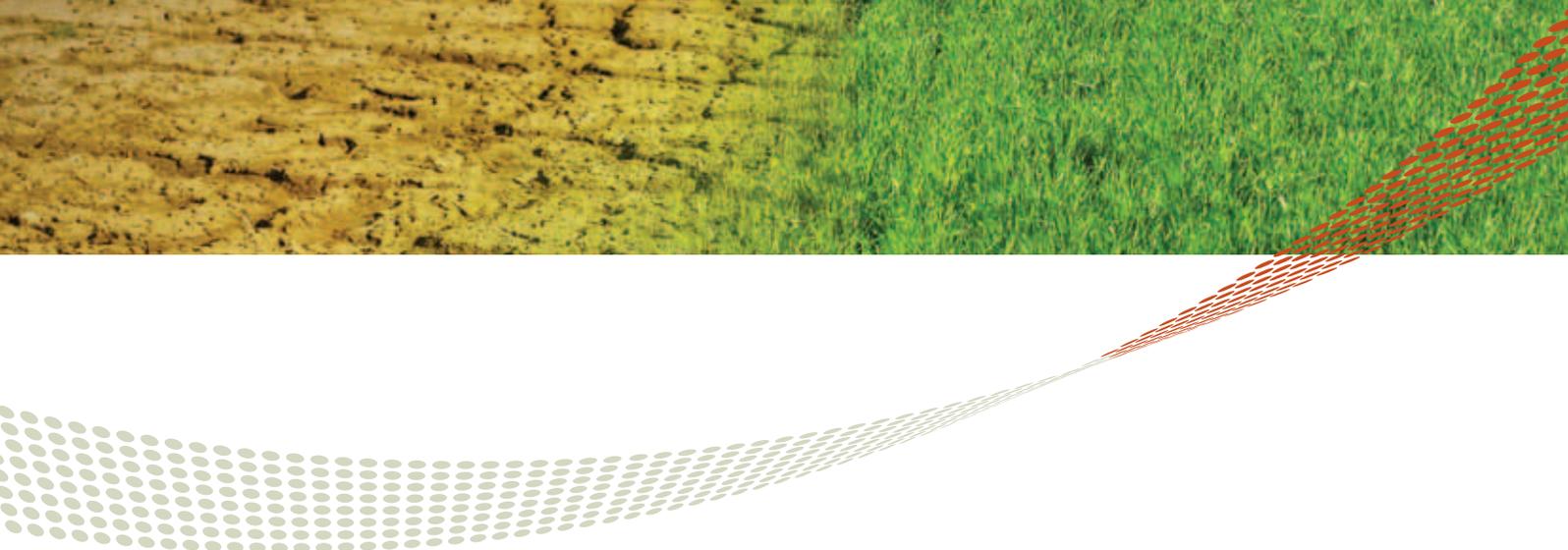




The Food and Environment
Research Agency



Annual Report and Accounts 2009/10

The Food and Environment Research Agency
Annual Report and Accounts 2009/10

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Foreword by Adrian Belton

Chief Executive



I am delighted to present to Parliament the first Annual Report and Accounts of The Food and Environment Research Agency (Fera).

The formation of Fera

To quote from our launch on 1st April 2009:

'Science matters. All the more so in the context of global challenges to food and water security and the resilience of the environment to the pressures placed on it by climate change and other demands. That is why we are bringing together in the aptly named 'Food and Environment Research Agency' some of the UK's best scientific facilities and leading scientific, policy, advisory and emergency response capabilities.'

Secretary of State for Environment, Food and Rural Affairs

The Secretary of State's quote alludes to a situation described as the 'perfect storm' by Professor John Beddington, the Government's Chief Scientific Adviser. Professor Beddington's description came just 12 days before Fera's launch into the teeth of a storm of unprecedented financial and economic conditions. That we have delivered on our plans for the first year is a tribute to the hard work of the 900 staff of the Agency, the collaborative working with our many partners and customers in the UK and internationally, and the support of our sponsoring Department, the Department for Environment, Food and Rural Affairs (Defra).

In the pages that follow we chart a strong first year's performance against a backdrop of the inevitable organisational change and settling in that follows a four-way merger, coupled with a period of additional challenges from demands on the Agency to respond to numerous Government reviews, to prepare for even tougher times ahead.

Setting direction

To nurture the essential capabilities of the Agency, and realise its potential, the strategy was, and remains, to:

- Strengthen and deepen the share of the research and surveillance conducted on behalf of our sponsoring Department, thereby improving overall value for money for Defra and the tax payer. Also ensure that Other Government Departments (OGD) recognise and use the capabilities of the Agency to tackle cross-Government challenges

- To strive for continuous improvement in all we do, ensuring we remain focused on the needs of our customers and that there is no wastage in the way we operate
- Exploit the capabilities of the Agency, when not needed for Government, in wider markets, so as to generate income thereby reducing the burden on the public purse
- Promote greater use of the Agency's main science campus near York by other organisations, thereby fostering a culture of innovation and growth

Good progress has been made on all four fronts during the past year, positioning the Agency to face up to the anticipated squeeze on public sector spending in the years ahead.

Building capability and delivering for our customers

Financial management has been strengthened during the year. This is allowing the Agency, and Defra, to forecast and monitor more accurately, and to understand better the drivers of value for money. On a net running cost basis, the Agency was able to balance its budget for the year to within 1% of income.

By organising the Agency into Programmes, the new leadership team is now better able to understand where potential exists to link up the various science disciplines and formulate innovative solutions to better meet customer needs. This has created a more responsive Agency, better able to provide policy advice and timely delivery, adjust to changes as the Government's delivery landscape evolves and seek out opportunities for collaborative working.

Our response to central Government efficiency and value for money reviews has brought recognition of our determination to establish better ways of working. In HM Treasury's March 2010 Reforming Arms Length Bodies (ALB) Report, the working relationship we have developed with Defra was cited as an example of best practice and commended to other ALB's.

We have also seen this success reflected in our customer satisfaction survey. The overall level of satisfaction for 2009/10 was strong at 4.4 out of 5.0, which is an achievement given the challenges of assimilating a four-way merger. Additional insight comes from the verbatim comments the qualitative study provided: "... unaffected by the change to Fera ...", "... excel in impartial, considered advice on politically sensitive issues ...", "... technical expertise is world class ...", "... it feels like Fera provides an extension of our own company with responses within 24 hours ...".

Following our Chief Scientist, Professor Nicola Spence's appointment as Chief Executive of Science City York in January, we have been successful in recruiting Professor Rob Edwards who will join us in the summer from Durham University. Rob brings with him a distinguished plant science background and a strong research interest in chemical biology - the application of basic chemical principles and tools to understand and regulate biological systems.

As Chief Scientist, Rob will play a key role in helping the Agency develop the right strategic partnerships to meet the Government's open innovation agenda. This activity will underpin the role the Agency plays as an applied research organisation, adding value in the pipeline through which scientific concepts are innovated into public and private sector solutions.

The achievements we have delivered in our first year would not have been possible without the commitment and flexibility of our staff and I thank them for their input and support during a year of change and adaptation.

Developing long term contribution

The coming year will see us build on the work we started in 2009/10 to take stock of the full potential of the new Agency and areas for long term development. For example, the heightened interest in food security presents significant opportunities.

Fera's strong heritage in food security combined with our expertise in technology transfer, international presence and network of contacts in the food supply chain mean that we can add value to our science outputs and have a more significant impact on what is a global issue.

We are committed to ensuring our staff have the skills, environment, equipment and capacity to innovate. An example is our investment during the year in a new pyrosequencer, which can reduce six month's work on DNA mapping down to just one afternoon. One of our first projects with it will be to support our research into microbial populations for anaerobic digestion, which is set to give nature a helping hand to make this sustainable technology more efficient and cost effective.

In spring 2010 we started a continuous improvement programme, adopting the principles of LEAN management. By streamlining those parts of our processes which don't add value for our customers, we aim to make the business more agile and free up resources for reinvestment, to deliver further value for money for the tax payer.

Sustainability underpins our long-term plans across our policy remit, the services we provide and how we operate our own facilities. So, it is particularly pleasing to report that Fera's first Sustainable Development Action Plan received a green traffic light from the Sustainable Development Commission, the only Executive Agency to achieve this in 2009/10.

Looking to the future

As we look to our second and future years we stand ready to identify and respond to any changes in priorities for support from our public sector customers as budgets tighten. We remain mindful of our responsibility to discharge our mandatory statutory duties in the critical areas of food and the environment, and to be able to respond with speed when called upon as part of the UK incident recovery network. Maintaining and developing the necessary capability will require us to work even more closely with our sponsor and partners.



Adrian Belton
Chief Executive

9 July 2010

Fera's strategy

Contributing towards:



Our responsibilities:

- Regulation, policy and risk
- Research and assurance
- Response and recovery

Purpose:

To support and develop a sustainable food chain, a healthy natural environment and to protect the global community from biological and chemical risks.

Mission:

To provide robust evidence, rigorous analysis and professional advice to Government, international organisations and the private sector.

Fera's quality standards

All the quality standards applied by Fera are assessed by third parties including the UK National Accreditation Body (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.



LRQ 4002332

ISO 9001:2008 Certification including TickIT for software development

The provision of scientific services to government and non-government customers worldwide. Software development for the Coldfusion and LIMS products in accordance with TickIT.



TESTING LABORATORY No. 1642

ISO 17025:2005 Accreditation

Food and plant health testing covering:
 Veterinary drug residues
 Pesticide residues
 Environmental contaminants
 Mycotoxins
 Food additives
 Authenticity
 Packaging
 Food microbiology
 Plant pathogen detection

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
 Biologicals and semiochemicals
 Assessed by the Chemical Regulation Directorate (CRD)



PROFICIENCY TESTING PROVIDER No. 0009

ISO Guide 43 Accreditation

Provision of proficiency testing covering:
 Food chemistry (FAPAS)
 Food microbiology (FEPAS)
 GM detection (GeMMA)
 Water and Environmental (LEAP)

Good Laboratory Practice Compliance in accordance with Directive 2004/9/EC

Covering:
 Analytical chemistry
 Ecosystems
 Environmental fate
 Environmental toxicity



International Seed Testing Association Accreditation

Seed germination and health testing



ISO 14001:2004 Certification Environmental Management System

Activities at Fera at York and Woodchester Park associated with analytical, diagnostic and consultancy services for the land-based and food industries



Investors In People Accreditation

The organisations that came together to form Fera all had individual Investors In People accreditation. Fera considers accreditation to be a vital element that underpins its ability to deliver the highest quality standards.

Annual Report and Accounts 2009/10

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Management Commentary

1

Fera has brought together a broad range of scientific disciplines and for the first time, fully integrates them with policy, regulation and inspection responsibilities. This is clearly defined in our framework document which sets out our operating model in three distinct but interrelated areas of responsibility; Regulation Research and Response, each being a key contributor in our work towards biosecurity, food security and national security.

As customer demands evolve due to regulatory, consumer and globalisation pressures - driven by environmental sustainability, food safety and security, and climate change agendas - we will continue to use our understanding of regulation, research and response capacity to develop the value added propositions our customers need.



The three Rs

Towards better Regulation

An inclusive approach to policy

Fera brings together science, inspectorate and policy functions for plant health, bee health and plant varieties and seeds, working closely with delivery partners, stakeholders and customers to develop policy and implement it. Many of the rules are set at European Union (EU) level and current reviews of the EU plant health and seeds regimes provide opportunities to rewrite and simplify old legislation, update risk targeting, speed up decision making and improve co-ordination across Europe.

By opening up discussion with stakeholders at the start of the plant health review we have ensured that points being fed in from across the UK are based on shared analysis of policy issues, as well as on sound science. Stakeholders have been engaged on details of implementation as well as strategy. For example, seed companies have helped us plan how to bring in new rules for amateur vegetable varieties in a way which minimises burdens while still protecting consumers.

The Healthy Bees Plan and the Phytophthora project were launched this year, to address different environmental risks. In both cases Fera has a facilitating and enabling role; assessing risks, developing management options, raising awareness and monitoring compliance with legislation. But both projects are, in essence, about managing pest and disease risks in partnership, with one of the policy objectives being to find the right sharing of costs, responsibility and decision making.



