The Food & Environment
Research Agency

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The Food and Environment Research Agency

Annual Report and Accounts 2013/14

HC 140

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1. Foreword by Hilary Aldridge

Chief Executive

I am pleased to report that in this year of trading, the fifth since establishing the Food and Environment Research Agency (Fera), we have again achieved our breakeven target and delivered a surplus of £1.6m. This surplus of £1.6m represents a £1.2m reduced depreciation recharge from Defra and a £0.4m surplus on our operating activities. This strong trading result, which demonstrates the outstanding work the Agency has delivered during 2013/14, is set against a background of significant organisational change and continued Government austerity measures. The Agency has delivered this result through maintaining high levels of delivery for customers, whilst driving efficiencies and growing income.

In the wake of the 2012 Ash Dieback outbreak Fera has continued to deliver the ongoing Chalara Management Plan and has played a major role in delivering the recommendations of the Tree Health and Plant Biosecurity Expert Taskforce report on behalf of Defra. In particular, we led the development of a prioritised UK Plant Health Risk Register – this was a world first – provided input into Defra's plant biosecurity strategy and procedures for contingency planning to predict, monitor and control the spread of disease.

Early 2013 saw the horsemeat incident and Fera continues to support Defra and the Food Standards Agency through ongoing surveillance work and assisting with their long term food authenticity strategy. Fera is taking a leading role in addressing post-horsemeat incident issues at a European level by co-ordinating the EC funded €12m FoodIntegrity project, co-sponsored by Defra.

The growth of new strategic partnerships and collaborations was also very positive for us this year. We set up a major initiative with University of York on Agrifood resilience, which will be the focus for new centres of excellence in basic and applied technology. We see this as a first step in drawing together expertise and capability to support delivery of the Government's UK Agri technology strategy which was published in the summer.

Our income mix has shifted slightly this year with a fall in income from Defra offset by increases in income from Other Government Departments, in particular the Food Standards Agency (FSA) and the European Commission. The continued implementation of phased fee increases for statutory services in plant health, plant varieties and seeds has delivered further growth in income, as we move towards full economic cost recovery.

Our Cabinet Office and Public Chairs' Forum[1] acclaimed Continuous Improvement (CI) programme has enabled us to deliver benefits across the organisation for both customers and staff. Over 220 staff ideas have delivered significant efficiencies and improvements.

Strength in delivery is reflected in the results of our annual Customer Satisfaction Survey with satisfaction ratings increasing for our major customers. The survey highlighted that the things our customers value are our sustained delivery, outstanding responsiveness to issues and the knowledge, skills and expertise of Fera staff.

Our ability to deliver for our customers is underpinned by our research capability, which supports the development of advanced methods of detection. This enables us to provide wide ranging and high quality specialist services to customers across Government and industry. Maintaining this capability is central to the work currently being

[1] http://www.publicchairsforum.org.uk/images/uploads/efficiency_by_design.pdf

undertaken to determine the future ownership model of the Agency which is disclosed within the future developments section of the strategic report.

Decisions affecting our future have started to take shape this year which means that some functions of Fera will be transferred to other parts of Government during 2014. The planned changes for 2014/15 are detailed within note 24 of the financial statements. An example of these changes is the planned transfer of the Government Decontamination Service (GDS) to Defra. GDS has very specialised capabilities and Ministers have agreed that a transfer from Fera to Defra will minimise disruption to their essential UK-wide emergency capability. We are working with our Defra and GDS colleagues to ensure a smooth transition and to support the continuity of all our business as the transfer goes ahead, with the aim of completing the transfer in the first part of next financial year.

Despite the uncertainty that Fera continues to face about its future ownership, we have seen a four percent increase in staff engagement levels, as reported in the annual Civil Service ‘People Survey’. Our strong staff engagement is also demonstrated by an excellent 2014 Investors in People assessment. This is a powerful testament to the professionalism and resilience of our staff at a time of continuing uncertainty and change.

Finally, I also pay tribute to Fera’s previous Chief Executive, Adrian Belton, and Chief Scientist, Professor Robert Edwards, both of whom left Fera at the end of the financial year in order to take up challenging new posts at the Construction Industry Training Board (CITB) and The University of Newcastle respectively. Without their vision and leadership Fera would not be the place it is today.

In conclusion, I would like to take this opportunity to thank all the staff and partners of Fera for another year of strong performance and I look forward to delivering even better results in 2014/15.

Hilary Aldridge

Chief Executive and Accounting Officer

13 June 2014

2. Strategic Report

The strategic report discloses those matters which Fera is required to report under section 414C of the Companies Act 2006 and the Government Financial Reporting Manual. It is intended to provide:

- An overview of our background and key changes during the year.
- A balanced and comprehensive analysis of the development and performance of Fera during the financial year.
- The achievement of ministerial targets during the year.
- The position of the business at the end of the year.
- The main trends and factors likely to affect the future development, performance and position of the business.
- Information about Fera's employees and its impact on the community and the environment.

Background

Fera was launched as a net running cost Executive Agency of the Department for Environment, Food and Rural Affairs (Defra) on 1 April 2009. The formation of Fera brought together three divisions of Defra and two existing Executive Agencies into this new Executive Agency. Details of Fera's legal framework are set out in our Framework Document, which is available on our website.[2] Fera is required by HM Treasury to produce an Annual Report and Accounts each year in accordance with the Accounts Direction which they provide. This Accounts Direction is available on http://www.gov.uk.[3] Fera's accounts are consolidated into Defra's Annual Report and Accounts and ultimately the Whole of Government Accounts.

In 2013/14 Fera underwent significant organisational change, with the transfer of its Wildlife programme to the Animal Health and Veterinary Laboratories Agency (AHVLA), another Executive Agency of Defra. This was in line with Fera's business plan and reflects Fera's increasing focus on its core business in the agrifood supply chain. Additionally, from 1 April 2013 the ownership and management of the Sand Hutton estate has transferred from Fera to Defra.

Fera carries statutory responsibility for delivering inspectorate functions in plant health, bee health, and plant varieties and seeds. We also provide surveillance, scientific evidence and analysis in support of other policy areas, such as land use assessment, Genetically Modified Organisms (GMOs) and biodiversity. In summary, our services address risks to a safe, secure and productive food chain and the impact of these risks on the wider environment. Fera also has a significant role in high profile work relating to the planning and preparation for recovery from a Chemical, Biological, Radiological and Nuclear (CBRN) or major Hazardous materials (Hazmat) incident.

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

[2] http://fera.co.uk/news/documents/feraFrameworkDocument09.pdf

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268438/DAO_GEN_3-13_Accounts_Directions_2013-14_20_December_2013__3_.pdf

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

Fera's future status as an Executive Agency and its statutory responsibilities is currently being reviewed by Defra through the Future of Fera review. This review, once finalised, is likely to have a transformative impact on the scope and scale of our future activities. The preparation work we are undertaking for this review and the substantial change this involves has inevitably led to some uncertainty across the organisation. The current status of this review is stated within the future developments section of the strategic report. Despite this uncertainty and the ongoing reviews the Annual Report and Accounts show that we have continued to demonstrate innovation and significant achievements in 2013/14.

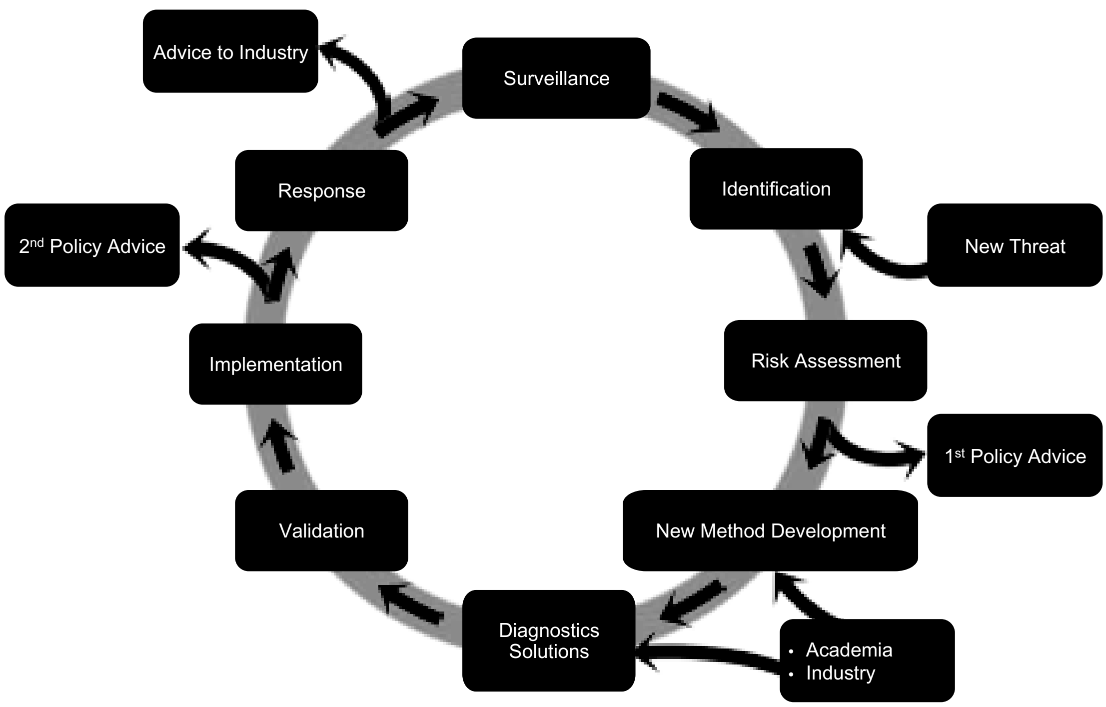
Performance overview

Science delivery

In 2013/14 Fera has continued to play a major role in dealing with the repercussions for industry and Government of the Ash Dieback outbreak and the horsemeat incident. Our science has risen to the challenge with new diagnostic tools and mitigation strategies and it is a testament to the inventiveness, dedication and hard work of our staff and the availability of the right infrastructure, which has enabled Fera to fill this role.

The horsemeat incident yet again demonstrated the value of the integration of research and response capabilities in dealing with national emergencies, and it is this principle that underpins Fera's Science Wheel. Our diagnostics teams brought DNA detection technologies to bear on the sensitive detection of horsemeat in processed foods, while our food safety analysts identified the potential threat of the veterinary medicine phenylbutazone ('bute') entering the supply chain, leading to the development of fit-for-purpose methodology and the rapid deployment of mass testing of samples on behalf of the FSA.

Fera science wheel



Our plant pathologists, entomologists and molecular biologists have been busy responding to continuing pest and disease outbreaks, being active in leading initiatives recommended by the Tree Health and Plant Biosecurity Expert Taskforce report and working in close collaboration with a range of universities and research council institutes.

