,380
Depreciation									
At 1 April 2010	-	3,653	29	128	73	984	179	25	5,071
Charged in year	-	3,770	56	118	100	1,021	135	11	5,211
Disposals	-	-	-	(8)	(2)	(42)	-	-	(52)
Reclassifications	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Revaluations	-	1,591	-	-	-	-	-	-	1,591
At 31 March 2011	-	9,014	85	238	171	1,963	314	36	11,821
Net book value at 31 March 2011	**7,720**	**105,851**	**345**	**160**	**534**	**5,208**	**717**	**24**	**120,559**
Net book value at 31 March 2010	7,720	94,582	370	269	330	4,888	1,199	11	109,369

In 2010/11 areas of the Fera Sand Hutton site were redeveloped through Science City York with grant funding from the European Regional Development Fund (ERDF). This has allowed the development of a purpose built area for stimulating growth by co-locating innovative Small and Medium enterprises (SMEs) with an established centre of expertise, the intention of which is to enable SMEs to grow and provide further employment opportunities for the region. The redevelopment was revalued in May 2011 and is included in the site valuation.

The Right of Use asset relates to IT services provided under the Defra contract with IBM. (See Note 5.1).

5.1 Service concession assets

	2011/12 £000 Total	2010/11 £000 Total
Opening balance	717	1,199
Adjustment to the service concession arrangement	(99)	(347)
Depreciation	(144)	(135)
Closing balance	**474**	**717**

Defra have a contract with IBM for the provision of IT services and infrastructure assets. This contract was renewed on 1 February 2010. It aims to support the Department 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.

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.

6 Intangible assets

	Bought in software £000	Internally generated systems £000	Total £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

	Bought in software £000	Internally generated systems £000	Total £000
Cost or valuation			
At 1 April 2010	162	4,082	4,244
Additions	126	247	373
Disposals	-	-	-
Reclassification	-	-	-
Revaluation	-	(752)	(752)
Impairment	-	(58)	(58)
At 31 March 2011	288	3,519	3,807
Amortisation			
At 1 April 2010	46	824	870
Charged in year	42	1,042	1,084
Disposals	-	-	-
Reclassification	-	-	-
Revaluation	-	-	-
At 31 March 2011	88	1,866	1,954
Net book value at 31 March 2011	**200**	**1,653**	**1,853**
Net book value at 31 March 2010	116	3,258	3,374

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 £401k (10/11 £1,255k). Following discussions with the asset owner and IT specialists this has been 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 developments.

Fera applies indexation 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 £714k (10/11 £1,536k).

Fera does not apply indexation to the bought in software assets.

7 Inventories

	2011/12 £000	2010/11 £000	2009/10 £000
Inventories	291	349	19
Work in progress	113	214	168
Total	**404**	**563**	**187**

The work in progress exercise identifies adjustments required to project costs where work is partially completed but no invoice is due to be raised.

8 Trade receivable and other current assets

	2011/12 £000	Restated 2010/11 £000	2009/10 £000
Amounts falling due within one year:			
Trade receivables	3,150	3,753	4,452
Defra & Defra Agencies receivables	5,869	814	779
Other receivables	125	96	117
Defra & Defra Agencies accrued income	1,104	2,347	3,703
Prepayments and accrued income	5,123	6,340	3,538
Total	**15,371**	**13,350**	**12,589**
A**mounts falling due after more than one year:**			
Prepayments and accrued income	69	43	12
Total	**69**	**43**	**12**

The work in progress exercise identifies adjustments required to prepayments and accrued income on projects where work is partially completed but no invoice has yet been raised. The 2010/11 figures are adjusted to move £880k of deferred income from other receivables to accrued income. The bad debt provision for 2011/12 is £686k (2010/11 £568k).

9 Trade receivables - Intra Government balances

	2011/12 £000	Restated 2010/11 £000	2009/10 £000
Amounts falling due within one year:			
Balances with Central Government Bodies	8,236	5,158	6,190
Balances with Local Authorities	7	18	9
Balances with Other Public Bodies	84	51	156
Balances with Public Corporations and Trading	-	-	-
Balances with bodies external to Government	7,044	8,123	6,234
Total	**15,371**	**13,350**	**12,589**
Amounts falling due after more than one year:			
Balances with bodies external to Government	69	43	12
Total	**69**	**43**	**12**

10 Cash and cash equivalents

	2011/12 £000	2010/11 £000	2009/10 £000
Balance at 1 April 2011	3,267	7,628	8,068
Net change in cash and cash equivalent balances	(1,480)	(4,361)	(440)
Balance at 31 March 2012	**1,787**	**3,267**	**7,628**
The following balances at 31 March 2012 were			
Government Banking Service	1,183	1,561	7,045
Commercial banks and cash in hand	604	1,706	583
Balance at 31 March 2012	**1,787**	**3,267**	**7,628**

In addition to the above balances for 2011/12, Fera hold £1.6m of monies relating to Third Party Collaborators (2010/11 £3.6m). See Note 23.