Phytophthora

Important UK environments and the plant trade are under threat from two non-native fungus-like pathogens, *Phytophthora ramorum* and *Phytophthora kernoviae*. Building on work undertaken since 2003, from April 2009 Fera has been leading a £20m Defra programme to reduce the rate of spread of these diseases.

Affected habitats/industries include, amongst others, woodlands, parks/gardens, heathland and the plant trade. Collaboration with key stakeholders such as the Forestry Commission, Natural England, historic/public gardens and the horticultural industry, together with other Government Departments, has been critical for management of the diseases, improved public awareness, development of biosecurity procedures and supporting research. First year targets have been exceeded, for example clearance of infected *Rhododendron ponticum* alone exceeded planned schedules by 75%.

Inspection services driven by need

Fera carries statutory inspection responsibilities aligned with its policy responsibilities for plant, seed and bee health. It is also home to the GM Inspectorate, responsible for auditing the occurrence of genetically modified organisms (GMOs).

In 2009, the Better Regulation Executive undertook a Hampton Implementation Review covering Fera's inspection services for plant varieties and seeds, and GMOs. Importantly the review noted that, in line with Hampton recommendations, Fera is largely risk based in its approach and is working with businesses to develop practical approaches to the implementation of European regulations. It also highlighted that Fera inspectors are valued for their expertise and were focused on trying to work with industry to remedy problems rather than simply resorting to sanctions.

In the area of bee health, success in managing disease outbreaks relies on being able to identify and carry out early inspection of at risk colonies, which requires knowledge of where hives are located. For Fera's National Bee Unit (NBU) Inspectors that knowledge is vested in BeeBase, which is used to provide information to beekeepers on topics such as disease risk.

In November 2009 BeeBase, which was developed by Fera's Knowledge Management team, won the Civil Service Award for Technology and Innovation. Equally importantly, after working closely with the NBU over a number of years, the Scottish Government is to adopt BeeBase to support inspectors and beekeepers north of the border.



Better regulation in varieties and seeds

Progress is being made on a number of fronts to reduce regulatory burdens in varieties and seeds. Ideas for Macrory sanctions, to give a more flexible enforcement toolkit, were explored in workshops with seed companies, resulting in unanimous agreement to introduce them. Fera is now taking this forward with the Better Regulation Executive and stakeholders to build the framework and agree detailed sanctions. Work to consolidate five regulations into one is nearing completion, reducing the number of pages by several hundred, aiming to make them much more usable for seed companies and regulators alike.

For the longer term, Fera has continued to engage with the European Commission, the Devolved Administrations and stakeholders, to take forward the UK's initiative to simplify seeds legislation and update it for current needs.

Supporting policy with evidence

Fera provides evidence in areas where we have a policy remit, as well as for other Defra policy areas. Our aim is to ensure fit-for-purpose scientific data are generated in support of Defra's policy cycle and that policy initiatives are appropriately evidence-based.

Within our first year, Fera provided advice on the uncertainty associated with the risk and costs of animal disease outbreaks; this appeared as part of the impact assessment in a draft Bill published by Defra. Our survey work on the use of pesticides was used by the Chemicals Regulation Directorate in their regulatory decision making and the GM Inspectorate supported Defra in upholding GMO deliberate release legislation.

We also developed a number of new tools and approaches that will help enhance science-informed policy in the future and influence regulation. Fera has completed a project which has modelled land use change in response to a range of drivers including climate change. This model has potential to enhance the evidence-base for policy formulation in areas like climate change adaptation.



Managing risk and uncertainty

BSE and the foot and mouth disease outbreak of 2001 illustrate the huge impact of severe outbreaks of animal disease. The expected frequency and severity of future outbreaks have to be considered when planning the management of animal disease, but are highly uncertain.

Fera's Risk and Numerical Sciences team worked closely with Defra vets and economists to estimate the future costs of exotic animal diseases and to quantify their uncertainty, as part of Defra's impact assessment for the 2010 Draft Bill on Animal Health. The specialised skills Fera brought to this work are applicable to any area of risk or policy and were also used in the impact assessment for the Campaign for the Farmed Environment, established by Defra in 2009 to recapture the environmental benefits of set-aside.

A strong Research base

Policy literate science

Fera provides the evidence base to underpin many areas of Government policy; the Agency also brings together scientists and policy teams within one organisation. A good example of our evidence based policy making in plant health is the biosecurity and eradication measures against a new tomato pest, the moth *Tuta absoluta*, based on scientific advice from our consultancy team.

Our risk team have also worked closely with policy customers in Defra to understand the uncertainty inherent in different policies. These have used expert elicitation to assess the new Campaign for the Farmed Environment and the draft Bill on Animal Health. Fera's plant health policy and risk assessment expertise and our role providing the secretariat function for the Non Native Species Secretariat all contributed to evaluation of a risk assessment and public consultation on the release of *Aphalara itadori* - a potential biocontrol agent for Japanese Knotweed. Invasive plants also featured in other aspects of the Non Native Species Secretariat's work when they coordinated a new publicity campaign 'Be Plantwise' promoting responsible management of ornamental aquatic weeds.

Applied science

The year saw successes across our science base. Some of the Agency's core skills are in the areas of identification and diagnostics. The purchase of a new pyrosequencer, a machine which can sequence a billion bases of DNA in a single night, provides enormous advances in the methods we can use to characterise individual genes, organisms and entire biological communities. Partnerships are key to our work and how we access expertise from across the scientific community. New agreements with universities such as York and Exeter are showing practical results in shared projects around support for new businesses, biorenewables and food security.

In 2009/10, Fera's scientists published 137 papers in peer-reviewed journals listed in the Science Citation Index (SCI), 25% of which had an upper quartile of journal impact factor in their disciplines.



Japanese Knotweed

Plant health work is usually about keeping new pests at bay. So it was an interesting change to be considering deliberate release of an insect from Japan to weaken Japanese Knotweed. Fera had to disentangle three different regulatory regimes, seek advice from the relevant advisory committee (ACRE), work with the research contractor (CABI) on assessment of risks based on their host range testing, and explain the laws and the science to stakeholders so they could make an informed response to our consultation. Because of the level of interest, a public meeting was held with respondents. On the basis of scientific advice and the consultation responses, Ministers decided to allow the release - the first time such a biological control has been approved in Europe.

Intellectual property

During the year, Fera scientists won over £150k of investment from the InterAct Proof of Concept Fund to develop innovative new products and services to meet our customers' needs. Many of the projects came about through consultation or in partnership with customers. One such example is our partnership with Infosure Ltd to develop an online decision support system, which will facilitate more responsible use of pesticides by growers.

On the international stage, we are collaborating with the Kenyan government and commercial rose growers to develop an accreditation scheme designed to control the spread of crown gall disease in budwood material. In another project, we are working with a commercial partner in China to develop and market molecular diagnostic tests for plant diseases.

In food testing we are working to cost reduce a technique developed in collaboration with the University of York to determine the species origin of gelatines, a method that featured in the BBC programme 'What's Really in our Food?'



Tools to investigate fate and behaviour

Detecting nanoparticles has been a major limiting factor in studying their potential effects. They are tiny manufactured particles of 100 nanometres or less, with novel properties, but their environmental fate and potential health impacts are still widely unknown. Fera scientists have developed a unique technique to characterise nanoparticles in complex matrices such as environmental waters using hydrodynamic chromatography coupled to ICP-MS. To demonstrate its applicability the technique has been used to investigate the fate of nanosilver during waste water treatment.

In collaboration with the University of Manchester, Fera has secured additional funding from Defra and the Natural Environment Research Council for a studentship to further develop the method. This could potentially lead to commercial applications.

Response: being prepared

Fera's Emergency Response and Recovery capability has two main strands; Government Decontamination Service (GDS) and Contingency Response Team (CRT).

GDS facilitates the swift recovery of the UK environment from an incident involving chemical, biological, radiological or nuclear (CBRN) materials whether accidental or through terrorist attack. With its capability and equipment, CRT provides specialist analysis of chemical and biological materials, usually at short notice in response to requests from the responsible authorities.

During the year, GDS continued to work closely with key Government stakeholders and Framework Suppliers to mitigate the consequences of incidents. In this area preparedness is key. The team completed four CBRN capability assessment exercises. This activity identified potential enhancements in UK CBRN capability, which have led to the commissioning of additional projects within Fera and across wider Government, and have informed the further development of our Specialist Framework Suppliers.

We were called upon to assist in dealing with eight non-deployment and two deployment incidents. One came in September 2009 following the disposal of a sulphur mustard shell by Army Explosive Ordnance Disposal personnel. In this case we were operating as part of the multi-agency recovery group supporting the Local Authority through the clean-up process.

The CRT dealt with various quality control samples on a 'no notice' basis and handled four requests for urgent analyses from the police.

Fera's performance

The detailed Financial Commentary to the 2009/10 accounts is in Section 2. As has been mentioned above, this is the first year of the merger and much of our activity has been in embedding processes from four joining organisations into one Fera way of working. This has been achieved without any degradation in performance and sets an excellent base from which the Agency can develop.



Maintaining a state of readiness

Throughout 2009/10, Fera's Government Decontamination Service (GDS) Team undertook a number of activities designed to assess and assure Government and other customers of our ability, and that of our Specialist Framework Suppliers, to help the UK recovery from a terrorist attack using chemical, biological, radiological or nuclear (CBRN) materials.

Exercise Diamond Crown is a good example of that work. The joint exercise was designed in partnership with the three main emergency services through the Emergency Services Steering Committee, to better inform their emergency preparedness and ours. The event was a real success in terms of both stakeholder engagement and in helping us all to understand the reality of keeping the emergency services operational in the event of accidental or deliberate contamination with CBRN materials.

Summary of key Ministerial targets and achievements 2009/10

Defra internal audit have reviewed our Ministerial targets set at the beginning of the financial year and have assessed them all as having been met:

1. To develop plant variety and seeds, and bee health policies in order to help achieve the Government's strategic priorities. To target activities which reduce risks to commercial crop production and reduce regulatory burdens in accordance with Hampton principles.
2. To deliver outputs from applied research and monitoring/surveillance to deadline, which meet agreed quality standards and answer questions, and present them in a way that is useful to policy makers and other delivery bodies. To convert research outputs into innovative products and services.
3. To raise audit and risk management, security, and quality standards and expectations. To deliver key outcomes against the 2006 Science Audit implementation.
4. To influence and deliver emergency response and recovery strategies and practical capability across the public sector including ongoing assessment of supplier capability and capacity.
5. To consolidate the implementation of Fera, ensuring that stakeholders are fully informed of progress, and influence over and satisfaction levels raised.
6. To recover the full economic costs of the Agency's services from Government Departments, Agencies and external customers ensuring delivery of efficiency targets.
7. To ensure that resources, including site accommodation and collaborative working, are maximised to best potential and meet benefit realisation and sustainability targets.



Healthy Bees

Home to the National Bee Unit (NBU), with its international reputation for excellence, Fera works closely with the beekeeping community bringing together the skills of policy, science and surveillance.

Fera is implementing The Healthy Bees Plan, published in March 2009, on behalf of Defra and the Welsh Assembly Government. The Plan addresses the complex and interrelated challenges facing beekeeping with the aim of sustaining the health of honey bees over the next decade.