As an excellent example of joint working, Fera scientists were instrumental in supporting colleagues at the Sainsbury Laboratory in Norwich with the analysis of the genome of *Chalara fraxinea*, the causative agent of Ash Dieback. The ability to derive genome information and ultimately other ‘omic’ resources to counteract new threats to UK biosecurity is central to Fera’s strategy. This exercise is proving the value of this approach in developing new diagnostics and control programmes and understanding the epidemiology of this complex disease at the molecular level. Fera has a unique role in passing the benefits of this knowledge onto the Plant Health and Seeds Inspectorate (PHSI) so their field work is supported by the latest science and technology.

As a new initiative and an extension of our plant health work, Fera has initiated a Crop Protection Centre[4] (launched in June 2013) to deliver integrated solutions to safeguard yield and quality in arable and horticultural crops. We are working with partners in academia, research institutes and industry, to develop innovative approaches to ensure crop health using a combination of advanced field diagnostics for detection of disease, integrated management of pests and diseases and the safe and sustainable use of agrochemicals.

Integrated working across Fera underpins a flexible and effective scientific response to emergencies. This approach enables us to provide wide ranging and high quality specialist services to customers in both Government and industry in the UK and further afield. By targeting our seedcorn investments we are building further capability into cross-programme working, which combines our expertise in small and large molecule analysis. A strong common theme is the development of non-targeted surveillance and detection technologies, which make best use of our recent major investments in high resolution mass spectrometry and next generation sequencing. Some notable new projects include using non-targeted approaches in developing new biomarkers for herbicide resistance in weeds, attributing the sources of food-borne pathogens and understanding the impact of chemicals on the environment’s microflora.

In developing a further strand to our science strategy, we have been building strategic links with a range of partner universities who can help us investigate new scientific questions which relate to evidence gathering as well as building new expertise and capability. We have invested in the White Rose Doctoral Training Programme and held associated workshops to identify new joint projects with university academics. We have developed new formal collaborations in food security, agrifood resilience and food safety with the Universities of Bristol, York and Chester respectively. In particular, links with the University of York have led to the launch of a major Joint Initiative in Agrifood Resilience[5], which will be very important in strengthening the region’s position as a centre for innovation in farming and food.

To support our science base at Fera, we continue to run a successful set of internal conferences, summits and workshops. In 2013 we introduced a fellowship scheme to support some of our brightest and best scientists to develop their specialisms in support of our future technology needs and business aspirations.

Fera’s scientists continue to play a major part in the international science scene, with representation on both national and international strategy panels and policy committees. We are a major training provider in plant health, food and environmental safety, being directly involved in the training of over 60 postgraduate students. We are also linked to a range of national and international training and exchange programmes.

The year has seen an increase in our published outputs with Fera scientists both improving on the number and impact factor of primary papers and critical reviews.

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[4] http://fera.co.uk/science/cropProtectionCentre.cfm

[5] http://fera.co.uk/science/initiativeAgrifoodResilience.cfm

Looking forward, our science focus for 2014/15 is to develop our strategy in agricultural science and technology, with a view to securing funding from the Government's Agri-Tech Strategy. Building on our strengths in food safety and authenticity we will also be taking a key role in establishing a national food integrity centre. Both of these exciting new initiatives will be progressed with existing and new partners, who we look forward to working with in the coming year.

Supporting Government policy

Fera works closely with Defra and policy-makers across Government, providing robust evidence, analysis and advice to support policy development and manage incident response.

As part of Government's proactive response to national threats, Fera has taken a major role in delivering the recommendations of the Tree Health and Plant Biosecurity Expert Taskforce report, published in May 2013. In particular, our plant health consultants and scientists led a major project to develop a prioritised UK Plant Health Risk Register and procedures for contingency planning to enhance prediction, monitoring and control of pest incidents. The first phase of the UK Plant Health Risk Register was published in January 2014, comprising 669 pest species and over 58,000 individual data points. It will be invaluable in developing new strategic response plans in plant health across Government, which will continue to build national resilience in biosecurity and ensure the success of the Defra plant biosecurity strategy.

Fera chairs and contributes to the Bee Health Advisory Forum (formerly the Healthy Bees Plan Board). 2013/14 saw the completion of Defra's consultation on bee health and diseases; Fera is working with national stakeholders to deliver the resultant implementation plan. This agreed outcome reflects the objectives of the original Healthy Bees Plan in both improved relationships with stakeholders and responsibility sharing.

In 2013/14 Fera completed a number of projects for Defra and Natural England focussed on monitoring the effectiveness and impact of voluntary on-farm agri-environmental schemes, including Environmental Stewardship and the Campaign for the Farmed Environment. The reports provided Defra with valuable evidence on the effectiveness and impact of Environmental Stewardship as they entered negotiations on Common Agricultural Policy (CAP) reform. Fera also undertook a review of evidence for Defra on options for control of the widespread weed ragwort, which is toxic to livestock, and identified potential areas for further research into control options.

In the area of food authenticity, Fera has continued to support Defra and the FSA in the wake of the horsemeat incident in early 2013, both through provision of ongoing surveillance work and assisting with their long term food authenticity strategy and communications. Fera is also co-ordinating the EC funded €12m FoodIntegrity project, co-sponsored by Defra, which aims to address post-horsemeat incident issues at a European level. The project was launched in February 2014 at a conference organised by Fera and with significant participation by Defra's Food Authenticity team. Additionally, Fera is leading negotiations, on behalf of Defra, with EU Member States for methods of analysing the authenticity of spirit drinks.

In January 2014, Fera's food microbiology team (with external partners) commenced a four year FSA-funded project to determine the role of consumption of contaminated food in the prevalence of norovirus gastroenteritis in the community, which will assist the FSA in developing control measures to reduce the risk of infection in certain foods. Also, Fera provided a pre-release monitoring programme for horsemeat throughout the year, as described in the operational delivery section of the strategic report, ensuring a safe food chain.

This year the GDS has delivered a number of projects to enhance the UK's capability to handle a CBRN or major Hazmat incident. These have included work with the Police National CBRN Centre and Tactical Advisers on the impact of their decisions on the recovery timeline; publication of a revised Strategic National Guidance on Decontamination;

work with Public Health England (formally the Health Protection Agency) on the new UK Recovery Handbook for Chemical Incidents; collaboration with the Defence Science and Technical Laboratory (Dstl) to develop a variety of simulated bio-terrorism scenarios for decontamination; and a review of the current funding position for CBRN clean-up costs on behalf of Defra. Additionally, GDS have conducted a number of exercises looking at transport infrastructure and decontamination problems for both biological and radiological contamination.

Fera's Better Regulation team has worked closely with Defra's Plant Health Policy and Better Regulation teams to ensure that the Inspectorate programme is aware of and fully committed to implementing the new Regulator's Code from 1 April 2014. As part of the Government's Red Tape Challenge[6], Fera has worked with Defra to respond to industry feedback and develop an action plan. The action plan includes continued work with stakeholders through the eight Government/Industry Taskforces established in 2012 to review the efficiency and quality of the statutory services delivered by Fera and ensure full economic cost recovery in line with Government requirements. In 2013/14 the Taskforces have improved Service Level Agreements for plant health imports, found solutions to seed sampling issues in relation to exports and produced revised guidance for plant health licensing.

Non-Government activities

Fera has a broad customer base across the agri-food sector, and meeting the needs of these as well as our Government customers, is a driving force behind our activities. These activities have seen some exciting developments in 2013/14.

Knowledge Solutions was identified as a key growth area in Fera's business plan and was established as a business unit in its own right on 1 April 2013. The year started with the launch of HorizonScan[7] in April 2013, an online tool that identifies risks and trends within the global food supply chain, enabling users to manage and mitigate risks. The year has also seen increased interest in Homologa[8], a global pesticides approval database, along with the announcement to industry that Fera are working with one of the UK's top farm software companies, Muddy Boots Software, to bring pesticide management into its Greenlight quality assurance offer.

In 2013, Fera strengthened its offer to the agrichemical and pharmaceutical industries by establishing the Centre for Chemical Safety and Stewardship (CCSS). The Centre brings together unparalleled expertise in the assessment and minimisation of the impact of chemicals in the environment and offers companies under pressure from complex regulation and compliance a solution that is both bespoke and cost effective.

In 2013/14 Fera's Proficiency Testing Group has continued to grow commercial income by 15% and have increased market access to North America through a new collaboration with Sigma-Aldrich. During the year, Fera has continued to develop new and innovative proficiency tests, including a bespoke test for the London Bullion Market Association, to assess the proficiency of laboratories analysing the purity of gold bullion.

Fera has had significant success during the year in winning project work from the EC, with Fera participating in seven successful bids worth a total of €3m over their lifetimes to Fera. These include the FoodIntegrity Project[9], which will develop new methods and systems for assuring the integrity of the food chain, and Dropsa[10], which will develop approaches to controlling pests and pathogens of fruit crops. Both projects are co-ordinated by Fera. These successes

[6] http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/

[7] http://www.fera.co.uk/knowledgeSolutions/horizonscan.cfm

[8] http://www.fera.co.uk/knowledgeSolutions/homologa.cfm

[9] http://www.foodintegrity.eu

[10] http://www.dropsaproject.eu

build on a trend that has developed in recent years. Fera now co-ordinates more projects within the FP7 KBBE (Knowledge Based Bio Economy) theme than any other UK organisation, winning nearly 12% of all successful UK co-ordinated projects for the period 2007-2012. In the same period, Fera has been the third most successful co-ordinator across Europe in winning projects in the same scheme.

Fera has had similar success in bidding for funding from the Technology Strategy Board (TSB). Fera is a partner, alongside both small and medium enterprises (SMEs) and large multinational companies, in four successful bids won during 2013/14, helping to secure nearly £1.4m in grants enabling projects worth £2.2m to take place. These include a project to develop screening methods to identify food contaminants and economically motivated adulteration using advanced chemical profiling and next generation sequencing, and another project to develop a system for the rapid detection of hazardous bacteria in foodstuffs.

Internationally, Fera has been supporting a US Government led initiative to help tackle the problem of coconut lethal yellowing disease in Mozambique, which is threatening the livelihood of over one million people who depend on coconut crops as their main source of income. Fera experts are advising on the epidemiology of the disease to evaluate the effectiveness of control strategies.

Operational delivery

This year's operational focus has been on maintaining high levels of delivery for customers, whilst continuing to drive for greater efficiency and growing income. Although operationally challenging, staff across Fera have responded positively, resulting in some notable highlights.