Cash held in other currencies represents 13.14% 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 early 2011/12 Fera received £5m cash funding from Defra to meet cash requirements, and transferred £6m of excess cash back to Defra during 2011/12 (2010/11 £15m). During 2011/12 consideration arrangements for accommodation charging moved from notional to direct invoicing from Defra. This has had a significant impact on the bank balances.

11 Trade payables and other current liabilities

	2011/12 £000	2010/11 £000	2009/10 £000
Amounts falling due within one year:			
VAT	366	330	138
Other taxation and social security	654	617	591
Trade payables	863	47	47
Defra & Defra Agencies payables	104	120	182
Other payables	598	570	449
Defra & Defra Agencies deferred income	304	1,106	776
Other deferred income	2,732	2,865	2,601
Accruals	6,058	3,257	3,670
Defra & Defra Agencies accruals	3,140	3,662	514
Total	**14,819**	**12,574**	**8,968**
Amounts falling due after more than one year:			
Defra payables	490	624	1,018
Other payables	3	12	-
Total	**493**	**636**	**1,018**

Included within Defra payables is the future liability to pay for the Right of Use asset to IBM. The current liability is £104k (2010/11 £120k), the non-current liability is £490k (2010/11 £624k).

Cabinet Office regulations require all Government Departments to make payments to suppliers within a 5 day target, thus reducing the number of suppliers with whom Fera have credit. This requirement will continue into 2012/13.

12 Trade payables – Intra Government balances

	2011/12 £000	2010/11 £000	2009/10 £000
Amounts falling due within one year:			
Balances with Central Government Bodies	4,734	4,955	1,727
Balances with Local Authorities	-	-	-
Balances with Other Public Bodies	-	-	-
Balances with Public Corporations and Trading	-	-	-
Balances with bodies external to Government	10,085	7,619	7,241
Total	**14,819**	**12,574**	**8,968**
Amounts falling due after more than one year:			
Defra payables	490	624	1,018
Other payables	3	12	-
Total	**493**	**636**	**1,018**

13 Provisions for liabilities and charges

13.1 Early departure costs

	2011/12 £000	2010/11 £000	2009/10 £000
Balance at 1 April 2011	288	554	961
Provided in the year	-	(16)	127
Change in the discount rate	(28)	-	-
Provisions utilised in the year	(109)	(271)	(564)
Unwinding of discount	20	21	30
Balance at 31 March 2012	**171**	**288**	**554**
Not later than 1 year	67	126	302
Later than 1 year but not later than 5 years	88	138	210
Later than 5 years	16	24	42
Balance at 31 March 2012	**171**	**288**	**554**

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 2011/12 VED whereby any payment for future years has been met under the terms of the scheme.

14 Returns on investments and servicing of finance

	2011/12 £000	2010/11 £000
Interest received	2	2
Total	**2**	**2**

15 Financial instruments

Fera is required to disclose 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

Assets as per Statement of Financial Position	2011/12 £000	2010/11 £000
Trade and other receivables, excluding prepayments	10,248	7,010
Cash and cash equivalents	1,787	3,267
	12,035	**10,277**

Liabilities as per Statement of Financial Position	2011/12 £000	2010/11 £000
Trade and other payables, excluding statutory liabilities	10,616	9,943
Finance lease	12	20
Capital accruals	3,171	1,664
Provisions	171	288
	13,970	**11,915**

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 Great British Pounds Sterling.

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.

Balances held at 31 March in denominated currency	Euros €000	US Dollar $000
As at March 2012	211	73
As at March 2011	145	103

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.

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. Excluding the bad debt provision for the tenants, Fera's bad debt provision relates to 29 customers owing £20k, (2010/11 £42k).

Trade debtors aged balances	**0-30 days £000**	**31-60 days £000**	**61-90 days £000**	**>90 days £000**
As at March 2012	8,352	376	323	743
As at March 2011	3,962	470	169	502

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

In 2011/12 Fera had an impairment of £99k relating to the Right of Use asset. In 2010/11 Fera impaired £347k of the Right of Use asset and £58k relating to Internally Generated systems.

17 Capital commitments

In 2011/12, Fera has no capital commitments under the Estates contract. Capital commitments for 2010/11 were £73k for a building related asset.