Some specific contributions achieved within our Ministerial targets are:

Merger efficiencies

The plan for the creation of Fera estimated that the efficiencies from pulling together the constituent organisations would be around £670k in year one. This has been delivered as expected during the year and was built up from:

- £340k from a rationalisation of the estate to move some of the activities of the merging partners onto the Sand Hutton site; this was achieved during the first quarter
- £230k was forecast to be saved from the amalgamation of GDS (previously a stand-alone Executive Agency) into Fera, reducing the requirement for its stand-alone structure; this was achieved on day one of the new Agency

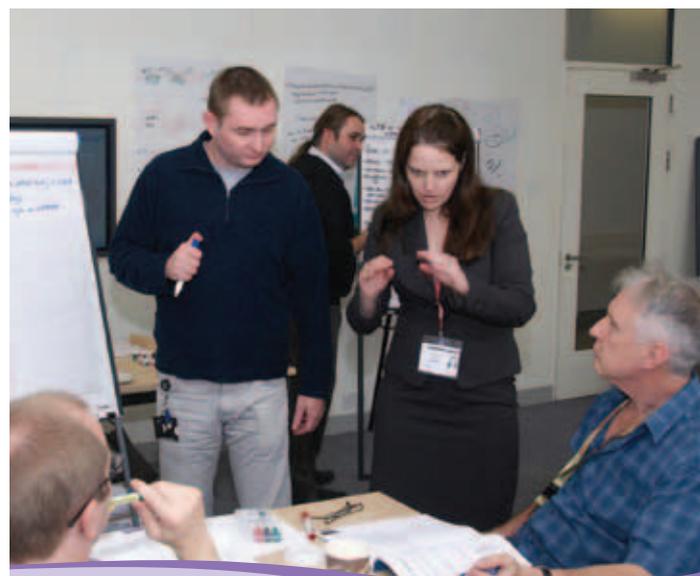
Around £100k was identified to be delivered from new income opportunities. We are confident that the mix of policy, regulation and science now vested in Fera has delivered this and that it represents a significant platform for growth in future years.

Customer satisfaction

The Ministerial target for the newly formed Agency had two elements to it, an improving customer satisfaction score and development of a more appropriate range of customer satisfaction measures to use across an integrated Fera from April 2010 onwards.

Pre-Fera the component parts of the Agency conducted different types of customer satisfaction survey, which were also run at different frequencies. In order to provide as near a like-for-like comparison during the first year of Fera's operation, the decision was taken to carry out the 2009/10 survey to the same format as the longest running pre-Fera survey.

The overall level of satisfaction for 2009/10 was 4.4 out of 5.0. This is a strong performance given the challenges of assimilating a four-way merger.



Working in partnership

Playing a wider role in Yorkshire's buzzing science sector provides a regional focus for Fera. The Agency enjoys collaborations with many universities, colleges and local businesses - highlights of which include a new joint venture between the University of York, Science City York and Fera. The joint venture is the preferred bidder to operate a pilot-scale biorenewables development, with funding by Yorkshire Forward, the regional development agency, and the EU, as an open access experimental facility for academia and industry at Fera's Sand Hutton site. If approved, the plant will become operational in 2011. The Agency has also joined forces with local food businesses, and Yorkshire Forward, to explore how Yorkshire's dynamic food sector can play a role in addressing the challenges we face around food security. Both these initiatives will help to deliver value for money, and allow all those involved to reap the benefits of open innovation.

The qualitative nature of our research provides a rich source of customer comment in the feedback statements. Customers were very positive about Fera's accessibility, responsiveness, and quality of staff. They also gave us some ideas for service enhancements around providing additional informal feedback on progress towards milestones and on our approach to invoicing. We have already begun to investigate these topics.

In line with Ministerial target requirements, a new methodology has been developed and will be in place for 2010/11. This involves using a core set of questions in all future Fera customer satisfaction surveys to allow an aggregated overall satisfaction score to be developed that reflects the views of the wider customer base created by the formation of Fera.

Commercial activities

Fera's commercial activities, utilising the skills and assets of the Agency when not required by Government customers is a key contributor to delivery of better value for money for Defra and the tax payer. In our first year, commercial sales were in line with projections standing at £11.2m. This has been achieved through creating new solutions for long-term clients, addressing emerging agendas and delivering trusted high quality services.

Established offers in food analysis, environmental risk assessment, bird management, capacity development, knowledge management, and plant pest and disease identification showed robust performances.

Proficiency testing, through our globally respected FAPAS branded schemes, once again achieved significant growth mainly in international markets.



Immunocontraception

Over the past year, Fera has investigated the use of GonaCon™ (an injectable immunocontraceptive vaccine) to humanely control populations of feral goats, wild boar and urban badgers. Work has also been carried out with the National Wildlife Research Centre in the USA to model population consequences of fertility control and develop an orally delivered immunocontraceptive with a species-specific delivery method. This emerging technology is a promising alternative to lethal population management. Future work will assess the viability of replacing culling with fertility control. Research efforts will also focus on the use of immunocontraceptives to control free roaming dogs in developing countries and assist in rabies prevention, to control feral populations of cats threatening native biodiversity on islands, and to manage zoo and companion animals.

Developing the Sand Hutton science hub

Through collaboration with the University of York and Science City York, Fera was part of a successful £19m bid to the European Regional Development Fund, which saw £2m allocated to the redevelopment of existing laboratory capacity on the Sand Hutton site. These facilities will provide 'grow on' space for science based businesses, particularly those that would benefit from co-location of a thriving science campus environment. Through collaboration with the same partners, Sand Hutton has also been identified as a preferred location for a pilot scale biorenewables development project.

Sustainable development

Fera's commitment to embedding sustainable development throughout its core business activities and site operations has received an accolade during 2009/10. Our first Sustainable Development Action Plan achieved a green traffic light from the Sustainable Development Commission (SDC), Fera being the only Executive Agency to do so during the period. This is a significant landmark in our progress to becoming an exemplar Agency for sustainable development.

Working with our new facilities management company, Interserve, we have established a site empowerment group to drive a behavioural change programme. The volunteer group has developed its own implementation plan and is well into its first Agency wide campaign 'One a Day', designed to encourage all staff to take simple steps to reduce resource wastage at work.

Fera is fortunate to have a key role in providing expert scientific research used to develop policies that directly affect the sustainability of the rural economy, food production and the environment.

Within our first year we have helped to reduce water consumption and wastage for farmers, with research carried out on potato common scab, and have undertaken further research projects using bird detecting radar to assess the impact of proposed wind farm developments.



Sand Hutton - a star attraction

Fera's Sand Hutton facility covers 32 hectares with excellent research facilities and equipment. It is home to some 500 scientists whose expertise covers plant pests and diseases, environmental fate and behaviour, food contaminants and residues, and wildlife management and diseases.

Fera encourages visits from partners and customers as the best way to see its capabilities and explore opportunities for working together. This year we have hosted visits from partners with public sector interest such as the Environment Agency, the Technology Strategy Board and Yorkshire Forward. Among our international visitors were senior officials and academics representing the Czech Republic, France, the Chinese Academy of Agricultural Sciences, the Japanese Ministry of Agriculture Food and Fisheries, and the New Zealand Embassy Mission to the EU.

The Sand Hutton site is a significant laboratory and as such is a major contributor to Defra's carbon footprint. Good progress has been made during the year on making the site more sustainable. However, we believe there is still more to do and a major review of the site to identify a step change is underway.

Social and community

Our social and community activities help make our science accessible to people across age ranges and backgrounds highlighting the real life impact of our work. During 2009/10, Fera hosted Continuous Professional Development days for teachers at Sand Hutton, ran interactive workshops at the National Science, Technology, Engineering and Mathematics Centre (STEM) fairs and played an active part at the York Science Discovery Days.

We have also hosted visits for students from a range of local secondary schools and visited primary schools to talk about our work. We are actively involved in the steering committee for York Science Week and work closely with North Yorkshire Business and Education Partnership to ensure our schools and community activities add real value.

Through our volunteer days programme we encourage all staff to contribute to the local community and we intend to grow this aspect of our community work in the coming year through closer involvement with York Cares.



Potato common scab control

A Defra Sustainable Arable LINK project, co-ordinated by Fera, is helping potato growers save water while maintaining levels of control over common scab disease (pathogenic *Streptomyces* species). New molecular detection and DNA sequencing methods developed at the laboratory have shown how the causal agents of common scab interact with other soil microflora. The ratio of pathogenic species in the soil microflora is the important factor - this is higher in soils where the disease is most severe. Keeping soils wet during tuber initiation is key, but some growers may be able to reduce irrigation without affecting this critical microbial balance, thus minimising costs.

The collaboration involved Cambridge University Farms, the Scottish Agricultural College, Branston Ltd, QV Foods Ltd, Cobrey Farms and Wroot Water Systems.

Staff and workforce capability

On vesting, Fera introduced a new organisational design based on a number of 'Programmes', which have been established to facilitate closer working and sharing of resources.

The Chief Executive has five direct reports, four of whom - the Director of Finance and Corporate Services, Operations Director, Director of External Affairs and Director of Policy and Regulation - were in post throughout the year. The Chief Scientist left the agency in January and a replacement has been appointed who will take up post in the summer.

The Heads of Programme play a key leadership role in working together to engender the flexibility and responsiveness Fera requires to meet the needs of its diverse customer base. To provide the tools to support them, we have introduced a leadership development programme that uses workshop and seminar events to create personal development plans.

In addition, we have developed a number of new initiatives aimed at recognising and rewarding excellence amongst staff. This work has been supported by a new partnership working arrangement between Fera and the local trade union, Prospect.

Fera has delegated responsibility to carry out its own recruitment for all non-Senior Civil Service posts. All recruitment is carried out on the basis of fair and open competition on merit and in accordance with the Civil Service Commissioners Recruitment Principles. In addition, we adhere to the Recruitment Code guidance on the employment of disabled staff and operate a guaranteed interview for disabled candidates who satisfy minimum essential requirements.

Fera had a full time equivalent (FTE) average for 2009/10 of 839 and the number of staff in the Agency at the year end, as we build capability for the future, was 926 (including seasonal workers). During the year staff turnover was 4.3%¹ of the average number of staff in post.

¹ Using a definition of turnover that includes resignations, transfers, dismissals, normal age retirement, compulsory early retirement, redundancy, and death in service.

Number of staff recruited 1 April 2009 to 31 March 2010

Ethnic origin	Gender	² Grade 1	Grade 2	Grade 3	Grade 4 and above	Total
White	Female	1	9	3	1	14
	Male	0	2	3	3	8
Non-white	Female	0	0	0	0	0
	Male	0	0	0	0	0
Not specified	Female	14	14	20	7	55
	Male	5	6	30	7	48
Total		20	31	56	18	125

Disability status	Gender	² Grade 1	Grade 2	Grade 3	Grade 4 and above	Total
Disabled	Female	1	1	1	0	3
	Male	0	0	0	0	0
Non-disabled	Female	7	12	6	2	27
	Male	2	3	3	6	14
Not specified	Female	7	10	16	6	39
	Male	3	5	30	4	42
Total		20	31	56	18	125

² Fera grades 1-3 encompass Civil Service equivalents of Administrative Assistant, Assistant Scientific Officer through to Executive Officer/Scientific Officer. Grades 4 and above encompass Higher Scientific Officer through to Senior Civil Service.

Health and safety

Fera encompasses laboratory work, inspections services and office work, with inspections requiring visits to many different customers and associated working environments. The challenge has been to manage the integration of a number of different working practices into a coherent organisation-wide health and safety management system. In our first year of operation, there have been 50 reported incidents. As a newly formed Agency there are no directly comparable figures to view this year against. However, considering the available information pre-Fera, this year's figures suggest a continual improvement.

Fera's future development

During its first year the Fera executive have considered the opportunities that the new Agency has to deliver increased value for money for the tax payer and has developed a four-strand plan, which was initiated as the Agency entered its second year. This plan was developed before the change of Government so may be subject to revisions during the year. The four strands are:

1. Our biggest opportunity is to work even more closely with colleagues in Defra to help in the formulation and delivery of key strategic policy outcomes. To this end we have embarked on a major initiative to help us understand the needs of policy leads and for them to have a more complete view of the skills and capabilities of the Agency, to change from the historic buyer-seller relationship to one of genuine collaboration and integration. The Department often contracts work outside the public sector for which skills are available within the Agency network and it is our intention to demonstrate that value for money and quality can be assured, as well as supporting strategically important scientific capability, by directly commissioning work from Fera. An increased Defra spend with the Agency for science based services will support a reduced infrastructure funding requirement - a value for money win for the Department and the tax payer.