In the area of plant health our inspectorate and diagnostics teams have continued to deliver strongly on the ongoing *Chalara* Management Plan, building on work begun in 2012 at the start of the Ash Dieback outbreak. Furthermore we continue to increase our surveillance and interception rate at points of entry. During 2013 we inspected over 70,000 consignments of controlled goods at points of entry including Heathrow and Felixstowe. On almost 1,000 of these consignments we issued destruction/re-export notices due to the findings of prohibited organisms, or the goods being imported without the correct paperwork.

There has been a continued increase in the number of seed potato stocks being entered into the England and Wales Seed Potato Classification Scheme. Over 15,000 phytosanitary certificates were issued by Fera to help facilitate the safe global trade in plants, seeds and plant products. Many thousands of general and targeted surveillance visits were also performed and supported by laboratory diagnosis, including an intensive monitoring of all host species for Asian Longhorn beetle (*Anoplophora glabripennis*) in the Paddock Wood area, site of the 2012 outbreak.

Flexible working in the Bee Inspectorate has allowed for out-of-season inspectors to be used to assist with some plant health duties, such as performing inspections for Ash Dieback, thus extending Fera's surveillance capability.

Fera operational staff also provided a wide range of technical assistance and expertise to UK and international governments and industry, including Fera's Chief Plant Health and Seeds Inspector accompanying Defra's Secretary of State, Owen Paterson, on a biosecurity research mission to Australia and New Zealand.

Fera also had achievements in plant health public engagement, most notably a silver medal for the "Stop the Spread" Show Garden at the Chelsea Flower Show 2013. This groundbreaking garden, sponsored by Defra, Forestry Commission, National Trust and the devolved administrations, illustrated the worst case scenario if damaging pests and diseases were left to take hold, underlining the importance of taking action to tackle them. Additionally, Fera has been a key partner in the launch of the Open Air Laboratories (OPAL) tree health survey, which aims to engage the public in monitoring the health of the nation's trees.

Fera has undertaken innovative work to improve the design of field studies into exposure of bees to pesticides in agricultural environments, including using novel techniques such as the use of radio-frequency identification tags to monitor bee movements.

Fera enforces legislation controlling the deliberate release of GMOs in England on behalf of Defra. In 2013/14 Fera inspected field trials of wheat genetically modified for aphid resistance, plus a further eight inspections on former GMO field trial sites to ensure post-trial monitoring arrangements were being correctly followed. Audits of 42 seed companies were carried out to review their procedures for managing the risk of adventitious GM presence in the conventional seed they were marketing. Fera also investigated an incident involving the import of genetically modified *Danio rerio* zebra fish that are not authorised for commercial sale in the EU; the consignment was confirmed as being genetically modified and was prevented from being marketed. Because each importer/retailer co-operated fully with the investigation no enforcement action was necessary.

In the wake of the horsemeat incident in early 2013, Fera's food analytical teams have continued to deliver testing for phenylbutazone, on behalf of the FSA, with 100% of samples turned around in the required 48 hours. Additionally, Fera continues to deliver the Veterinary Medicines Statutory Surveillance Programme on behalf of the Veterinary Medicines Directorate, with over 30,000 samples tested during the year.

Fera's CI programme, now starting its fifth year, is delivering benefits across the organisation for both customers and staff. Over 220 ideas have delivered staff initiated efficiencies of over £1m. In September 2013, a health check report provided a clear focus on organisational maturity and embedding CI. Good progress has since been made in delivering the resultant action plan, with a particular focus on increasing engagement and capability to embed CI within the programmes. We are collaborating with both public and private sector organisations, hosting visits, visiting them and sharing experiences. Our former Chief Executive, Adrian Belton, presented at the Senior Civil Service conference on the Fera Executive's Communications Cell in June 2013. He led the Working Better Together (Continuous Improvement) work stream on spreading CI practices accross the Defra Network as part of the 'one business' portfolio. Fera also contributed a case study to the Public Chairs' Forum report 'Efficiency by Design: stories of best practice in public bodies'[11]. This case study outlines how Fera has improved the efficiency of the organisation over the last four years.

[11] http://www.publicchairsforum.org.uk/images/uploads/efficiency_by_design.pdf

Ministerial targets

We have reviewed the Ministerial key performance measures and outcomes in our business plan and assessed them as indicated below:

1. Financial performance – To meet agreed financial performance and efficiency targets. **Met**
2. Customer focus – To achieve high standards of customer service and improved account management. **Met**
3. Performance – To deliver effective and efficient regulatory outcomes, robust evidence, science services and incident response. **Met**
4. Science capability – To develop and maintain science capabilities to support Defra and wider Government needs. **Met**
5. Leadership – To develop and maintain a culture of ownership and accountability that values everyone for their contribution. **Met**
6. Embedding sustainability and support for the public engagement outreach agenda – To drive value by maximising the exploitation of our assets to embed the principles of sustainability further into our business activities and contribute to public engagement and outreach agenda. **Met**

Quality standards

Fera has implemented quality systems to ensure compliance with all the relevant international quality standards that align with our work. Our application of these quality standards is assessed through third party assessment bodies including the United Kingdom Accreditation Service (UKAS), the Good Laboratory Practice (GLP) Monitoring Authority, Lloyds Quality Assurance, the International Seed Testing Association (ISTA) and the Chemicals Regulation Directorate (CRD). Fera's customers can be assured that the work carried out for them will meet or exceed their quality expectations.

Fera's quality standards compliance includes:

- **ISO 9001:2008 Certification including TickIT for software development:** Provision of scientific services to Government and non-Government customers worldwide. Software development is in accordance with TickIT principles.
- **ISO 17025:2005 Accreditation:** Provision of food and plant health testing covering veterinary drug residues, pesticide residues, environmental contaminants, mycotoxins, food additives, authenticity, packaging, food microbiology, and plant pathogen detection.
- **ISO 17020 Accreditation:** Physical examination of controlled materials for quarantine pests and diseases covering plants, potatoes, produce, seeds and grains, and soils and growing media. Physical examination of plants, plant products and other objects originating in the Community for quarantine pests and diseases for compliance to EU Council Directive 2000/29/EC, the Plant Health (England) Order 2005 and the Plant Health (Wales) Order 2006. Sampling of regulated materials for plant health testing and diagnostics.
- **ISO/IEC 17043:2010 Accreditation:** Provision of proficiency testing covering food chemistry (FAPAS), food microbiology (FEPAS), GM detection (GeMMA), and water and environmental (LEAP).
- **ISO 14001:2004 Certification Environmental Management System:** Activities at our Sand Hutton and Woodchester Park sites associated with analytical, diagnostic and consultancy services for land based and food industries.
- **GLP Compliance in accordance with Directive 2004/9/EC:** Covering analytical chemistry, ecosystems, environmental fate, and environmental toxicity.
- **ISTA Accreditation:** Provision of seed quality testing, covering moisture content and purity.
- **Official Recognition of Efficacy Testing Organisations (ORETO) Compliance with Commission Directive 93/71/EEC:** Efficacy trials and testing in agriculture/horticulture, stored crops, vertebrate control, and biologicals and semiochemicals. Assessed by CRD.
- **Investors In People (IIP) Accreditation:** Fera first gained accreditation in 1999 but we have always challenged ourselves to act on the feedback we receive, to ensure that our people management practices continue to be effective in supporting our business goals. Following a recent tri-ennial review, we were delighted to be told by our external assessor that "Fera is functioning well above the requirements of the core Standard" and we should aim for the Gold Award.
- Fera is the **National Reference Laboratory** (NRL) for the UK and Malta for chemical safety in food, chemical contaminants in animal feed, pesticide residues and veterinary medicine residues.

Estates management

The Sand Hutton estate, which has now been operational for 18 years, continues to provide a 24/7 service to Fera's scientists. From 1 April 2013, the ownership and management responsibility of the Sand Hutton estate has transferred from Fera to Defra. This means that from 1 April 2013, Fera has occupied the estate as a tenant of Defra and has agreed a rental charge (excluding utilities and other estate costs) of £1.6m in respect of 2013/14. Following the transfer of the Sand Hutton estate to Defra, Fera is no longer responsible for the unutilised space or the depreciation costs of the site. The impact of this change is set out within the financial review section of this strategic report. We are in the process of negotiating an arrangement and an associated service level agreement with Defra to secure the future use of the Sand Hutton estate.

The quarantine facilities at Sand Hutton are central to the work undertaken by the PHSI for the provision of statutory plant health inspections, diagnostic services and research. A new quarantine drainage installation has been designed, built and funded by Defra to include many additional protective measures.

This year Defra estates have started work on the creation of a new fit for purpose instrument laboratory to house specialist scientific equipment that maximises the effective and efficient use of space, energy consumption and staff resources. The facility will provide a controlled environment appropriate for the specialist equipment. This facility will be available from July 2014.

Health and safety

The Fera Safety, Health and Environment team is in the second year of a five-year Health and Safety Strategy. The strategy aims to move Fera's health and safety culture from a reactive one based on compliance with legislation to one where employees and management work together to produce a proactive approach to health and safety, encouraging more reporting as shown in the table on page 16. This is being achieved by inspiring staff at a local level to act as health and safety champions in their own work areas and take responsibility for their own and colleagues' health and safety.

Throughout the year, staff and managers have carried out more of their own health and safety inspections/audits, particularly those located at outstations, including fieldworkers and inspection staff. There were no incidents reportable to the Health and Safety Executive (HSE) for health and safety matters which Fera is accountable for.

In 2012/13 Fera reported that it was concerned with the quality of the Health and Safety arrangements on the Sand Hutton estate. From 1 April 2013, the formal responsibility for maintaining adequate Health and Safety arrangements for the Sand Hutton estate has transferred from Fera to Defra.

Fera remains concerned at the quality of Health and Safety arrangements for the Sand Hutton estate which Defra is accountable for as the prior year concerns have not been fully addressed. Whilst Defra is formally responsible for ensuring that the Sand Hutton estate has adequate Health and Safety arrangements, Fera remains responsible for ensuring the safety of its staff. A potentially serious RIDDOR incident occurred in July 2013 and has been reported to the Health and Safety Executive by Defra's facilities management contractor at the site.

Fera management and the Audit and Risk Assurance Committee have taken steps during 2013/14 to ensure that their concerns about the inadequate health and safety arrangements on the Sand Hutton estate are clearly and formally communicated to Defra. Following extensive discussions we are in the process of developing a joint health and safety action plan with Defra. This action plan is designed to ensure we all agree on how to resolve the health and safety concerns relating to the Sand Hutton estate and ensure that sufficient steps are taken to resolve these by Defra and Fera as appropriate during 2014/15 to minimise the potential risks.