18 Commitments under leases

18.1 Operating leases

Obligations under operating leases comprise:	2011/12 £000	2010/11 £000
Buildings:		
Not later than 1 year	201	247
Later than 1 year but not later than 5 years	362	350
Later than 5 years but not later than 10 years	53	197
Later than 10 years but not later than 15 years	5	12
Expiry thereafter	-	6
	621	**812**
Land:		
Not later than 1 year	-	-
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	4
	8	**7**
Other:		
Not later than 1 year	-	281
Later than 1 year but not later than 5 years	-	459
Later than 5 years but not later than 10 years	-	-
Later than 10 years but not later than 15 years	-	-
Expiry thereafter	-	-
	-	**740**

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

In 2010/11 Fera had an equipment lease for £740k, this equipment has now been purchased and therefore capitalised.

18.2 Finance leases

Obligations under finance lease arrangements comprise:	2011/12 £000	2010/11 £000
Not later than 1 year	8	8
Later than 1 year but not later than 5 years	4	12
Later than 5 years	-	-
	12	**20**

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

18.3 Service concessions

Obligations under service concession arrangements comprise:	2011/12 £000	2010/11 £000
Not later than 1 year	104	120
Later than 1 year but not later than 5 years	398	441
Later than 5 years	91	183
	593	**744**

Service concession arrangements relate to the Defra IBM contract which results in Fera holding a Right of Use asset. For further details see Notes 1.25 and 5.1.

19 Other financial commitments

			2011/12			2010/11
	Defra Managed Contracts £000	Fera Managed Contracts £000	Total £000	Defra Managed Contracts £000	Fera Managed Contracts £000	Total £000
Not later than 1 year	5,105	91	5,196	4,649	241	4,890
Later than 1 year but not later than 5 years	19,608	2,337	21,945	17,440	287	17,727
Later than 5 years	24,338	-	24,338	25,372	2,300	27,672
	49,051	**2,428**	**51,479**	**47,461**	**2,828**	**50,289**

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 during 2011/12 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 2012 is £177k (2010/11 £300k). 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 key payments to which the Agency is committed are analysed by the period during which the commitment expires.

20 Contingent liabilities disclosed under IAS 37

Fera is responsible for indemnity against all actions, costs and expenses made against the National Institute of Agricultural Botany (NIAB) arising from their contract with Defra. The Agency cannot quantify the value of any such possible future actions but, to minimise liability, the contract requires NIAB to take out £5m professional indemnity insurance.

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 March 2014, some monies may be repayable to ERDF.

21 Losses and special payments

During the year, 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 2010/11 Fera wrote off losses of £15k relating to bad debt write offs. There were no special payments during 2010/11.

22 Related-party transactions

During the year Fera had dealings with Defra and its sponsored bodies, notably the Animal Health and Veterinary Laboratory Agency, 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.

R Angus Hearmon holds the position of Director of External Affairs and represents Fera's interests on the Board of Forsite Diagnostics Ltd (FDL) as a Non-Executive role. He received no financial recompense for this position during 2011/12.

During the 2011/12 financial year transactions between Fera and FDL totalled income of £200k (2010/11 £75k) and expenditure of £114k (2010/11 £106k). 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 year end totalled £669k and have been provided for in full. There were no outstanding payables and all transactions were conducted at arm's length.

During the year Fera entered into a number of transactions with Natural England (a non-Departmental Public body sponsored by Defra) where Adrian Belton, Chief Executive, has a related party interest. The transactions for the year ending 31 March 2012 totalled £248k (2010/11 £103k). The specific related parties are not involved in contractual negotiations between the organisations.

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

Before his departure Tony Harrington, Director of Policy and Regulation, acted as the independent environmental advisor (similar to a Non-Executive Director) for Welsh Water on their Quality and Environment Committee Board. Tony was paid for this role. Tony was also a Director of the Groundwork Trust (registered charity) but received no financial recompense for this role.

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 currently 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 him 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 new Director of Policy and Regulation joined Fera on secondment from the Environment Agency during March 2012. Hilary will not be involved in any contractual negotiations with the Environment Agency during her time at Fera.

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 Mar 2011 £000	**Gross inflows £000**	**Gross outflows £000**	**31 March 2012 £000**
3rd Party bank balances - Euros	2,504	3,500	(4,487)	1,517
3rd Party bank balances - GBP	1,139	410	(1,485)	64
Total	**3,643**	**3,910**	**(5,972)**	**1,581**

24 Events after the reporting period

The sale of the majority shareholding in Forsite Diagnostics Ltd was completed on 25 June 2012. As a result of this sale and, following a recapitalisation of the company, Fera will become a slightly smaller shareholder in Forsite, whilst maintaining its Board position. The financial effect on Fera's investment (see Note 1.15) is negligible. Forsite will remain based on the Sand Hutton campus.

The Accounts were authorised for issue on the 28 June 2012.