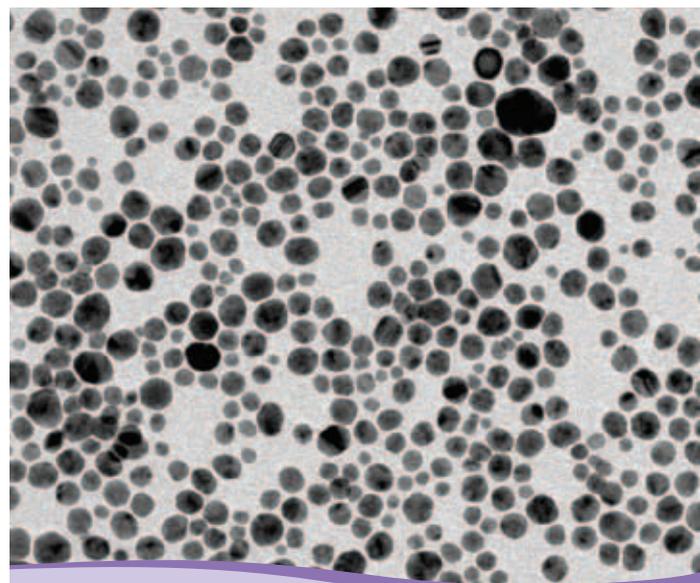


Disease control in wildlife

Fera has the UK's specialist facility for research and operations that help control diseases in wildlife. Much of its current work relates to bovine tuberculosis (TB) in badgers and how to reduce disease risks in cattle. Joint working between Fera and the Veterinary Laboratories Agency (VLA) has recently culminated in the successful registration of BadgerBCG the first licensed TB vaccine for badgers. Fera is now using the products of its research in earnest and is implementing Defra's Badger Vaccine Deployment Project across six of the worst affected areas in western England. Working closely with the NFU, Fera is implementing the outcomes of its original research on farm biosecurity, helping prevent infectious contacts between badgers and cattle.

2. Ensuring that in all we do we strive for continuous improvement, by embarking on a review process across many of our programmes based on LEAN principles. This will mean that whilst remaining focused on our customers, there is no wastage in the way we operate. We are also playing an active part in all the Defra/Government wide initiatives. Some efficiencies have been delivered in the budget year as a result of the merger and the introduction of the Sustainable Workplace Management (SWM) contract, though the specific initiatives beginning in the forthcoming year are planned to deliver significant savings in future years.
3. Our commercial business offers significant growth (and therefore contribution) opportunities and we have identified areas of growth which we believe is the first step in leveraging our skills and expertise. Whilst there is little or no marketing spend available we have had considerable success in raising the profile of Fera and its capabilities to many audiences over the last year, which is beginning to deliver major benefits. Involvement with a wide range of issues and science in the commercial sector allows us to increase our capability to the benefit of public sector projects.
4. We have embarked on the first major steps in developing the Sand Hutton site with the commencement of a £3m project to refurbish an empty science block into 'grow on' facilities for young expanding science businesses. As a result of a successful bid led by Science City York, and including the University of York, £2m of this funding is being provided by the European Regional Development Fund. Also through working with the University of York we have been chosen as preferred supplier for a new £10m pilot biorenewables development in a vacant storage area at Sand Hutton and await final approval.

In addition, Fera is undertaking a significant review of the charging for its regulatory activities and expects this review to be completed during the year and, subject to Ministerial approval, expect to be increasing charges in April 2011 with a full impact in that year, further reducing the funding requirement from Defra.



Developments in using NMR

Fera's Nuclear Magnetic Resonance (NMR) research team play a pivotal role in nanotechnology research. The NMR technique Diffusion Ordered Spectroscopy (DOSY) is being used to measure the rate at which particles diffuse. The technology has been used to estimate the relative size of the latest coated nanoparticles, and for establishing the nature of nanoparticle coating materials. Metabolomics techniques, including NMR spectroscopy, are also being used to determine the effect of nanoparticles on human health - supporting policy formulation in respect to nanoparticles in food and the environment through Fera's expert representation on key advisory committees.

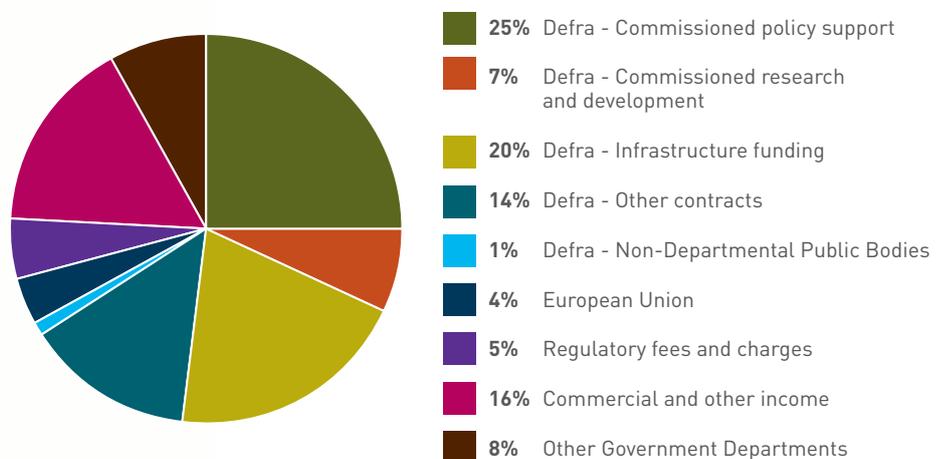
2

Our income and expenditure report shows a small deficit for the year of £525k, which is less than 1% of income.

Our first accounts as The Food and Environment Research Agency (Fera) are compiled from the audited opening balances for 2009/10, which were collated from an extract from Defra's core accounts, and CSL and GDS Agency accounts for the previous year restated under International Financial Reporting Standards (IFRS). As expected, in our first year of operation much of our activity has been focused on understanding the revenue and costs of the operations within the merger and much progress has been made in this regard. We now have an excellent understanding from which to develop the Agency and respond to the challenging times ahead.

Due to the details in the 2008/09 extract from Defra's accounts it is difficult to be specific on the year-on-year movements as income and costs were recorded quite differently within the core Department. Income for the year was £68.2m (7% increase) of which £45.5m (66.7%) relates to Defra. Within this income from Defra, Fera delivered all the requirements of the Department in the year, and in two areas delivery was achieved at a reduced cost to budget resulting in £1.7m of the budgeted spend being returned to the Department, reducing expected income by this amount. In addition, £0.3m of income relating to 2010/11 has been prepaid into next year. This is a correction to the accounting treatment from before the merger into Fera, when income relating to 2009/10 was shown in the 2008/09 figures.

Fera income 2009/10



The Defra income was up on the previous year by £3.8m (9%) primarily as a result of being awarded two major new contracts: the control of *Phytophthora ramorum* and *Phytophthora kernoviae* worth £3m in the year, and the vaccination of badgers to aid the control of bovine TB worth £0.5m.

Regulatory fees of £3.4m show an increase of £1.1m (46%) year-on-year with a large proportion of this increase due to a legal challenge which reduced the fees received in 2008/09.

Our commercial income of £11.2m was broadly flat year-on-year.

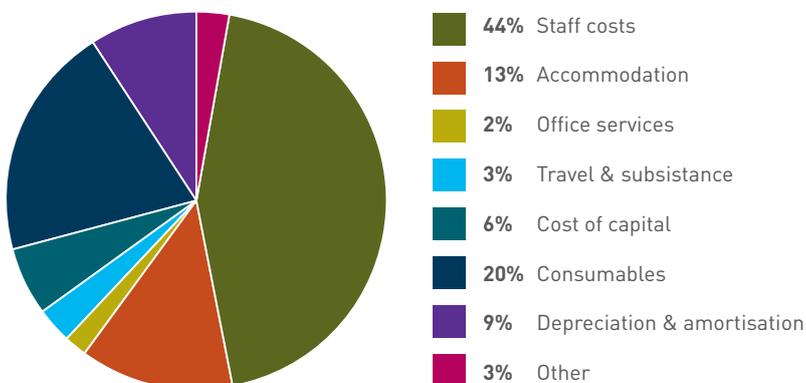
As commented in Section 1, Fera delivered all the efficiencies expected in the merger proposal. £30.6m (44%) of our costs were expended on staff and related costs. Of the remaining 56% of costs, £8.9m (23%) relates to accommodation. At the beginning of the year Fera joined the Defra Sustainable Workplace Management (SWM) contract whereby all accommodation costs are managed through an outsourced contract. Consumable costs have increased by £3.6m including sub contractor costs, a large proportion of which relate to the Phytophthora project.

Fera paid 97% of supplier invoices within 30 days, 83% within ten days. The average number of days taken to pay our suppliers is 12 days. The ten day percentage has increased slowly during the year which is to be expected as the merging staff across the country became familiar with the Fera systems. During 2010/11 Fera will actively be working towards payment of 80% of suppliers within five days.

Fera has a limited capital investment budget delegated by Defra each year. The Investment Committee ensure probity and control over all purchases. Fera led a collaboration with other Defra Agencies to procure equipment of significant value, which resulted in substantial savings for both parties.

The Sand Hutton site was subject to professional revaluation during the financial year. The revaluation is completed every five years in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The site valuation was reduced by £5m. As sufficient revaluations were taken by CSL in previous years no costs were charged to the Operating Cost Statement.

Fera costs 2009/10



Governance

The vesting of The Food and Environment Research Agency took place on 1 April 2009. Governance structures from the contributing bodies to the new Agency were reviewed and have contributed to the design of the governance structure which was put in place for the new Agency during its first year.

Fera operates with a Strategic Advisory Board (SAB) chaired by Defra's Director General Food and Farming, and comprises Fera's Chief Executive and Director of Finance and Corporate Services, a representative of our Defra customer and of Defra's Science and Evidence group and two non-executives. The board meets approximately four times a year.

Fera's Chief Executive is supported by Directors of Finance and Corporate Services, Operations, External Affairs, Policy and Regulation and a Chief Scientist. The Chief Scientist left the business at Christmas to become Chief Executive of Science City York. The appointment of the new Chief Scientist, Professor Robert Edwards, was announced in May. He will join the board in August 2010. The Executive Team is supported by a broader leadership team of Heads of Programmes. The Executive Team meets informally weekly and formally monthly, and the broader Leadership Team meets on a monthly basis.

The Chief Executive is advised in his capacity as Accounting Officer by an independently chaired Audit and Risk Management Committee, which includes two further non-executive members. The committee is normally attended by the Director of Finance and Corporate Services and Head of Finance programme. This committee meets approximately four times a year to consider internal audit and external audit input, and review the Agency's risk register.

In addition to these general meetings the new governance

structure for the Agency includes an Investment Committee to review capital and other investments, monthly reviews of each programme by the appropriate director and more in-depth quarterly reviews with a selection of directors.

Our Statement on Internal Control on page 32 provides further detail on Fera's capacity to handle risk, the control framework and the effectiveness of the risk systems and processes.

Information assurance

Three near-miss incidents have been formally reported to Fera's Information Asset Owner and the Senior Information Risk Officer. Two of these involved losses of field based cameras recording animal movements. One involved another Government body inappropriately transmitting information which Fera had classified. Neither incident involved the loss of personal data.

Within the period covered by this Annual Report and Accounts Fera has established a Security Committee which oversees both physical and information security and reports to the Executive Committee.

Events after the reporting date

The Secretary of State for Defra announced on 29 June the first outcomes of a review of Defra delivery bodies. Further announcements are expected later in 2010; at present there are no specific proposals for Fera which should be reflected in the accounts, and the accounts are presented on a going concern basis.

Fera's Governance Structure

Strategic Advisory Board

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



Chief Executive/Accounting Officer



Executive Committee

Five Directors
Meets formally monthly



Internal Committees

Wider Leadership Team

Heads of Programmes
Monthly leadership meetings
Monthly programme performance reviews

Investment Committee

Chaired by Director of Finance and Corporate Services, meets monthly

New Product and Innovation Committee

Chaired by Director of External Affairs, meets monthly

Health and Safety Committee

Chaired by Director of Operations, meets quarterly

Security Committee

Chaired by Director of Finance or Director of External Affairs
on an alternating basis, meets quarterly

Ethical Review Committee

Fera Prospect Partnership meetings

Chaired by Director of Operations, meets quarterly



Audit and Risk Management

Chaired by independent member
Two further independent members
Meets four times per annum

Remuneration Report

3

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 size 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.