Incident data	2013/14	2012/13	Trend
Total number of incidents, accidents and near misses reported, which comprises:	138	97	+42%
• Incidents involving an injury	50	56	-11%
of which reportable to the HSE	0	1	-100%
• Incidents involving near misses	88	41	+115%
Number of staff working at Fera (headcount)	845	920	-8%
Total reported incidents/number of staff at Fera	**0.16**	**0.11**	**+45%**

Industry health and safety standards are compared through using the ratio of near miss reports to incident reports per 100 employees. In organisations with high levels of engagement in health and safety among staff the ratio of near misses to injuries is high and can be a ratio of two or even three. As training, understanding and accessibility of the Fera health and safety system has developed during the reporting year, it is pleasing to note that the number of near misses reported continues to increase whilst incidents involving an injury have again declined. This demonstrates an improving health and safety culture within Fera.

	2013/14	2012/13
Near miss reports/100 employees	11.28	4.46
Injury reports/100 employees	6.41	6.09
Near miss : Injury ratio	1.76	0.73

Financial review

Fera delivered a £1.6m surplus for 2013/14. This was primarily due to a reduction of estates recharges from Defra of circa £1.2m. This was established in March 2014 and relates to depreciation/rent of the Sand Hutton estate. Excluding this adjustment, Fera delivered a small surplus of £0.4m in line with the requirement of a Net Running Cost Agency.

Fera continues to manage the effects of Government austerity measures and works within constraints on recruitment and capital investment. A number of significant changes to Fera have recently taken place with the transfer of Policy functions to Defra in January 2013, Wildlife transferring to AHVLA and the Sand Hutton Estate to Defra on 1 April 2013. In addition the future of Fera is subject to a review with the announcement of a potential Joint Venture in April 2014. These changes provide additional challenges as Fera continues to deliver quality services and world class science in the context of reducing budgets.

Fera has lost £2.7m of contribution year-on-year with the transfer out of Wildlife and Policy functions. This has been partially offset during the year by a £1.0m contribution towards Fera's costs from AHVLA and Defra as Fera continued to provide support services to Wildlife until November 2013. Following the transfer of these services Fera ran a voluntary departure scheme to reflect the impact of these structural changes. Due to the timing of this scheme, the financial benefit will not be seen until 2014/15. This shortfall has been offset by statutory fee income which has increased by £1.1m through the continuation of a phased implementation of fee increases and Fera's ongoing efficiency programme continuing to deliver savings. Fera also benefitted from a reduction in costs following the transfer of the Sand Hutton estate to Defra.

In the year Fera incurred £0.8m in staff exit costs in relation to the Wildlife and Policy transfers, compared to £1.3m in one-off costs in 2012/13, which were reimbursed by Defra. The figures below relate to the continuing operations of the Agency excluding these sums from both the income and expenditure lines where relevant.

Income

Operating income (excluding monies received from Defra to fund early departure costs) increased by £2.2m to £62.1m (3.6%[12]). Income per full time equivalent (FTE) fell by 2% from £82k to £80k.

Income from Defra decreased year-on-year by £0.9m (3.8%)[12]. Defra income accounted for 55% of the total business which is the same as 2012/13. Income from sources other than Defra and its network of bodies grew by £2.4m (9.6%[12]) in the year.

Income from tenants fell from £0.8m to £NIL following the transfer of the Sand Hutton site to Defra on 1 April 2013. This reduction has been offset by reduced accommodation costs included in non-staff costs.

Income from other Government departments increased by £1.0m (21.7%)[12.] Additional work on behalf of the FSA made up a significant share of this.

Income from the EC was in line with last year at £2.0m. 2012/13 income was reduced as a £0.3m provision was made in relation to a disputed project costing methodology used by Fera which had previously been approved by the Commission Auditors. We are working with the EC to resolve this issue. An additional £0.1m was provided during 2013/14 taking the total provision to £0.4m at the year end.

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[12] Figure adjusted to reflect the impact of the transfer of Wildlife and Policy.

Commercial income increased by £0.2m to £11.7m (1.6%)[13]. Fera is focussed on growing commercial income and is confident that further opportunities will be developed during 2014/15.

2013/14 has seen a continuation of the phased implementation of statutory fee increases for the Plant Health, Plant Varieties and Seeds schemes. This has resulted in a £1.1m (16.9%) increase in fees. Full economic cost recovery is due to be achieved in 2014/15 for the majority of the schemes (see note 4.1 in the notes to the accounts).

Costs

After excluding early departure costs £28.7m was spent on staff, £0.5m (1.8%)[13] up on last year. This includes a 1% pay award from the August pay settlement date, costing an additional £0.2m. Like for like, the proportion of staff costs to income rose from 45.1% in 2012/13 to 46.2% in 2013/14.

Non-staff costs in the year amounted to £31.9m (53% of total costs). Non-staff costs have reduced by £3.0m[13] compared to 2012/13, this reduction primarily reflects reduced estates costs.

From 1 April 2013, the ownership and management responsibility of the Sand Hutton estate transferred from Fera to Defra. Fera occupied the Sand Hutton estate as a tenant of Defra from 1 April 2013 and has incurred a rental charge of £1.6m for its use. Following the transfer of the Sand Hutton estate Fera is no longer liable for depreciation which was charged in prior years through the Statement of Comprehensive Net Expenditure (SoCNE). The following table compares the estate costs incurred in 2012/13 with 2013/14:

	2013/14	**2012/13**	**Difference**
	(Sand Hutton rented by Fera)	**(Sand Hutton owned by Fera)**	
	£m	**£m**	**£m**
Rental costs	1.6	0	(1.6)
Rental income	0	(0.8)	(0.8)
Depreciation expense	0	3.8	3.8
Estate management costs	7.0	8.5	1.5
Total	**8.6**	**11.5**[1]	**2.9**

[1]This total includes the £0.8m of tenant income which Fera charged the other occupiers of the Sand Hutton estate in 2012/13. In 2013/14 all tenant income is paid direct to Defra.

[13] Figure adjusted to reflect the impact of the transfer of Wildlife and Policy.

Statement of financial position

Fera's taxpayers equity has reduced by £92.9m between 31 March 2013 and 31 March 2014. This reduction primarily reflects the transfer of Wildlife assets to AHVLA and the transfer of the Sand Hutton estate to Defra. Government accounting requirements require these transfers within Defra's departmental group to be accounted for by reducing the net assets and general fund within Fera's accounts and increasing the net assets and general fund in AHVLA's and Defra accounts. The total value of the net assets transferred is shown as a non-operating loss within Fera's SoCNE with a corresponding non-operating gain shown with AHVLA and Defra's SoCNE's. This non-operating loss has no impact on Fera's 2013/14 operating outturn.

The impact of these two transfers, which occurred with effect from 1 April 2013, on non-current assets is detailed within notes 5 and 6 of the annual report and accounts. These transfers:

- Remove £93.7m of land and building assets, representing the Sand Hutton estate, from Fera's accounts. In accordance with Government financial reporting requirements, the revaluation reserve associated with the Sand Hutton estate (£21m) has also been transferred to Defra. The transfer of the revaluation reserve to the general fund partially offsets the £93.7m reduction that this non-current asset transfer has on Fera's general fund;
- Remove £0.5m of tangible and intangible non-current assets, representing the assets used by the Wildlife function, from Fera's accounts;
- Remove £0.5m of opening trade receivables and £0.05m of opening trade payables from Fera's SoFP. The net trade receivables of £0.45m are transferred with effect from 1 April 2013 from Fera to AHVLA. The impact of this transfer is shown within our cash flow;
- Reduce the general fund by a net £71.9m and the revaluation reserve by £21m.

Fera's capital expenditure in the year was £2.3m (2012/13 £7.0m). Excluding the impact of 2012/13 estate expenditure (£4.1m), this expenditure is slightly (£0.6m) lower than 2012/13. Our commitment to capital expenditure, in a time of austerity, reflects Fera's continuing emphasis on high quality scientific equipment and cutting edge science.

Receivables have increased by £1.2m. £2m, included in receivables as at 31 March 2014, relates to monies due from Defra and AHVLA for matters arising from work conducted on the Sand Hutton estate in 2013/14 and the transfer of the Wildlife function. After adjusting for these one off transactions receivables have declined by £0.8m. This reduction in receivables is consistent with the reduced 2013/14 income following the transfer of Wildlife and estate activities.

Payables have increased by £1.1m. This increase primarily reflects an increased accommodation costs accrual of £2.2m and a £0.3m non-current liability for early departure costs. The increase in the accommodation costs accrual reflects the timing of invoicing from Defra estates with invoicing being delayed following the finalisation of the amounts due after the transfer of the Sand Hutton estate. The £0.3m non-current liability reflects the timing of agreed early departure costs which have been funded by Defra. After adjusting for these two one off transactions, payables have reduced by £1.4m which is consistent with the reduction in 2013/14 expenditure following the transfer of Wildlife and estate activities.

Cash flow

The operating surplus for the period from 1 April to 31 March 2014 of £1.6m was after charging depreciation, amortisation and other non-cash items of £1.9m. Working capital movements resulted in a cash outflow of £0.1m. Trade receivable days outstanding (based on unadjusted income) at the end of the year were 85[14], compared to 84 at the end of March 2013. Net cash from operating activities was an inflow of £3.6m.

£2.3m has been spent on investing activities giving a net cash inflow of £1.3m for the year.

[14] Figure adjusted to reflect the impact of the transfer of Wildlife and Policy.

Staff and workforce capability

Fera has experienced some significant changes in workforce during 2013/14. The former Wildlife programme transferred to the AHVLA on 1 April 2013, resulting in a reduction of approximately 14% of the workforce. This was in line with our business plan and reflects the Agency's stated aim of increasing focus on its core business areas.

To ensure that Fera's corporate functions remain in line with the more closely focussed organisation, a voluntary departure scheme limited to staff based within corporate functions was initiated in December 2013 with an expectation that 18 staff will leave under this scheme. This will allow us to maintain a drive for effective and efficient corporate support to our science whilst at the same time ensuring that reductions in the Agency's delivery areas are reflected in the size of corporate support.

Fera continues to have a sickness absence rate below the civil service average. Revised sickness absence monitoring was introduced in 2012/13 and this has contributed to a continued favourable sickness absence rate of 4.9 days (2012/13 5.4 days) during what has undoubtedly been a period of significant change. Fera remains keen to drive down sickness absence levels and continues to review absence management procedures to achieve this.

Significant investment has been made during 2013/14 in employee health and wellbeing with a number of awareness events including events supporting employee resilience in times of change. This was in part a response to results from the 2012 employee engagement survey, which identified staff concerns over how change was managed within Fera. This has seen an increase in the staff engagement score in the 2013 employee engagement survey.

Fera provides equal access to employment, training, career development and promotion opportunities irrespective of gender, marital status, race, ethnic origin, sex, nationality, national origin, disability, sexual orientation, religion or age. We oppose all forms of discrimination.