Under the delegated authority from HM Treasury, Fera has its own remuneration committee consisting of representatives from Fera management and the Trade Union. All negotiations need final approval from HM Treasury before they can be implemented.

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.

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 has been appointed with a three year contract, which has the option to be extended to five years or made permanent by agreement.

The Finance Director, Paul Whitfield, and the Director of Policy and Regulations, Tony Harrington, were also appointed through open competition under the terms of the Civil Service Management Code on 23 February 2009 and 30 March 2009 respectively. They have been appointed with a three year contract, which has the option to be extended to five years or made permanent by agreement.

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 table on page 30 shows the salary, benefits in kind and pension details for the Chief Executive and the five Directors. This table represents 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.

The remuneration, including bonuses, taxable benefits and compensation payments, but excluding superannuation contributions, of Adrian Belton, from April 2009 to March 2010 amounted to £125,030. This included a performance related payment of £12,500 relating to 2008/09 (2008/09 £108,794, which did not include a bonus as this was Adrian's first full year in office).

Non-Executive members of the ARMC are paid between £400 and £500 for attendance at each meeting. In addition, they are reimbursed for expenses incurred relating to attendance at these meetings. During the year Rod Morrod and Roger Platt attended all three meetings for which their fees were £1,500 each paid through payroll from which tax was deducted at source. Andrew Lindsay attended all three meetings for which his fee was £9,155 inclusive of VAT. This amount includes his fees for attendance at various meetings in his capacity as Chair and related expenses. Geoffrey Drage attended one meeting in preparation for taking over as Chair from Andrew Lindsay. His fee was £500.

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 Tony Harrington 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 3 to the Accounts.

The table shows the members' 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.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary.

Changes to the Executive Team

Nicola Spence, Chief Scientist, left Fera on 1st January 2010 to take up appointment as Chief Executive of Science City York. The appointment of the new Chief Scientist, Professor Robert Edwards, was announced in May. He will join the board in August 2010.



Adrian Belton
Chief Executive
9 July 2010

Statement of remuneration

		A Belton Chief Executive	P Whitfield Finance and Corporate Services Director	R A Hearmon Director of External Affairs	N Spence Chief Scientist	T Harrington Policy and Regulation Director	M Wray Operations Director
		01Apr09 – 31Mar10	01Apr09 – 31Mar10	01Apr09 – 31Mar10	01Apr09 – 01Jan10	01Apr09 – 31Mar10	01Apr09 – 31Mar10
Salary 2009/10	£000s	125-130	95-100	100-105	45-50	105-110	80-85
Salary 2008/09	£000s	105-110	-	-	-	-	-
Benefits in Kind 2009/10	£000s	-	-	-	-	-	-
Benefits in Kind 2008/09	£000s	-	-	-	-	-	-
Real increase in Pension at age 60 at 31 March 2010	£000s	0.0 – 2.5	0.0-2.5	0.0-2.5	0.0 -2.5	0.0 -2.5	0.0 - 2.5
Real increase in Pension at age 60 at 31 March 2009	£000s	0.0 – 2.5	-	-	-	-	-
Real increase in Lump Sum at age 60 at 31 March 2010	£000s	-	-	-	2.5-5.0	-	2.5 - 5.0
Real increase in Lump Sum at age 60 at 31 March 2009	£000s	-	-	-	-	-	-
Total accrued Pension at age 60 at 31 March 2010	£000s	5-10	0-5	0-5	0-5	0-5	0-5
Total accrued Pension at age 60 at 31 March 2009	£000s	5-10	-	-	-	-	-
Total accrued Lump Sum at age 60 at 31 March 2010	£000s	-	-	-	15 -20	-	30-35
Total accrued Lump Sum at age 60 at 31 March 2009	£000s	-	-	-	-	-	-
CETV at 31 March 2010	£000s	125	3	94	66	0	166
CETV at 31 March 2009	£000s	127	-	-	-	-	-
Real increase in CETV as funded by employer	£000s	31	22	21	18	20	22
Employee contributions and transfers-in	£000s	4	3	3	1	4	8

4

Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, The Food and Environment Research Agency (Fera) is required to prepare accounts for each financial year, in conformity with an HM Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by Fera during the year.

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.

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 (C&AG).

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 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 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 the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting and Managing Public Money.

So far as the Accounting Officer is aware, there is no relevant information of which the C&AG is unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant information and to establish that the C&AG is aware of that information.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer for The Food and Environment Research Agency (Fera), I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, set by Defra's Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury - Managing Public Money.

I am accountable to the Department's Principal Accounting Officer enabling them to discharge their overall responsibility in respect of ensuring that Fera, as an Agency of Defra, has adequate financial systems and procedures in place.

Additionally,

- I work with the Defra Corporate Owner and the Strategic Advisory Board (SAB) to ensure governance and to ensure alignment of the Fera strategic plans with those of Defra
- I ensure that the Defra Permanent Secretary, the Principal Accounting Officer for the Department, is aware of the main risks managed by the Agency through regular reporting to the SAB
- I ensure that Fera's business plans, which are submitted to and approved by Ministers, include sections on risk
- I ensure that Fera observes any general guidance issued by HM Treasury or the Cabinet Office and puts into effect any recommendations of the Public Accounts Committee, other parliamentary Select Committees or other parliamentary authority insofar as Government accepts them

The governance structure of Fera includes the Strategic Advisory Board (SAB), initially chaired by the Defra Director General, Law and HR, more recently by the Defra Director General, Food and Farming Group, which includes myself, Fera's Director of Finance and Corporate Services, representatives of our Defra customer, the Defra Strategy and Evidence Group and two independent members.

In addition, I receive advice from Fera's Audit and Risk Management Committee (ARMC), with an independent chair and two independent members, which meets regularly to review and advise on strategic and operational risk matters.

2. The purpose of the system of internal control

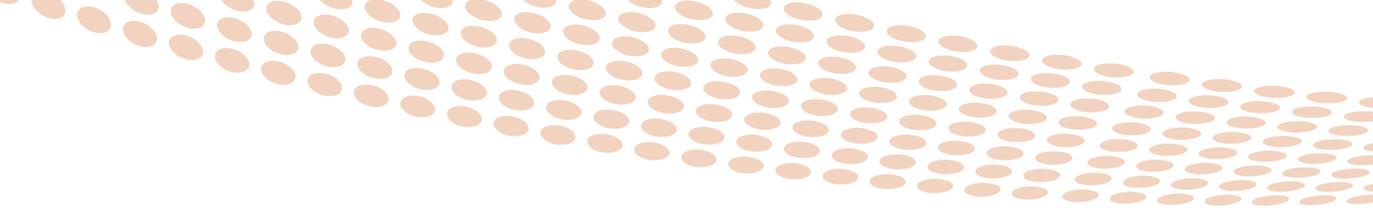
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Fera's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Fera for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

3. Capacity to handle risk

During our first year, members of my management team have concentrated on standardising financial and non-financial controls and procedures across a network which now spans England and Wales. The merging organisations each had in place their own controls appropriate to their business areas; the key challenge has been to identify which of these controls could best suit the new organisation as a whole.

A number of key areas were identified that required strengthening in order to fully support the business going forward. These were: enhancing of financial management and budgetary control, the coordination of bidding and tendering for projects, the provision of support for project planning and monitoring, and a coordinated approach to administrative support.

In order to address these issues staff from across the organisation have been brought together, making best use of their knowledge and experience to create new corporate



service teams which have been fundamental in standardising the Fera approaches to work.

It was my intention that, in creating the new management team of five Directors supported by Heads of Programme for the Agency, as they developed as a team they would work together in the interests of Fera as a business and move away from a 'silo' mindset around individual areas which had previously existed. I am delighted with the progress in this regard and the enthusiasm and determination the team have shown in taking Fera forward.

These organisational changes have begun to produce results and will ensure that Fera begins the coming financial year as a stronger more flexible business that can respond quickly and efficiently to developing needs.

Risk management is recognised as a key internal control for Fera. The Executive Team are committed to embedding risk awareness into Fera's ongoing operations.

Risks are identified and reviewed through regular management meetings including project and programme reviews, executive meetings and meetings of the wider leadership group including Heads of Programmes. As a new organisation Fera management have now produced strategic and operational risk registers for the Agency which have been discussed with the ARMC. During the next financial year we will be embedding the use of these across all levels of the organisation and will continue to monitor and develop the reporting routines for the identification of risks.

Fera's capacity to handle and assess risk is also supported by regular operational site meetings such as health and safety, security and client/contractor meetings, which provide further opportunities for issues to be highlighted as early as possible to management.

We have continued our commitment to maintaining our Investors in People standard thus reinforcing Fera's best possible communication, management, development and appraisal standards. Fera, as a new organisation, will be assessed against the Investors in People standards in 2010/11.

Fera has reviewed and updated its anti-fraud and whistle-blowing policies in accordance with latest guidance. All staff are required to pass level 1 of the data handling course on the protecting information pages of the National School of Government. Furthermore, all staff are required to commit to and adhere to the Fera information security policy.

Risk and quality awareness continue to be developed in response to external and internal standards and assessments. Fera inherited all the quality standard accreditations held by CSL and the merging organisations and has continued to maintain the high quality required to achieve these standards. For example, ISO 9001:2008 Quality Management Systems, and ISO14001 Environmental Management. We have also maintained our high quality of science standards with continuing accreditation in the United Kingdom Accreditation Service (UKAS) and Good Laboratory Practice (GLP) schemes. See page 5 for further information.

4. The risk and control framework

The vesting of Fera brought together a number of organisations with differing risks, control needs and expectations. One of our challenges during our first full year has been to implement changes and introduce new working practices which best fit the new organisation and our developing business needs, whilst maintaining the risk and control framework.

From CSL I inherited a strong range of financial controls around the management of financial transactions but the new organisation required greater strength in developing its budgetary and forecasting routines to enable the new management structure to develop a fuller understanding of the complex nature of the restructured business and enable better management decision making and strategic planning.

A number of changes within the structure of the Finance Team were introduced, developing and integrating a Management Accounts Team whose role is to work alongside the Heads of Programmes and managers, to better understand the financial challenges across the different areas of the business, supporting managers in the development of their forecast and longer term plans. The benefits of this transformation have already been felt in the

wider business and the quality of the budget setting process for 2010/11.

During this first year Fera has embedded several methods for identifying, evaluating and controlling risks.

These include:

- Business and corporate planning process: high-level risks are identified as part of the planning process, reflecting external and internal threats and opportunities. Through the Chief Executive's Open Forums, staff are briefed on the strategic and operational issues affecting Fera, supported by publication on the Fera intranet
- Monthly reports from each Head of Programme in advance of review meetings with Directors identify changes in risks between reports which are followed by quarterly reviews of the risk register for that programme. These are then reviewed and summarised by priority to provide a document for the Executive to review on a quarterly basis for further reporting to the ARMC and SAB
- Information Risk: measures and policies to ensure that all risks relating to information are managed and controlled. The Fera Information Asset Owner provides a quarterly report to both the Defra and Fera Senior Information Risk Owners, which review the effectiveness of these controls and identifies if incidents have taken place
- Project Reviews: ongoing assessment of project performance, identification of risks associated with the whole project life, as well as in year performance and ensuring action plans are in place to address issues raised and escalated as appropriate, dependent upon the circumstances. Project milestones and risk reporting have been further developed this year

I recognise that as a new organisation my Executive Team and I have spent this year further developing our understanding of the risks associated with our broad customer base. As the organisation moves forward we need to tailor our risk appetite to reflect these differing risks and develop our long term risk management strategy in an ever changing political and governance situation.

5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within Fera, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the SAB and the ARMC. Plans to ensure continuous improvement of the system, and to ensure that Government Accounting guidelines are applied, have been put in place.

The Fera Leadership Team monitors the ongoing performance of the organisation. Through the governance process noted earlier, I am accountable to Defra and its Ministers on performance.

My review of effectiveness of the system of internal control is supported by:

- The Fera Strategic Advisory Board, as already detailed, which meets regularly to discuss and endorse long term strategic plans
- The Audit and Risk Management Committee, which meets three to four times throughout the year. Led by an independent chair, with non-executive members, and attended by representatives from our audit bodies it meets to ensure that risk management and internal controls are given due prominence during the year
- Ministerial Targets Review: key targets for Fera are agreed with ourselves and our Corporate Owner, and agreed and signed off by our responsible Minister each financial year. During this year we have instigated reporting measures to ensure that the key operational targets and underlying measures are accountable and audited by Defra internal audit

- The National Audit Office (NAO), who provide our external audit service on behalf of the Comptroller and Auditor General review our Annual Report and Accounts and provide management letters and recommendations. They also attend the ARMC
- Deloitte, an independent company operating to Government internal audit standards, provided our internal audit service for the year. Each year the ARMC approve an audit strategy for the coming year together with a flexible annual plan. Deloitte submit regular reports to the ARMC and Fera, which include an independent opinion on the adequacy and effectiveness of our system of internal control with recommendations for improvement
- Senior Information Reporting Officer (SIRO): during the year Fera appointed its own SIRO and internal Information Asset Owner (IAO). The personnel in these roles are responsible for the regular monitoring and reporting of data handling and information management risks and incidents to the Executive, ARMC and SAB
- The Investment Committee, chaired by the Director of Finance and Corporate Services and including the Operations Director and Head of Procurement and Contracts, meets monthly throughout the year to assess and discuss the business cases for capital spend across the organisation, ensuring a limited capital budget adequately serves the Agency
- The New Products and Innovation Committee, chaired by the Director of External Affairs and including the Director of Finance and Corporate Services meets monthly throughout the year to review potential new products and innovations to ensure where appropriate intellectual property is identified and leveraged
- Internal corporate reporting: performance monitoring has been developed through the implementation of a Corporate Dashboard, highlighting the key strategic themes, identifying performance targets and their status. A highlight report is provided for the Executive Team and SAB as required

Taking all the matters discussed in this Statement on Internal Control and the governance structure described on page 26 and 27, I am confident that the controls across the Agency are appropriate, enabling me to sign this Statement on Internal Control.

6. Significant internal control issues

No significant internal control issues have been identified during the year.



Adrian Belton
Chief Executive
 9 July 2010

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Chief Executive 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government 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 Management and the Financial 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have audited the financial statements which are prepared on a going concern basis. The financial statements note the announcement by the Secretary of State for Environment, Food and Rural Affairs of a review of Defra arms length bodies. Notwithstanding this announcement, I am content that the basis of preparation remains appropriate and that the evidence available to me at the date of this report does not indicate that there is a material uncertainty which may cast doubt upon The Food and Environment Research Agency's ability to continue as a going concern.

Amyas C E Morse
Comptroller and Auditor General

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

12 July 2010

Fera accounts

Operating Cost Statement for the year ended 31 March 2010

				2009/10 £000	Restated 2008/09 £000
	Note	Staff Costs	Other Costs	Income	
Administration costs:					
Staff costs	3	30,557			29,045
Other running costs	4		38,169		34,939
Operating income	5			(68,200)	(63,510)
Totals		30,557	38,169	(68,200)	
Bank interest receivable	17			(1)	(13)
Net operating cost/(surplus)				525	461

Fera was vested on the 1st April 2009. All comparative figures for prior years are the consolidated figures of the merging organisations of Central Science Laboratory, Plant Varieties Rights Office and Seeds Division, Plant Health Division (including Bee Health and the Plant Health and Seeds Inspectorate) and the Government Decontamination Service. These are restated due to the vesting of the new organisation.

Statement of Financial Position
as at 31 March 2010

		31 March 2010 £000	Restated 31 March 2009 £000	Restated 1 April 2008 £000
	Note			
Non-current assets:				
Property, plant and equipment	6	106,655	114,619	112,585
Lease assets	6	1,199	316	395
Intangible assets	7	3,374	3,655	4,361
Under construction	7	0	9	0
Investments	1.10	0	0	0
Trade and other receivables	11	12	5	16
Total non-current assets		111,240	118,604	117,357
Current assets:				
Inventories	10	187	205	124
Trade and other receivables	11	12,589	8,102	8,887
Other current assets				
Cash and cash equivalents	13	7,628	8,068	6,360
Total current assets		20,404	16,375	15,371
Total assets		131,644	134,979	132,728
Current liabilities				
Trade and other payables	14	8,186	6,361	6,821
Other liabilities	16	1,070	1,345	1,941
Total current liabilities		9,256	7,706	8,762
Non-current assets plus/less net current assets/liabilities		122,388	127,273	123,966
Non-current liabilities				
Provisions	16	252	400	607
Other payables	14	1,032	194	313
Total non-current liabilities		1,284	594	920
Assets less liabilities		121,104	126,679	123,046
Taxpayers' equity:				
General fund		86,457	86,264	86,658
Revaluation reserve		34,647	40,415	36,388
Total taxpayers' equity		121,104	126,679	123,046



Accounting Officer
9 July 2010

**Statement of Cash Flows
for the year ended 31 March 2010**

		2009/10 £000	Restated 2008/09 £000
	Note		
Cash flows from operating activities			
Net operating cost		(525)	(461)
Adjustments for non-cash transactions			
Depreciation	4, 6	5,085	5,134
Amortisation	4, 7	870	934
Impairment	6, 7	0	477
Notional charges	4	12,754	4,149
CCA adjustment	4	(50)	0
Purchase of right of use assets	6.1	(1,062)	(34)
Loss on disposal of fixed assets	4	5	7
Holiday pay accrual	16.2	(16)	12
Other		1	21
(Increase)/decrease in trade and other receivables		(4,494)	796
(Increase)/decrease in inventories	10	18	(81)
Increase/(decrease) in trade payables	14	2,663	(579)
less movements in payables relating to items not passing through the OCS		(13,432)	(5,500)
Use of provisions	16.1	(407)	(815)
Net cash outflow from operating activities		1,410	4,060
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,813)	(1,913)
Purchase of intangible assets	7	(44)	(456)
Proceeds of disposal of property, plant and equipment	6, 7	7	17
Net cash outflow from investing activities		(1,850)	(2,352)
Net increase/(decrease) in cash and cash equivalents in the period		(440)	1,708
Cash and cash equivalents at the beginning of the period	13	8,068	6,360
Cash and cash equivalents at the end of the period		7,628	8,068

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2008		86,217	36,388	122,605
Non-cash charges - transfer of assets changes in accounting policy	6	441		441
Restated balance at 1 April 2008		86,658	36,388	123,046
Changes in taxpayers' equity for 2008/09				
Net gain/(loss) on revaluation of property, plant and equipment	6		5,171	5,171
Net gain/(loss) on revaluation of intangible assets	7		253	253
Net gain/(loss) on revaluation of investments				0
Release of reserves to the operating cost statement		(5,500)		(5,500)
Non-cash charges – cost of capital	4	4,058		4,058
Non-cash charges – auditor's remuneration	4	91		91
Non-cash charges – transfer of assets	4	137		137
Non-cash charges – increase employee benefit provision	4	(116)		(116)
Transfers between reserves		1,397	(1,397)	0
Net operating cost for the year		(461)		(461)
Total recognised income and expense for 2008/09		86,264	40,415	126,679
Changes in taxpayers' equity for 2009/10				
Net gain/(loss) on revaluation of property, plant and equipment	6		(4,873)	(4,873)
Net gain/(loss) on revaluation of intangible assets	7		500	500
Net gain/(loss) on revaluation of investments				0
Release of reserves to the operating cost statement		(13,432)		(13,432)
Non-cash charges – cost of capital	4	3,867		3,867
Non-cash charges – auditor's remuneration	4	68		68
Non-cash charges – accommodation	4	8,773		8,773
Non-cash charges – Defra overheads	4	46		46
Adjustment on disposal of revalued assets		1		1
Transfers between reserves		1,395	(1,395)	0
Net operating cost for the year		(525)		(525)
Total recognised income and expense for 2009/10		86,457	34,647	121,104

Notes to the Fera Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, 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 (Fera) for the purpose of giving a true and fair view has been selected. The particular policies adopted by Fera are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1. Accounting estimates

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.

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. Administration and programme expenditure and income

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

1.4. 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.

1.5. Revenue recognition

Revenue on projects is recognised in line with IAS 18.

1.6. Property, plant and equipment

Property, plant and equipment are capitalised by the Agency where the purchase cost is £2k 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 historic cost. Short life low value assets are valued using 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 January 2010. As a specialist facility, the Valuation Office updates the valuation annually by adopting the Building Cost Information Service All-in Tender Price Index supplied by the Royal Institute of Chartered Surveyors.

1.7. Intangible non-current assets

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

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 construction in progress. Research costs are written off to the Operating Cost Statement as incurred. Internally generated software includes capitalisation of internal IT staff costs on projects costing in excess of £20k. Construction in progress is 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 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).

1.8. 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 60 years
Scientific Equipment	5 to 15 years
IT	3 to 5 years
Internally Generated Software	3 to 7 years
Bought In Software	3 to 7 years
Motor Vehicles	5 to 7 years
Furniture	10 years

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.

1.9. 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.

1.10. Investments

Fera owns 24% of a spin out company Forsite Diagnostics Limited (FDL). Under the agreement Fera is expected to benefit from the future sale of FDL, which will realise cash proceeds. In addition, Fera has a small percentage shareholding in the Parent, SGBio Ltd, which may also realise future cash benefits. Fera provides ongoing various site and research and development services to FDL, for which FDL is charged at full cost recovery rates.

In valuing the investment in the associate Fera has used equity accounting. This takes Fera's share of total assets less long term liabilities based on FDL accounts as at Year Ending 31 December 2009.

The opening balance as at 1 April 2009	£0k
Revaluation in year	£0k
Closing balance as at 31 March 2010	£0k

1.11. Inventories and work in progress

Work in progress is stated at the lower of cost or net realisable value. The provisions of IAS 18 relating to revenue recognition has been applied to long term contracts and where losses are expected these have been provided for. Inventories are stated at the lower of cost and net realisable value in line with IAS 2.

1.12. Bad debts

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

1.13. Research and development expenditure

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

1.14. Value added tax

Fera is included under the VAT registration of Defra. Irrecoverable VAT is charged to the Operating Cost Statement in the year in which it is incurred.

1.15. Foreign exchange

Transactions in foreign currencies are recorded at the rate prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate prevailing at the Financial Statement date. All differences are taken to the Operating Cost Statement.

1.16. Early departure costs

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 (2010) 03 guidelines, currently 1.8%.

1.17. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in Note 3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Fera recognises the expected cost of these elements 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. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

1.18. 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, or as a result of an offer to encourage voluntary redundancy.

1.19. Notional charges

The following notional costs borne on the Operating Cost Statement are credited to the General Fund: External Audit charges and Defra Estate charges. Notional interest on capital is calculated at 3.5% of the average net capital employed during the year. All other charges are paid on invoice.

1.20. Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement 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 Operating Cost Statement on a straight-line basis over the term of the lease.

1.21. Right of use assets

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 the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the Department 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.

Fera is part of this arrangement, details of which are included in the Notes to the Accounts.

1.22. Facilities charge

A pricing mechanism exists which separately identifies the high running costs of maintaining specialist facilities for a wide range of Defra customers. By agreement with Fera's Corporate Owner (The Food and Farming Group), a separate payment mechanism funded by customer programmes was introduced in 1997/98 for maintaining the specialist facilities. The figures are shown in Note 5.

1.23. Capital charge

A charge reflecting the cost of capital utilised by the Agency is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets, and cash balances with the Office of the Paymaster General, where the charge is nil.

1.24. Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, 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.

1.25. 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 balance sheet 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 Note 8.

1.26. 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 Financial Reporting Manual 2009/10.