Fera Staff Gender Diversity (as at 31 March 2014)

	Male	Female	Total
SCS	4	1	5
Band 4 and above	250	166	416
Bands 1-3	181	243	424
Total (by headcount)	**435**	**410**	**845**

The following tables provide a breakdown of staff recruited in 2013/14 to Fera by grade, gender, disability status and declared ethnic origin.

Ethnic Origin	Gender	Bands 1-3	Band 4 and above	Total
White	Female	10	6	16
	Male	4	3	7
Non-white	Female	0	0	0
	Male	1	0	1
Not specified	Female	22	10	32
	Male	23	5	28
Total		**60**	**24**	**84**

Disability Status	Gender	Bands 1-3	Band 4 and above	Total
Non-disabled	Female	9	6	15
	Male	6	3	9
Disabled	Female	0	0	0
	Male	0	0	0
Not specified	Female	23	10	33
	Male	22	5	27
Total		**60**	**24**	**84**

Tax arrangements of public sector appointees

All existing off-payroll engagements, outlined in the disclosure below, have at some point been subject to a risk based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax and, where necessary that assurance has been sought.

The tables below show the detail of the tax arrangements of senior public appointments for Fera for the year ending 31 March 2014.

All existing off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months	**Number**
Number of existing engagements as of 31 March 2014	2
Of which:	
Number that have existed for less than one year at time of reporting.	1
Number that have existed for between one and two years at time of reporting.	1
Number that have existed for between two and three years at time of reporting.	0
Number that have existed for between three and four years at time of reporting.	0
Number that have existed for four or more years at time of reporting.	0

All new off-payroll engagements between 1 April 2013 and 31 March 2014 for more than £220 per day and that last for more than six months	**Number**
Number of new engagements between 1 April 2013 and 31 March 2014.	2
Number of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	0[1]
Number for whom assurance has been requested.	2
Of which:	
Number for whom assurance has been received.	1[2]
Number for whom assurance has not been received.	1[3]
Number that have been terminated as a result of assurance not being received or ended before assurance was received.	0

[1]Contracts did not include the specified contractual clauses as engagements were with specialist consultant providers rather than generic labour providers. Fera now includes these contractual clauses in all off-payroll appointments, regardless of the value or duration of the appointment.

[2]This was not included in the contract, but assurance was still provided by the individual.

[3]One individual left before assurance was requested by Fera. Although this individual agreed to provide assurance on their tax status, they had not done so by 31 March 2014. As required by Cabinet Office guidance, Fera has passed the details of this engagement to HMRC.

Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2013 and 31 March 2014	Number
Number of off-payroll engagements at board level and/or senior officials with significant financial responsibility.	0
Total number of individuals that are board members and/or senior officials with significant financial responsibility. This figure includes both off-payroll and on-payroll engagements.	12

Sustainability Report

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

From 1 April 2013 the site transferred to Defra and therefore core Defra now includes the Sand Hutton site in their sustainability report. Defra include the whole of the Sand Hutton site in their sustainability report. As a tenant we are responsible for 80% of the utility costs of the site. There is a direct link between the amount of science we carry out and its impact on our energy, waste and water consumption.

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

Our data

Energy and water consumption data is based upon actual site meter readings and waste data from the quarterly facilities management waste return. The waste financial data is included within a larger Defra contract and unavailable to Agencies at this time, but will be included when and if it becomes available. Due to reporting deadlines, the Q4 waste data is unavailable for inclusion in this report, therefore, we have used the 2012/13 Q4 data in order to provide sufficient data for this report. The waste data for year 2012/13 has been updated with the actual data for this period.

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

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

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

The Carbon Reduction Commitment figures are submitted by Defra on behalf of Fera to avoid confusion over the registered participants of the scheme.

Greenhouse gas emissions

Latest performance results show a 9% reduction against the baseline.

RAG status: RED – For the first two years of reporting we did not include vehicle emissions and therefore our emissions have increased in the past two years as this data is now included.

Fera has reduced electricity consumption by 9.8% and gas consumption by 12.6% against the 2009/10 baseline. Our award winning staff behaviour change programme continues to identify efficiencies, and implement initiatives to ensure that the Agency meets its CO_2 reduction targets.

ENERGY CONSUMPTION		2013/14[1]	2012/13	2011/12	2010/11	2009/10 Baseline
Non financial (kWh)	Electricity	13,051,612	16,993,772	17,317,239	17,577,243	18,086,778
	Gas	20,687,403	29,564,432	25,134,134	27,893,783	29,590,222
	TOTAL CONSUMPTION	**33,739,015**	**46,558,204**	**42,451,373**	**45,471,026**	**47,677,000**
Financial indicators (£)	Total energy expenditure	£2,075,865	£2,542,102	£2,658,410	£1,876,667	£2,592,905

[1]2013/14 usage reflects the 80% utility costs incurred by Fera.

GREENHOUSE GAS EMISSIONS		2013/14[1]	2012/13	2011/12	2010/11	2009/10
Non financial (tCO_2e)	**Scope 1: Direct emissions**					
	Gas	3,827	5,469	4,738	5,160	5,474
	Vehicles	not available	170	155	not available	not available
	TOTAL SCOPE 1	**3,827**	**5,639**	**4,893**	**5,160**	**5,474**
	Scope 2: Indirect emissions					
	Electricity	7,112	9,261	9,872	9,579	9,857
	TOTAL SCOPE 2	**7,112**	**9,261**	**9,872**	**9,579**	**9,857**
	Scope 3: Business travel					
	Air	212	275	332	278	263
	Rail	67	66	65	65	72
	TOTAL SCOPE 3	**279**	**341**	**397**	**343**	**335**
Financial indicators (£)	Expenditure on official business travel	£536,211	£581,099	£557,953	£413,134	£422,602

[1]2013/14 usage reflects the 80% utility costs incurred by Fera.

Waste

Latest performance results show a 21% reduction against the baseline.

RAG Status: GREEN

Defra has a contract through its Facilities Management Contractor, through which all our waste is managed according to the waste hierarchy – Reduce, Reuse, Recycle. This means that all our waste is disposed of in the most appropriate and environmentally responsible manner. Our behaviour change programme works with our procurement department to identify where efficiencies can be implemented to reduce waste impact.

In 2012/13 an improvement in our hazardous waste disposal was implemented whereby suitable materials have been incinerated with energy recovery. This continues to reduce our amount of hazardous waste.

Waste		**2013/14**[1]	**2012/13 Restated**[2]	**2011/12**	**2010/11**	**2009/10**
Non financial indicators (tonnes)	Hazardous waste	0.512	0.931	136.1	106.1	84.6
	Reused, recycled, composted	60.0	88.3	141.1	102.0	149.2
	Incinerated with energy recovery	103.3	121.9	0	0	0
	Incinerated without energy recovery	0	0	0	0	0
	Landfill	31.04	44.1	40.9	102.2	149.7
	TOTAL WASTE	**194.852**	**255.231**	**318.1**	**310.3**	**383.5**
Financial indicators (£)	Total disposal costs – These form part of the central Defra contract and are not available at this time					

[1]2013/14 usage reflects the 80% utility costs incurred by Fera.

[2]See our data section for an explanation of this restatement.

Water

Latest performance results show a 50.3% reduction against the baseline.

RAG Status: GREEN – Fera have exceeded the target

The water consumption at Sand Hutton is predominately used by scientific processes. This includes ensuring sterile laboratory environments are maintained and to prevent contamination risk.

In 2012/13 we replaced humidification plant in one of our largest buildings which reduced water consumption by 30%.

Water		2013/14[1]	2012/13	2011/12	2010/11	2009/10
Non financial indicators (m^3)	Water consumption – Supplied (non-office estate)	23,880	34,702	55,984	63,948	60,067
Financial indicators (£)	Invoiced water supply costs	£30,617	£41,560	£107,864	£82,450	£144,259

[1]2013/14 usage reflects the 80% utility costs incurred by Fera.

Environmental Management System (EMS)

Fera operates an EMS which is externally certified to the internationally recognised standard ISO14001:2004. This is supported by an Environmental Policy signed by Fera's Chief Executive. This demonstrates our ongoing commitment to managing environmental risk and continually improving our environmental performance.

Procurement

The procurement of sustainable goods and services is a key part of Fera's EMS, has been developed to progress the delivery of the Sustainable Procurement Task Force action plans and ensures that our procurement policies and procedures are aligned with Defra's Sustainable Procurement Strategy. Contract and supplier management practices are embedded within Fera's procurement procedures and through these activities we ensure commitment throughout the supply chain to the sustainability agenda. Where possible, procurement is avoided and repair and reuse is the preferred option. Where purchase is unavoidable, sustainable procurement is undertaken through consideration of the whole-life cost of purchase rather than simply the initial purchase price, and through the inclusion of evaluated criteria relating to environmental impact within specifications.

Governance

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

Social and community

During 2013/14 Fera continued its apprenticeship scheme, recruiting a further six apprentices, and 14 of the first cohort of apprentices took on staff roles within Fera. In September 2013, a Fera apprentice was awarded Advanced Apprentice Of The Year at the regional final of the National Apprenticeship Awards 2013. The awards, organised by the National Apprenticeship Service, are now in their tenth year and celebrate the achievements of the country's most outstanding apprentices and apprenticeship employers.

Fera provided work experience placements to 33 school students, with demand for placements being particularly high over the summer period and October half-term. Placements have predominantly been arranged for students from schools in North Yorkshire, East Riding of Yorkshire and South Yorkshire, but there has been a substantial increase in placement requests from further afield including Kent, Surrey, Hertfordshire, and the West Midlands, reflecting the national reputation of Fera.

Fera provided annual internships within the finance team for one student from the University of York and one from the University of Huddersfield and summer internships within the science and business development programmes for nine students from the University of York and one from the University of West England. Additionally, Fera's CCSS offered two one-year student placements to students from the White Rose University Consortium.

During the year 16 Fera staff and students trained as Science, Technology, Engineering and Mathematics (STEM) Ambassadors. STEM Ambassadors get involved in activities, designed to encourage young people's learning and enjoyment of STEM subjects, ranging from giving careers talks or helping at careers fairs, to providing technical advice or practical support in the classroom.

Fera participated in a number of community events, including the Royal Entomological Society's Insect Festival held in York, and a stand at the York Food and Drink Festival where visitors could learn about insect proteins as a source of animal feed and food authenticity.