2. First-time adoption of IFRS

	General Fund	Revaluation Reserve	Total Reserves
	£000	£000	£000
Taxpayers' equity at 31 March 2009 under UK GAAP	86,497	40,422	126,919
Prior year adjustment to land and buildings, transfer of asset from Defra (Note 6)	397		397
Taxpayers' equity at 31 March 2009 under UK GAAP	86,894	40,422	127,316
Adjustments for:			
IAS 38 - Intangible Assets 07/08 restatement	107		107
IAS 19 - Employee Benefits 07/08 restatement	(658)		(658)
IAS 38 - Intangible Assets 08/09 movements	47	(7)	40
IAS 19 - Employee Benefits 08/09 movements	(10)		(10)
IAS 19 - Employee Benefits 08/09 restatement	(116)		(116)
Taxpayers' equity at 1 April 2009 under IFRS	86,264	40,415	126,679
			£000
Net operating cost for 2008/09 under UK GAAP			(498)
Adjustments for:			
IAS 38 - Intangible Assets 08/09 movements			47
IAS 19 - Employee Benefits 08/09 movements			(10)
Net operating cost for 2008/09 under IFRS			(461)

In addition to the cash balances of £8,068 reported under UK GAAP at 31 March 2009, the Agency held cash equivalents of nil. These were reported under UK GAAP as investments.

3. Staff numbers and related costs

(i) Staff costs comprise:

	2009/10 £000			Restated 2008/09 £000		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Wages and salaries	23,844	432	24,276	22,542	484	23,026
Social security costs	1,648	42	1,690	1,632	28	1,660
Other pension costs	4,413	0	4,413	4,353	6	4,359
Sub-total	29,905	474	30,379	28,527	518	29,045
Agency staff costs		178	178			0
Total staff costs	29,905	652	30,557	28,527	518	29,045
Less recoveries in respect of outward secondments			0	(49)		(49)
Total net costs	29,905	652	30,557	28,478	518	28,996

For 2009/10 normal employers' contributions were payable to the Principal Civil Service Pension Scheme (PCSPS) at the following rates:

Salary Level: £20,500 and under	16.7%
Salary Level: £20,501 to £42,000	18.8%
Salary Level: £42,001 to £72,000	21.8%
Salary Level: greater than £72,001	24.3%

For the coming year the following rates will be applicable:

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

Employers' contributions are reviewed every four years following a scheme valuation by the Government Actuary. A full actuarial valuation was carried out on the scheme liabilities as at 31 March 2007. 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 but 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 2009/10, employers' contributions of £4,410k were payable to the PCSPS (2008/09 £3,294k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, 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 2009/10 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 £37k were paid to one or more of the panel of three appointed stakeholder

pension providers. Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employers' contributions up to 3% of pensionable pay. In addition, employers' contributions of £4k, 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

(iii) For details of the Chief Executive's and Directors' salaries please refer to the Statement of remuneration which can be found on page 30.

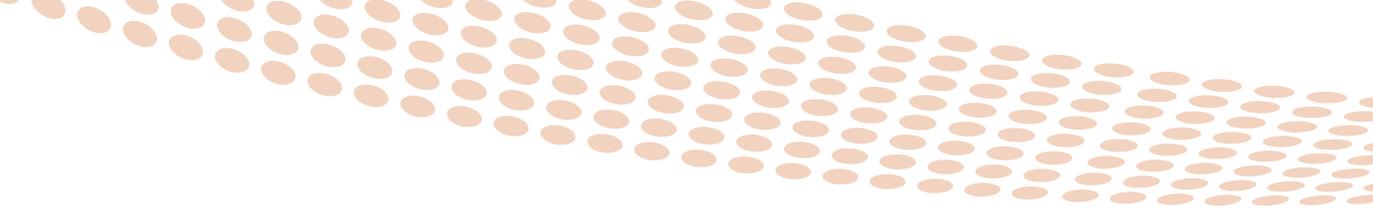
(iv) Average number of persons employed

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

	2009/10 Number			Restated 2008/09 Number		
	Permanent staff	Others	Total	Permanent staff	Others	Total
Directly employed	816	23	839	791	16	807
Total	816	23	839	791	16	807

4. Other running costs

	Note	2009/10 £000	Restated 2008/09 £000
Accommodation		145	8,421
Consumables		13,673	10,097
Intangible costs written back			(71)
Travel and subsistence		1,920	1,971
Conference costs			74
Office services		1,498	1,780
Right of use asset		521	
Insurance		47	50
Rentals under operating leases		8	28
Defra central overhead		114	146
Internal auditors' remuneration and expenses		60	63
Other		943	150
Training		264	248
Fera start up costs			636
Non-cash items			
Accommodation (notional charge)		8,773	
Depreciation	6	5,085	5,134
Amortisation	7	870	934
Impairment			477
Holiday pay accrual		(16)	
CCA adjustment		(50)	
(Profit)/loss on disposal of property, plant and equipment		5	7
Cost of capital charges (notional charge)		3,867	4,058
External auditors' remuneration and expenses (notional charge)		68	91
Defra central overheads		46	442
Exchange (gains)/losses		171	(247)
Early departure costs (notional charge)	16	157	450
Total		38,169	34,939



In 2009/10 Fera was adopted into a Defra wide estates management contract. These costs are now treated as non-cash items and notional charges to the General Fund. During 2008/09 accommodation costs were cash items in the books of the relevant organisations.

Within the Operating Cost Statement the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra or specialised properties shown in the Agency's Statement of Financial Position. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For Defra leasehold properties, this also includes rental costs. There are no rental costs for Defra freehold properties.

Of the external audit fee (£68k) £8k relates to the audit work undertaken on the implementation of the International Financial Reporting Standards (IFRS) in 2009/10.

Additionally, £2.5k was paid to the NAO in non-statutory audit fees for work relating to EU grant claim certification.

Differences in the 2008/09 comparatives:

During 2008/09 Fera prepared to become a new organisation, merging CSL with Defra's Plant Health Division (including Bee Health and the Plant Health and Seeds Inspectorate), the Plant Variety Rights Office and Seeds Division (PVS) and the Government Decontamination Service on 1 April 2009 to form the new Agency. The preparation for this change incurred significant additional costs, included under Other (£636K) and Early Departure Costs (£343k).

In 2008/09 a Defra provision for £844k was released in year to match the expenditure incurred in controlling the outbreak of *Phytophthora ramorum* (sudden oak death disease). This reduced the administration permanent staff costs by £43k, agency staff costs by £143k, consumables by £585k, travel and subsistence by £27k and other items by £46k. During 2009/10 Fera continued to receive income to continue the eradication programme.

£472k of the £477k impairment in 2008/09 relates to PVS costs incurred in developing the Reflex internally generated software. The software was for an online application and payment system for Plant Breeders' Rights and National Listing. The project was mothballed in 2006 and will not be resurrected because business and user requirements have changed from the project's inception in 2003.

5. Income

	Note	2009/10 £000	Restated 2008/09 £000
Defra - Commissioned research and development		4,893	6,030
Defra - Infrastructure funding		13,400	13,140
Defra - Commissioned policy support		17,166	19,253
Defra - Other contracts		9,458	2,646
Defra - Non-Departmental Public Bodies		568	595
Other Government Departments		5,708	5,832
European Union		2,365	2,483
Commercial and other income		11,218	11,193
Regulatory fees and charges	5.1	3,424	2,338
Total		68,200	63,510

During 2009/10 Fera was awarded the Phytophthora contract, a large new project, initial value of £3.6m, on which we have delivered for lower cost thereby returning £600k of funding to Defra. Fera also clarified the customer requirements for the GDS programme identifying a significant saving of £1.1m in funding which has also been returned to Defra.

In 2009/10 £336k of income relating to Plant Varieties and Seeds (PVS) testing has been pre-paid into 2010/11 as the work will not be carried out by the contractor until this time. This is a correction to the accounting treatment undertaken by Defra prior to the merger.

5.1. Fees and charges

	2009/10			2008/09		
	Income £000	Full Cost £000	Surplus/ (Deficit) £000	Income £000	Full Cost £000	Surplus/ (Deficit) £000
National listing of seed varieties	1,246	1,890	(644)	1,038	1,182	(144)
Seed certification and seed training	650	1,154	(503)	1,017	1,037	(20)
Plant health import inspections	1,528	2,763	(1,235)	283	1,892	(1,609)
Total	3,424	5,807	(2,383)	2,338	4,111	(1,773)

Miscellaneous other services, not reportable to HM Treasury, attracted accrued revenue of £3,424k against costs of £5,807k, giving a deficit of £2,383k. 2008/09 full cost

The commercial and other income received by Plant Health in 2008/09 was less than budgeted because fees were not charged for seven months. As the legal basis of the fees for imported seed inspections were challenged, invoicing ceased until the legal issue was resolved. Agreement was reached with the industry not to backdate the invoicing for the period it took to resolve the issue rather than repay historic overcharges. The estimated shortfall in income was £497k.

Defra did not report income at the divisional level so for 2008/09 comparatives the income shown for Plant Health (PH) and PVS is the value necessary to show a nil movement in cash for the year.

figures reflect the Defra overhead calculation which differs from that used by Fera and are extracted from the 2008/09 Defra Consolidated Resource Accounts.

6. Property, plant and equipment

	Land £000	Buildings £000	Furniture £000	Vehicles £000	Information Technology £000	Lease Assets £000	Finance Lease Asset £000	Scientific Equipment £000	Total £000
Cost or valuation									
At 1 April 2009	9,970	99,015	267	295	143	316	36	4,893	114,935
Additions		328	188	102	255	1,062		990	2,925
Disposals			(13)		(2)			(11)	(26)
Reclassifications			(43)		7				(36)
Impairment									0
Revaluations	(2,250)	(2,623)							(4,873)
At 31 March 2010	7,720	96,720	399	397	403	1,378	36	5,872	112,925
Depreciation:									
At 1 April 2009	0	0	0	0	0	0	0	0	0
Charged in year		3,653	39	128	75	179	25	986	5,085
Disposals			(10)		(2)			(2)	(14)
Reclassifications									0
Impairment									0
Revaluations									0
At 31 March 2010	0	3,653	29	128	73	179	25	984	5,071
Net book value at 31 March 2010	7,720	93,067	370	269	330	1,199	11	4,888	107,854
Net book value at 31 March 2009	9,970	99,015	267	295	143	316	36	4,893	114,935

Property values are included in the financial statements where the Agency is the sole or major occupier and a charge is made for depreciation and the cost of capital. 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 the Valuation Office. They valued the York site at £92,740k. The next review is in mid 2015. In the intervening years a desk based review will be carried out.

Block 10 of the Sand Hutton site was vacated during 2007/08 however it is proposed that the empty block will be rented out to a similar organisation for laboratory or office use. The carrying amount will therefore remain unchanged based

on the potential rental income which would be in line with current cost levels.

Leased assets relate to IT services provided under the Defra contract with IBM.

Defra has contracted with IBM for the provision of IT services and infrastructure assets. This contract was renewed on 1st 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, who 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.

During 2009/10 assets with a value of £441k transferred to CSL from Defra. The assets became operational in 2008/09, therefore have been included in the Fera financial statements as a prior year adjustment. Depreciation amounting to £44k for 2008/09 has also been adjusted for.

All assets have transferred to the Agency at their carrying value as at 1st April 2009. Prior year comparative figures are based on the values of assets as held by the prior organisations.

	Land £000	Buildings £000	Furniture £000	Vehicles £000	Information Technology £000	Lease Assets £000	Finance Lease Assets £000	Scientific Equipment £000	Restated Total £000
Cost or valuation									
At 1 April 2008	9,970	141,023	1,220	1,126	1,170	395	74	16,272	171,250
Additions		618	72	27	16	34		1,180	1,947
Disposals				(104)	(134)			(1,257)	(1,495)
Reclassifications									0
Impairment								(5)	(5)
Revaluations		7,817							7,817
At 31 March 2009	9,970	149,458	1,292	1,049	1,052	429	74	16,190	179,514
Depreciation									
At 1 April 2008		44,100	982	734	910	0	14	11,530	58,270
Charged in year		3,697	43	124	133	113	24	1,000	5,134
Disposals				(104)	(134)			(1,233)	(1,471)
Reclassifications									0
Impairment									0
Revaluations		2,646							2,646
At 31 March 2009	0	50,443	1,025	754	909	113	38	11,297	64,579
Net book value at 31 March 2009	9,970	99,015	267	295	143	316	36	4,893	114,935
Net book value at 31 March 2008	9,970	96,923	238	392	260	395	60	4,742	112,980

6.1. Service concession assets

	2009/10 £000	Restated 2008/09 £000
Opening balance	316	395
Extension to the service concession arrangement	1,023	0
Adjustment to the service concession arrangement	39	34
Depreciation	(179)	(113)
Closing balance	1,199	316

7. Intangible assets

Intangible assets comprise software licenses, internally generated software and assets under construction.

	Assets under Construction £000	Software Licenses £000	Internally Generated Systems £000	Total £000
Cost or valuation				
At 1 April 2009	9	107	3,548	3,664
Additions		19	25	44
Disposals				0
Reclassification	(9)	36	9	36
Revaluation			500	500
Impairment				0
At 31 March 2010	0	162	4,082	4,244
Amortisation				
At 1 April 2009	0	0	0	0
Charged in year		46	824	870
Disposals				0
Revaluation				0
At 31 March 2010	0	46	824	870
Net book value at 31 March 2010	0	116	3,258	3,374
Net book value at 31 March 2009	9	107	3,548	3,664

During 2008/09 Defra capitalised internally generated computer software on projects in excess of £50k. The capitalisation includes internal IT staff costs. CSL policy was to capitalise projects in excess of £20k. This policy has been taken forward by Fera.

	Assets under Construction £000	Software Licenses £000	Internally Generated Systems £000	Total £000
Cost or valuation		£000	£000	£000
At 1 April 2008	0	709	5,925	6,634
Additions	9	62	385	456
Disposals		(23)		(23)
Revaluation			559	559
Impairment			(472)	(472)
At 31 March 2009	9	748	6,397	7,154
Amortisation				
At 1 April 2008	0	512	1,761	2,273
Charged in year		152	782	934
Disposals		(23)		(23)
Revaluation			306	306
At 31 March 2009	0	641	2,849	3,490
Net book value at 31 March 2009	9	107	3,548	3,664
Net book value at 31 March 2008	0	197	4,164	4,361

8. 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.

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 minimises this risk by transacting in Sterling, Euros and US Dollars. Regular reviews are carried out on bank balances.

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. New commercial customers are reviewed for credit worthiness and appropriate trading terms agreed.

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.

9. Impairments

During 2008/09 PVS wrote off the costs incurred in developing the Reflex internally generated software of £472k, included in the impairment figure of £477k. The software was for an online application and payment system

for Plant Breeders' Rights and National Listing. The project was mothballed in 2006 and will not be resurrected because business and user requirements have changed from the project's inception in 2003.

10. Inventories

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Stock	19	17	14
WIP	168	188	110
Total	187	205	124

11. Trade receivables and other current assets

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Amounts falling due within one year:			
Trade receivables	4,452	3,880	3,658
Defra receivables	779	772	1,458
Other receivables	117	60	91
Defra accrued income	3,703	613	1,173
Prepayments and accrued income	3,538	2,777	2,507
Sub-total	12,589	8,102	8,887
Amounts falling due after more than one year:			
Prepayments and accrued income	12	5	16
Total	12,601	8,107	8,903

12. Trade receivables - Intra Government balances

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Amounts falling due within one year:			
Balances with Other Central Government Bodies	6,190	2,836	3,836
Balances with Local Authorities	9	17	37
Balances with NHS	156	0	25
Balances with Public Corporations and Trading Funds	0	0	0
Balances with bodies external to Government	6,234	5,249	4,989
Sub-total	12,589	8,102	8,887
Amounts falling due after more than one year			
Balances with bodies external to Government	12	5	16
Total	12,601	8,107	8,903

13. Cash and cash equivalents

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Balance at 1 April 2009	8,068	6,360	10,863
Net change in cash and cash equivalent balances	(440)	1,708	(4,503)
Balance at 31 March 2010	7,628	8,068	6,360
The following balances at 31 March 2010 were held at:			
Office of HM Paymaster General	7,045	6,299	5,546
Commercial banks and cash in hand	583	1,769	814
Short term investments			
Balance at 31 March 2010	7,628	8,068	6,360

In addition to the above balances for 2009/10, Fera hold £2.9m of monies relating to third party collaborators (2008/09 £2.7m).

Cash held in other currencies represents 1.1% of total cash.

During 2010/11 in line with other Government organisations Fera will move bank accounts from the Office of HM Paymaster General to the Government Banking Service for its Government banking.

14. Trade payables and other current liabilities

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Amounts falling due within one year			
VAT	138	111	128
Other taxation and social security	591	427	425
Trade payables	47	176	654
Defra payables	605	209	361
Other payables	779	518	659
Defra prepaid income	776	374	758
Other prepaid income	2,601	2,317	888
Accruals and deferred income	2,135	2,060	2,918
Defra accruals and deferred income	514	169	30
Sub-total	8,186	6,361	6,821
Amounts falling due after more than one year:			
Defra payables	1,032	187	282
Other payables	0	7	31
Total	9,218	6,555	7,134

Included within Defra payables is the future liability to pay for the "right of use" assets to IBM. The current liability is £168k (2008/09 £129k), the non-current liability is £1.032m (2008/09 £187k).

Cabinet Office regulations require all Government Departments to make payments to suppliers within a ten day target, from April 2010 this target is reduced to five days. This will therefore reduce the number of suppliers with whom we have credit.

15. Trade payables - Intra Government balances

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Amounts falling due within one year			
Balances with Other Central Government bodies	1,727	1,138	1,561
Balances with Public Corporations and Trading Funds	0	11	0
Balances with bodies external to Government	6,459	5,212	5,260
Sub-total	8,186	6,361	6,821
Amounts falling due after more than one year:			
Defra payables	1,032	187	282
Other payables	0	7	31
Total	9,218	6,555	7,134

16. Provisions for liabilities and charges

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Current liabilities			
Early departure costs	302	561	1,327
Employee benefit	768	784	614
Total	1,070	1,345	1,941
Non-current liabilities			
Early departure costs - 2011 and 2016	210	380	577
Early departure costs - 2017 and 2027	42	20	30
Total	252	400	607

16.1. Early departure costs

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Balance at 1 April 2009	961	1,934	1,926
Provided in the year	127	419	323
Provisions utilised in the year	(564)	(1,423)	(369)
Unwinding of discount	30	31	54
Balance at 31 March 2010	554	961	1,934

	2009/10 £000	2008/09 £000	2007/08 £000
In the remainder of the Spending Review period (to 2010)	302	561	1,327
Between 2011 and 2016	210	380	577
Between 2017 and 2027	42	20	30
Thereafter			
Balance at 31 March 2010	554	961	1,934

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.

16.2. Employee benefit

	2009/10 £000	Restated 2008/09 £000	Restated 2007/08 £000
Balance at 1 April 2009	784	772	0
Provided in the year	(16)	12	614
Balance at 31 March 2010	768	784	614

The holiday pay provision is an estimation based on a sample of staff leave sheets. The approach adopted by Fera is compliant with the accounting framework outlined by IFRS as adapted by the FReM. The calculation values leave not taken by staff at the year end.

17. Returns on investments and servicing of finance

	2009/10 £000	Restated 2008/09 £000
Interest received	1	13
Total	1	13

18. Capital commitments

In 2009/10 under the estates contract, Fera has a capital commitment of £35k for construction of a building related asset. There were no capital commitments for 2008/09.

19. Commitments under leases

19.1. Operating leases

	2009/10 £000	Restated 2008/09 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	290	211
Later than 1 year but not later than 5 years	547	485
Later than 5 years but not later than 10 years	250	298
Later than 10 years but not later than 15 years	58	62
Expiry thereafter		
Total	1,145	1,056
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	5
Total	8	8
Other:		
Not later than 1 year	5	8
Later than 1 year but not later than 5 years		4
Later than 5 years but not later than 10 years		
Later than 10 years but not later than 15 years		
Expiry thereafter		
Total	5	12

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

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

19.2. Finance leases

	2009/10 £000	Restated 2008/09 £000
Obligations under finance lease arrangements comprise:		
Not later than 1 year	12	27
Later than 1 year but not later than 5 years		12
Later than 5 years but not later than 10 years		
Later than 10 years but not later than 15 years		
Expiry thereafter		
Total	12	39

19.3. Service concessions

	2009/10 £000	Restated 2008/09 £000
Obligations under service concession arrangements comprise:		
Not later than 1 year	168	129
Later than 1 year but not later than 5 years	675	187
Later than 5 years but not later than 10 years	357	
Later than 10 years but not later than 15 years		
Expiry thereafter		
Total	1,200	316

For further details on the right of use asset see Note 1.21

20. Other financial commitments

	2009/10			Restated 2008/09		
	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	4	265	269		232	232
Later than 1 year but not later than 5 years		91	91	1,273	198	1,471
Later than 5 years but not later than 10 years	2,068	2,300	4,368			0
Later than 10 years but not later than 15 years	2,701		2,701			0
Expiry thereafter			0			0
Total	4,773	2,656	7,429	1,273	430	1,703

The Agency has entered into non-cancellable contracts (which are not leases or PFI contracts), for nursery and daycare, catering, photocopiers, service provision, software and systems support. The payments to which the Agency is committed during 2009/10, analysed by the period during which the commitment expires are detailed above.

Within the financial commitments the 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 shown 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.

Comparatives are not available for the £2.7m contract which came into force in 2009/10 and the £2.3m contract shown in 2009/10 figures.

21. Contingent liabilities disclosed under IAS 37

Fera currently has 17 equal pay cases at Employment Tribunal. These have been ongoing for over two years pending the outcome of a number of other relevant cases. Current legal advice is that these cases may finally reach tribunal in summer 2010. Potential liability estimates in such cases are very difficult but most recent estimates of possible initial costs in the event of a tribunal ruling against Fera are in the region of £205k.

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. We cannot quantify the value of any such possible future actions but, to minimise liability, the contract requires NIAB to take out a £5m professional insurance.

Fera has received a professional negligence claim and an indemnity to pay for future claims. This is being defended.

22. Losses and special payments

Fera has written off losses of £1k and £3k during 2009/10 both relating to theft. There were no special payments during 2009/10. There were no losses or special payments in 2008/09.

23. Related-party transactions

During the year Fera had dealings with Defra and its sponsored bodies, notably the 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.

During 2008/09 Robert Bolton held the position of Commercial Director of CSL and was on the Board of Forsite Diagnostics Ltd (FDL) but received no financial recompense. In 2009/10 Angus Hearmon replaced Robert Bolton on the Board and has maintained a non-executive role representing Fera's interests on the board of FDL, and received no financial recompense for this position.

During the 2009/10 financial year transactions between Fera and FDL totalled income of £191k (2008/09 £279k) and expenditure of £173k (2008/09 £83k). The income related to rent, administrative expense, IT and health and safety support. Expenditure related to consumables and contractor costs. The outstanding receivables at the year end totalled £282k. 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 contracts for the year ending March 2010 totalled £63k (2008/09 £131k). 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 Association of Chief Executives (ACE) but receives no financial recompense for this role.

Tony Harrington, Director of Policy and Regulation, acts as the Independent Environmental Advisor (similar to a non executive Director) for Welsh Water on their Quality and Environment Committee Board. Any monies received from Welsh Water are refunded to Fera. Tony is also a Director of the Groundwork Trust (registered charity) but receives no financial recompense for this role.

Nicola Spence, former Chief Scientist, left to take up a post with Science City York with whom we have negotiated a collaboration on a large biorenewables contract funded by Yorkshire Forward.

24. Third party assets

Fera hold 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 below.

	31-Mar 2009 £000	Gross inflows £000	Gross outflows £000	31-Mar 2010 £000
3rd party bank balances - Euro	1,913	588	(1,177)	1,324
3rd party bank balances - GBP	878	1,058	(445)	1,491
Total	2,791	1,646	(1,622)	2,815

25. Events after the reporting period

The Secretary of State for Defra announced on 29 June the first outcomes of a review of Defra delivery bodies. Further announcements are expected later in 2010; at present there are no specific proposals for Fera which should be reflected in the accounts, and the accounts are presented on a going concern basis.

The Accounts were authorised for issue on the 12 July 2010



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