Future Developments

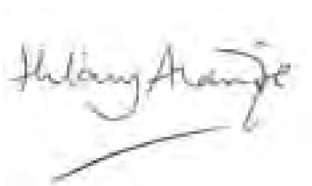
The future of Fera has been uncertain for some time however since the year end this has become much clearer. Defra believes that Fera's capabilities are best maintained and developed outside Government and have begun a process to find a private sector majority Joint Venture partner for the major part of the current Agency. Defra have determined that certain regulatory and other functions should be retained in Government and we are now in the process of transferring Fera's Inspectorate function, the Plant Health consultants and GDS as set out in note 24 to the financial statements. The inspectorate functions and the Plant Variety and Seeds Group will join with AHVLA to form a new Agency with GDS and the Plant Health Consultants transferring to Defra. Together these functions accounted for £24.3m of turnover in the year. As a result Fera is embarking on a small restructuring of its support functions to align with the requirements of a smaller business.

Whilst a final Ministerial decision is yet to be made about the future structure of the Agency and scope of its activities, Defra proposes that a joint venture will be established. At the time of writing Defra are completing a Pre-Qualification Questionnaire process (PQQ) for bidders and a detailed bidding stage is about to start for the small number of bidders who are expected to be selected in late June 2014. We anticipate that the chosen partner will be determined by a Ministerial decision around the end of the calendar year which will enable the transaction to complete on or before the end of the 2014/15 financial year. At that point Fera would no longer operate as an Executive Agency of Defra.

Defra have confirmed that they will continue to support Fera and ensure that the activities which Fera is currently responsible for will continue to be delivered. The Accounting Officer therefore considers that it is appropriate to prepare financial statements on the going concern basis. The financial statements do not include any adjustments that may result from a decision to alter the scope of the activities that the Agency delivers or the means by which these activities are delivered.

Disclosure of Information to Auditors

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



Hilary Aldridge

Chief Executive and Accounting Officer

13 June 2014

3. Directors' Report

The directors' report discloses those matters which Fera is required to report under section 416 of the Companies Act 2006 and the Government Financial Reporting Manual. Where appropriate this report cross refers to other elements of the annual report and accounts where this information is disclosed.

Our Executive Directors

Name	Role
Adrian Belton[1]	Chief Executive and Accounting Officer
Hilary Aldridge[1]	Director of Operations
Robert Edwards[2]	Chief Scientist
R Angus Hearmon	Director of External Affairs
Paul Whitfield	Director of Finance & Corporate Services
Mike Wray	Director of Government Relations

[1]Adrian Belton resigned as Chief Executive and Accounting Officer with effect from 31 March 2014. Hilary Aldridge was appointed interim Chief Executive and Accounting Officer with effect from 1 April 2014. She is replaced by Phil Northing as the interim Director of Operations from 1 April 2014.

[2]Robert Edwards resigned with effect from 28 February 2014. His successor, Philip Newton has been appointed as interim Director of Science with effect from 14 April 2014.

Our Non-Executive Directors

Name	Role
Alexis Cleveland	Chair of the Fera Board and member of the Audit and Risk Assurance Committee
David Barrass[3]	Member of the Fera Board
Geoffrey Drage	Member of the Fera Board and Chair of the Audit and Risk Assurance Committee
John Lawton	Member of the Fera Board and Chair of the External Science Panel
Roger Platt	Member of the Fera Board and the Audit and Risk Assurance Committee
Andrea Young	Government Non-aligned Director on the Fera Board

[3]David Barrass resigned with effect from 1 October 2013.

The membership of the Fera Board, Audit and Risk Assurance Committee and the External Science Panel and the meetings attended by the Directors during 2013/14 are set out in the following table:

	Board	Audit and Risk Assurance Committee	External Science Panel
Number of meetings in 2013/14	**6**	**4**	**1**
Executive Directors[1]			
Adrian Belton[2]	6	4	
Hilary Aldridge[2]	6	2	
Robert Edwards	6		1
R Angus Hearmon	6		
Paul Whitfield[2]	6	4	
Mike Wray	5		
Non-Executive Directors			
Alexis Cleveland	6	3	
David Barrass	2		
Geoffrey Drage[3]	6	4	1
John Lawton	6		1
Roger Platt	6	4	
Andrea Young	2		

[1]All Executive Directors are members of the Board. Robert Edwards is also a member of the External Science Panel.

[2]Adrian Belton, Hilary Aldridge and Paul Whitfield have also attended Audit and Risk Assurance Committees during 2013/14. They are not members of the Audit and Risk Assurance Committee.

[3]Geoffrey Drage also attended the External Science Panel on a voluntary basis. He is not a member of the External Science Panel.

The remuneration and contract terms of our directors are stated in the remuneration report. Fera's governance structure is shown in the governance statement.

All directors are required to disclose any potential conflicts of interest that they may have. This includes all company directorships and other significant interests which may potentially conflict with their management responsibilities. Details of all related party relationships and the transactions undertaken with them are disclosed within note 22 of the financial statements.

Auditor’s remuneration

The financial statements that follow are audited by the National Audit Office on behalf of the Comptroller and Auditor General for which Fera incurs a notional charge of £75k (2012/13 £75k). No non-audit work has been conducted by the National Audit Office during 2013/14 (2012/13 £NIL).

Political and charitable donations

Fera made no political or charitable donations in 2013/14 (2012/13 £NIL).

Pension liabilities

A description of the pension arrangements for Fera staff is provided in note 2 of the financial statements. The accounting policy applied to pension liabilities is described in accounting policy note 1.20. The pension arrangements for our directors are detailed within the remuneration report.

Information and data management

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

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

Additional measures have been put in place to ensure that Fera’s information assets are protected to a standard appropriate to a Government Agency, and Fera participates in the Cabinet Office’s ‘Security Risk Management Overview’ process annually. Fera was the first Defra Agency to gain accreditation to connect to the new Public Services Network (PSN), which requires strict adherence to a ‘Code of Connection’ that sets high standards for information risk management.

There were no reportable lapses of data security within the year. Fera is not a major holder of protected personal or otherwise sensitive data. Fera is a public sector information holder and has complied with the cost allocation and charging requirements as required by Managing Public Money.

All staff are required to pass the new ‘Responsible for Information’ course provided by Civil Service Learning, and are required to refresh this training annually. Take-up of this course has been carefully monitored through automated email notices, with further notifications through the line management chain taking place. As a result more than 99% of Fera’s current staff have passed this course within the last year.

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

Financial instruments

The nature of Fera'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 exposure to liquidity or interest rate risks.

It is and has been Fera's policy that no trading in financial instruments is undertaken. 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. Detail of Fera's exposure to financial instruments is included within note 15 of the financial statements.

Payments to suppliers

In accordance with HM Government policy we aim to pay 80% of undisputed invoices within five working days of receipt. During 2013/14 we paid 58% of our undisputed invoices within five working days (2012/13 60%). Fera is in the process of reviewing its payment processes and simplifying the arrangements as part of its continuous improvement programme. This review has enabled us to improve our processing speed with the numberof undisputed invoices paid within five working days increasing to 64% in quarter four of 2013/14.

Employment of disabled individuals

Fera is committed to providing equal access for disabled individuals and ensuring that full and fair consideration is made to applications for employment by disabled people. This includes ensuring that reasonable adjustments are made, where necessary, to enable disabled individuals to have equal access to training, career development and promotion opportunities. Fera has been awarded the "Two Ticks (Positive About Disabled People)" accreditation.

Sickness absence data

Staff sickness data is located in the staff and workforce capability section of the Strategic Report.

Employee engagement

Fera ensures that it provides all employees and Prospect with information on a systematic basis on matters which may affect them. Employee engagement is measured using the annual Civil Service 'People Survey' which gives a benchmark against which we can assess our performance. This year saw a solid 5% increase in Fera's overall response rate in the 2013 survey compared with 2012 (from 76% to 81%). Despite the uncertainty that Fera continues to face about its future ownership, the efforts of senior managers to improve staff engagement have seen a significant 4% increase in the top level engagement score. This improvement is reflected in almost every engagement indicator across the business, with every Programme reporting a rise in the majority of indicators.

While there is no doubt that much remains to be done, significant improvement has been reported in the themes of:

- Leadership and Managing Change
- Organisational Objectives and Purpose
- Learning and Development
- Inclusion and Fair Treatment

These four areas have seen significant improvement (4% overall) while Fera's highest scores were seen in the themes:

- My Work
- My Team

No indicator showed a decreased score.

Although there is room for improvement, the outcome of the survey suggests that some of the positive change links to the intensive programme of engagement carried out in the first quarter of 2013/14 to encourage staff to feel greater ownership of Fera's business plan. Along with refreshed channels for executive communications and strong key messages reiterated throughout the year, this work helped corroborate the overarching vision of Fera's science, services and burgeoning agri-food business for all Fera colleagues. Additional work is underway by the wider leadership team to aid awareness of Fera's objectives and purpose with staff, and a two-way cascade loop has been implemented and is evolving, complementing regular 'comm cell' meetings and helping to embed this understanding while increasing the sense of inclusion of all staff in Fera's internal communication network.

Since the very first survey, Fera staff have always offered a vigorous positive response to questions around their work and Fera is always in the Civil Service high performers in this area. This year we have exceeded the scores set by the top quartile on the majority of the questions and the survey reflects a sense that some teams seem ready for even greater challenges in the type of work they do.

For the first time this year Fera introduced ten questions, specific to the organisation, to help managers identify issues that staff felt were important. Questions raised from 2012's Health and Wellbeing and Culture surveys helped senior staff develop additional questions to improve recognition of the issues that impact on Fera's employee engagement and, in turn, our customer engagement. These included specific questions about staff fears around their job security because of the Future of Fera review, how focused our people feel about customer service, and the effectiveness of performance management, all of which provide valuable insight into ways that Fera can further improve engagement with its people.

Hilary Aldridge

Chief Executive and Accounting Officer

13 June 2014

4. Remuneration Report

Policy on remuneration

The Chief Executive and Executive Directors are all members of the Senior Civil Service (SCS) and subject to the terms and conditions applied by our parent department, Defra. Defra's remuneration policy follows the framework set out by the Cabinet Office which takes account of the independent advice provided annually by the Senior Salaries Review Board on the remuneration of the judiciary, senior civil servants and senior officers of the armed forces.

The pay awards for members of the SCS comprise basic pay, pension contributions and non-pensionable, non-consolidated bonuses, the size of which is dependent upon performance. The Chief Executive and all Executive Directors are subject to a performance system which monitors their performance against agreed targets. For SCS staff this is the performance management system as introduced by the Civil Service Management Board.

Executive Directors

Contracts, notice periods and termination periods

The contractual arrangements and notice periods for Executive Directors are:

Executive Directors	Date of appointment	Contract end date	Notice period
Adrian Belton	3 March 2008	31 March 2014	n/a (ceased employment on 31 March 2014)
Hilary Aldridge[1]	29 February 2012	31 March 2015	n/a (secondee arrangement)
Robert Edwards[2]	9 August 2010	28 February 2014	n/a (ceased employment on 28 February 2014)
R Angus Hearmon	2 March 2009	n/a – permanent employee	3 months
Paul Whitfield	23 February 2009	n/a – permanent employee	3 months
Mike Wray	16 February 2009	n/a – permanent employee	3 months

[1]Hilary Aldridge was promoted to interim Chief Executive and Accounting Officer from 1 April 2014 and her contract extended until 31 March 2015. She is replaced by Phil Northing as the interim Director of Operations from 1 April 2014. He did not receive any remuneration during 2013/14 for this role.

[2]Robert Edwards was appointed on a part time basis equivalent to a 0.8 Full Time Equivalent (FTE). This employment ceased on 28 February 2014. His successor, Philip Newton, has been appointed with effect from 14 April 2014 and did not receive any remuneration during 2013/14.

With the exception of Hilary Aldridge who is on secondment from the Environment Agency, all of the Executive Directors during 2013/14 were permanent members of staff.

Directors' remuneration

The following tables show the salary, benefits in kind and pension details for the Chief Executive and the five Executive Directors. These tables represent the part of the Remuneration Report which is audited, as referred to in the Audit Certificate.

Salaries

This includes gross salaries, overtime, performance pay and bonuses, reserved rights to London weighting and recruitment and retention allowances where applicable. None of the Executive Directors receive overtime, benefits in kind or London weighting. This does not include amounts which are reimbursements of expenses directly incurred in the performance of an individual's duties.

Bonus payments

These are based on performance levels attained and are determined as part of the appraisal process. Bonuses are paid in the financial year following the related period. The bonuses reported in 2013/14 relate to performance in 2012/13 and the comparative bonuses reported for 2012/13 relate to the performance in 2011/12.

Information Subject to Audit

					2013/14					2012/13
Executive Directors	**Salary**	**Bonus payments**	**Benefit in Kind**	**Pension benefit**	**Total remuneration**	**Salary**	**Bonus payments**	**Benefit in Kind**	**Pension benefit**	**Total remuneration**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adrian Belton	110-115	N/A	N/A	24	**135-140**	110-115	5-10	N/A	42	**165-170**
Hilary Aldridge[1]	115-120	N/A	N/A	N/A	**115-120**	115-120	N/A	N/A	N/A	**115-120**
Robert Edwards[2]	80-85	5-10	N/A	32	**125-130**	90-95	N/A	N/A	31	**120-125**
R Angus Hearmon	90-95	5-10	N/A	24	**125-130**	90-95	5-10	N/A	34	**135-140**
Paul Whitfield	95-100	N/A	N/A	39	**135-140**	95-100	N/A	N/A	23	**120-125**
Mike Wray	75-80	N/A	N/A	14	**90-95**	70-75	N/A	N/A	21	**95-100**

[1] Hilary Aldridge is an employee of the Environment Agency on secondment to Fera. The values shown above relate to the reimbursement of the cost of the secondment to the Environment Agency. The cost shown here includes salary and pension contributions.

[2] Robert Edwards full year equivalent salary for 2013-14 is £90-95k.

Executive Directors' pension details

The Chief Executive and the Executive Directors are members of the Principal Civil Service Pension Scheme (PCSPS). Adrian Belton and R Angus Hearmon are members of the premium scheme; Paul Whitfield and Robert Edwards are members of the Nuvos scheme and Mike Wray is a member of the classic scheme. Further details of these PCSPS schemes can be found in note 2 to the Accounts. The contributions for Hilary Aldridge's pension scheme are included within the amount we pay the Environment Agency for her secondment. We do not have the information to separate out her secondment cost between salary and pension contributions. None of the Executive Directors receive employer contributions to partnership pension accounts.

The following table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. The CETV effectively funded by the employer takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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

The CETV figures and, from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension (CSP) arrangements and for which the Civil Service (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.

Information Subject to Audit

Executive Directors	Accrued Pension at age 65 as at 31/03/14 and related lump sum £000	Real Increase in Pension and related lump sum at pension age £000	CETV at 31/03/14 £000	CETV at 31/03/13[1] £000	Real increase in CETV £000
Adrian Belton	15-20	0-2.5	343	296	21
Robert Edwards	5-10	0-2.5	109	78	22
R Angus Hearmon	10-15	0-2.5	283	238	23
Paul Whitfield	25-30	0-2.5	388	335	26
Mike Wray[2]	15-20 (55-60)[2]	0-2.5 (2.5-5.0)[2]	370	324	9

[1] The Actuarial factors used to calculate the CETVs change regularly, the CETVs at 31/03/14 and 31/03/13 have both been calculated using the new factors for consistency. The CETV at 31/03/13 differs from the corresponding figure in last year's report which was calculated using previous factors.

[2] Mike Wray is the only Director to receive lump sum payments due to the nature of his pension scheme.

Non-Executive Directors

Contracts, notice periods and termination periods

The contractual arrangements and notice periods for our Non-Executive Directors are set out below:

Non-Executive Directors	Date of appointment	Contract end date	Notice period
Alexis Cleveland	1 September 2011	30 June 2015	3 months
David Barrass[1]	1 April 2013	1 October 2013	N/A[1]
Geoffrey Drage	13 January 2010	30 June 2015	3 months
John Lawton	1 April 2013	31 March 2015	3 months
Roger Platt	1 September 2011	30 June 2015	3 months
Andrea Young	1 April 2013	31 March 2015	3 months

[1]David Barrass resigned with effect from 1 October 2013.

Non-Executive Directors remuneration

The Non-Executive Directors are paid an annual fee equivalent to 20 days of work. Committee chairs receive an extra five days in respect of the additional work required by these roles. Non-Executive Directors are reimbursed for expenses incurred relating to their attendance at meetings. None of the Non-Executive Directors receive any benefits in kind, overtime, bonuses or pension contributions during the year. The following table does not include amounts which are reimbursements of expenses directly incurred in the performance of an individual's duties.

	2013/14[1]	**2012/13 Restated[2]**
Non-Executive Directors	£000	£000
Alexis Cleveland	10-15	0-5
David Barrass	5-10	0-5
Geoffrey Drage	10-15	5-10
John Lawton	10-15	0-5
Roger Platt	10-15	0-5
Andrea Young	N/A	N/A

[1] New Non-Executive Director contracts were introduced from 1 April 2013 following the establishment of the Fera Board. The establishment of the Fera Board has broadened the role of the Non-Executive Directors which has increased their remuneration.

[2] The disclosure in the 2012/13 remuneration report did not include David Barrass, John Lawton or Andrea Young. These individuals were excluded from Fera's 2012/13 remuneration report as Fera understood that these individuals would be disclosed in Defra's 2012/13 remuneration report. This disclosure did not occur.

With the exception of Andrea Young, whose costs are not paid by Fera, all Non-Executive Directors are paid through payroll by Fera from which tax is deducted at source.

Compensation/third party payments

We did not make any compensation payments to former Executive or Non-Executive Directors this year or in the previous year. There were no payments arising following the cessation of employment of Adrian Belton or Robert Edwards.

We did not pay any amounts to third party entities for Directors' services during the year (2012/13 £NIL).

Pay multiples disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The remuneration of the highest paid director was £114,431 (2012/13 £122,530). This was 4.4 times (2012/13, 4.7) the median remuneration of the workforce of £26,316 (2012/13 £25,981). The reduction in the pay multiple from 4.7 to 4.4 is due to a bonus not being awarded to Fera's highest paid director in respect of the 2012/13 financial year. A bonus of £5-10k was awarded in respect of the 2011/12 financial year which was paid in 2012/13. The bonus artificially increased the 2012/13 pay multiple ratio.

In 2013/14 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £9,848 to £114,431 (2012/13 £9,750 to £122,530). Total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the CETV of pensions. The figures used in the calculation of the median salary exclude staff not receiving salary as at 31 March, for example, staff on career breaks or extended maternity leave. The calculation also excludes the remuneration paid to non-executive directors.

Hilary Aldridge

Chief Executive and Accounting Officer

13 June 2014

5 Statement of the Accounting Officer's responsibilities

Under Section 7 (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed The Food and Environment Research Agency to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction[15].

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of The Food and Environment Research Agency and of its income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

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

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

The Permanent Secretary and Principal Accounting Officer of Defra has appointed the Chief Executive of The Food and Environment Research Agency as the Accounting Officer for The Food and Environment Research Agency.

The responsibilities of an 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 Food and Environment Research Agency's assets are set out in Managing Public Money published by HM Treasury.

[15] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268438/DAO_GEN_3-13_Accounts_Directions_2013-14_20_December_2013__3_.pdf

6. Governance Statement

This statement explains the Agency's governance arrangements, describes how risk is managed, and outlines the system of internal control and stewardship of resources. It reviews the effectiveness of these arrangements, and how they support my responsibility for the use of resources.

As Accounting Officer for the Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. In discharging my role I observe the guidance issued by HM Treasury and the Cabinet Office and effect any recommendations of the Public Accounts Committee and other Parliamentary select committees.

I am directly accountable to Ministers for the operation of the Agency within the policy framework they define. I am also accountable to the Permanent Secretary for Defra, the Department's Principal Accounting Officer, for the financial management of the Agency in accordance with its Framework Document, effective risk management and for the achievement of the Agency's business priorities in accordance with its agreed Business Plan.

Change of Accounting Officer from 1 April 2014

I was appointed as the Accounting Officer of the Agency on 1 April 2014. My predecessor, Adrian Belton, was the Accounting Officer for the financial year 2013/14. Adrian has provided me with his views and assurances on the governance processes, the effectiveness of the control environment and the significant issues the Agency faces. I have taken his views and the assurance he has provided into account when forming my opinion on the adequacy and effectiveness of the control environment the Agency operates and the significant issues the Agency faces.

Governance arrangements

Governance structure

As Accounting Officer I am supported by the Fera Board (the Board), the Audit and Risk Assurance Committee (ARAC), the External Science Panel and the five Directors who form my Executive Team. This governance structure, outlined on page 49, provides an advisory and challenge function and is designed to enable me to ensure that the Agency is delivering against the objectives which are set out in its agreed Business Plan.

The Board includes five Non-Executive Directors; three of whom comprise the ARAC. The Board, ARAC and the External Science Panel are all chaired by experienced non-executive directors. A non-aligned Director, i.e. one with no direct policy or financial interest in the Agency, represents the interests of Government on the Board. The membership of the Board, ARAC and the External Science Panel and the meetings attended by the Directors during 2013/14 is set out in the Directors report.

My predecessor as Accounting Officer, Adrian Belton, left the Agency on 31 March 2014 to pursue a new position as the Chief Executive for the Construction Industry Training Board. I have been appointed as the interim Chief Executive and Accounting Officer from 1 April 2014 with a mandate of continuing the work of my predecessor in developing the Agency's capability and ensuring that Fera has appropriate involvement in the Future of Fera project which Defra is responsible for.

My appointment as the Chief Executive of Fera created a vacancy in the role of the Director of Operations. I appointed Phil Northing as the interim Director of Operations from 1 April 2014. Mr Northing was the Agency's Head of Plant Protection Programme during 2013/14 and will use his extensive experience in operations to enable us to continue our record of strong and effective delivery and growth.

Our Chief Scientist, Rob Edwards, also decided to leave the Agency in February 2014 to take up a post as the Head of the School of Agriculture, Food and Rural Development at Newcastle University. I appointed Philip Newton as interim Director of Science with effect from 14 April 2014. He brings a strong background in science, having previously been the Director of Science at the Natural Environment Research Council. He will be a real asset to the Agency as we continue to demonstrate innovative science.

My Executive Directors are supported by a broader leadership team of Heads of Programme and Heads of Science. Accountability is cascaded through line management arrangements and defined by individual performance management agreements. All of the Executive Team's sub-committees are chaired by a member of my Executive Team. All of the Executive Team sub-committees have defined and regularly updated terms of reference and are required to keep full minutes.

The role and performance of the Board

The Board's role has developed significantly since it was established in January 2013 with ARAC and the External Science Panel now operating as separate advisory committees. The Board provides advice to me to support the development of the Agency's long term success. The Board's responsibilities include advising me on:

- The Agency's vision;
- Strategic matters, including Defra's Future of Fera project;
- Progress against plans; and
- Risk management arrangements.

The Board met six times during the year and has provided significant support to me in the ongoing discussions relating to the Future of Fera, and the development of our business plans. To enable their oversight, the Board has been provided with all available financial and performance information and detailed briefings on the strategic issues facing the Agency. The Board has requested additional analysis which the Executive will seek to provide in 2014/15 and demonstrated a willingness to request clarifications and challenge the data where appropriate.

The Board conducted a self-assessment of its performance in 2014. This review identified that whilst the Board was operating effectively and was content with the quality of the data it receives, some developments were required. These developments relate to clarifying the precise role of the Board and ensuring that it remains able to provide strategic advice on the direction and governance of Fera whilst dealing with the extensive workload generated by the Defra led Future of Fera project.

Audit and Risk Assurance Committee

The Board and I are advised by ARAC which is normally attended by the Director of Finance and Corporate Services, the Head of Finance and representatives from internal and external audit. ARAC provides me with an annual report which summarises its work during the year. This report also provides me with assurances over the reliability, integrity and comprehensiveness of the Agency's governance and control arrangements.

During the year, ARAC has amongst other matters:

- Reviewed the Annual Report and Accounts;
- Reviewed the National Audit Office's audit plan and audit completion reports;
- Approved the Internal Audit Plan for 2013/14;
- Reviewed the arrangements in place for the transfer of Accounting Officer responsibilities;
- Appraised the risk assurance framework;
- Considered the implications of issues related to facilities management; and
- Examined management's progress in implementing internal and external audit recommendations.

Recommendations from ARAC are escalated to the Defra Chief Operating Officer, my line manager, where necessary. The chair of ARAC meets the Defra ARAC chair and other Defra network ARAC chairs to discuss issues of common interest and concern.

External Science Panel

The External Science Panel provides independent challenge and advice on the science activities of the Agency. The panel includes a number of experts from across industry and Government. During 2013/14 this Panel has provided valuable challenge and scrutiny of Fera's scientific capability and helped to promote the visibility and impact of Fera across Government and industry.

Compliance with the Corporate Governance Code

Insofar as the Corporate Governance Code applies, the Agency applies the principles of the Code which require that boards operate according to the recognised precepts of good corporate governance in business, leadership, effectiveness, accountability and sustainability. The Code also requires that arrangements are in place for an annual evaluation of effectiveness and for the results of this to be acted upon. The Executive Team and the Board have reviewed their compliance with the principles and have concluded that they comply with the Code to the extent that it relates to an Executive Agency. The Executive Team, the Board and the advisory committees review their effectiveness on an annual basis and have taken action where appropriate to address the findings of previous reviews.

Risk management

The Board have reviewed the Agency's risk appetite. Our risk tolerance varies depending on what the risk could impact. For example, the Agency has a very low tolerance for risks which could affect our reputation and the quality of our science. The Agency is however prepared to accept more risk when developing innovative areas as it balances the risk of potential failure in new innovations against the significant benefits which new innovations may lead to.

The Agency uses a series of risk registers to manage against the defined risk appetite and set out the actions taken to mitigate and address identified risks. Risk registers are updated, as a minimum, on a quarterly basis. Risks are managed at various levels throughout the organisation through:

- **Strategic risk register** – this contains the key risks that could threaten the achievement of the Agency and Defra's main objectives and our mitigating actions.
- **Operational risk register** – this manages the risks that affect day to day operations and which require co-ordination and management across the Agency.
- **Programme risk registers** – these contain the risks that are applicable to individual programmes within the Agency.
- **Project risk registers** – these manage the risks specific to individual projects.

Each register informs the next in the delegation chain to ensure that the Executive and ARAC (on behalf of the Board) are informed and able to manage risks appropriately.

Key risks, opportunities and the actions we are taking to address these are reported to Defra's Risk Panel and aggregated as appropriate to enable them to understand our overall risk environment. Examples of the key risks, that the Agency has reported to Defra's Risk Panel include:

- The time required to finalise the future of the Agency which is impacting our ability to plan on a long term basis;
- The short term nature of the annual planning process which in our view undermines our ability to strategically plan activities; and
- The impact of government constraints relating to recruitment and retention which can affect our ability to resource work and attract specialist staff in a competitive market environment.

Stewardship of resources

I confirm that an adequate system of internal control, consistent with the requirements of Managing Public Money, has been in place for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts. My conclusion is informed by assurances from my predecessor, the work of internal and external audit and by my Executive Team who develop and maintain the internal control framework. My predecessor and the Executive Team have assured me that, subject to the two significant issues outlined in this statement, the internal controls they are responsible for are effectively designed and operating adequately. I have obtained independent confirmation of this assurance through an annual internal control questionnaire process which is conducted by internal audit.

The Executive Team and my predecessor have delivered the 2013/14 performance objectives which were set out in our business plan. The delivery of these objectives has enabled the Agency to continue to provide high quality science against a reduced budget whilst undergoing significant structural change.

As an arm's length government body the Agency is required to provide confirmation that an appropriate quality assurance framework is in place and used for all business critical models. The Agency does not own any business critical models but does contribute towards several models owned by other organisations. I am pleased to report that as detailed on page 14 the quality of the Agency's work and the adequacy of our quality assurance framework is demonstrated through our accreditation by multiple third party and international bodies. This provides our customers with independent assurance over the high quality of our science and work and ensures the quality of the information we contribute to business critical models.

The Executive Team has implemented most of the recommendations raised by our internal and external auditors and is making good progress in implementing those which remain outstanding. The Executive Team and I will continue our existing work to ensure that these recommendations are fully embedded in 2014/15.

Head of internal audit opinion

Our Head of Internal Audit has confirmed in his 2013/14 Assurance Opinion, that the Agency has adequate and effective systems of internal control, appropriate risk management arrangements and adequate governance arrangements.

During the year a number of recommendations have been made by internal audit to further improve the control environment. I am satisfied that management is taking the appropriate actions to address the recommendations on a timely basis.

Protecting information and financial assets

The Agency operates extensive internal controls and checks to ensure that we adequately protect financial and information assets. I am pleased to note that we were the first Defra Agency to achieve Public Security Network accreditation. This reflects the strong information technology controls that we operate. All Agency staff have completed the required civil service training on counter fraud and protecting information. There have been no reported instances of fraud or inappropriate disclosures of protected information during 2013/14.

Other business issues

We continue to maintain strong business continuity arrangements with all teams having regularly updated business continuity plans which are supported by dedicated central resource. The effectiveness of these arrangements has been reviewed in 2013/14. Whilst several recommendations have been identified from these reviews, our business continuity arrangements have proved to be effective and have worked well.

With the exception of the Sand Hutton related matters which are detailed in the significant issues section, the Executive Team has ensured that we maintained effective health and safety arrangements in 2013/14. We have developed our training arrangements during the year and stressed the need for staff to report near misses on a consistent basis so we can identify risks and take the appropriate corrective action.

I am content that for health and safety matters I am directly accountable for our on-going training arrangements, coupled with health and safety reviews and the increased communication of near misses enable the health and safety risks that I am directly accountable for to be appropriately managed and minimised.

As noted on pages 34 and 35, I am pleased to report the improved staff survey results and the continued accreditation of the Agency as an Investor in People following a 2013/14 review.

Significant issues

My fellow directors and I are concerned that the key issues which affect the Agency are outside our direct control. These issues are:

- **The Future of Fera** – the on-going work relating to Defra's Future of Fera project continues to dominate my and the Executive Team's workload. Although the arrangements are yet to be finalised it is proposed that the Agency's future will be outside Government as part of a joint venture arrangement. The timescales for this proposed joint venture arrangement are set out within the future developments section of the strategic report on pages 29 and 30. Whilst I look forward to this venture, I note the extensive effort that this process has and is requiring from myself and my Executive Team to ensure that this process does not result in a loss of capability. To minimise this potential risk a dedicated team has been established within Fera to support Defra's Future of Fera project. This team will handle activity relating to the proposed transition and transaction.

  Although I feel that we have managed this process well to date the very nature of such a fundamental change, with the associated expected reduction in the scope of the Agency's operations as elements of our current activities revert to Defra, will require significant internal changes. This will, for example, lead to reductions in our corporate support staff. The current uncertainty and changes required by the Future of Fera project is affecting our ability to attract and retain key staff. This may potentially affect our ability to increase commercial income. Maintaining high staff morale and continuing to deliver outstanding customer service through the coming year with the forecast changes will be key challenges.

- **The facilities management of the Sand Hutton estate** – the Agency no longer has responsibility for the Sand Hutton estate, which transferred to Defra on 1 April 2013. We now occupy the site as tenants. Following the transfer of the estate I now have less influence over facilities management matters which directly affect outcomes that I am accountable for. As reported in the 2012/13 governance statement I continue to be concerned at the adequacy and effectiveness of the facilities management support for the estate. In particular, I am concerned that health and safety issues relating to the estate, which Defra and their facilities management contractor are accountable for, have not been fully addressed. These matters, which as noted on page 15 include a potentially serious RIDDOR incident on the Sand Hutton site which Defra is responsible for, remain a key issue for Fera as we work alongside Defra's estates and Defra's facilities management contractors to improve arrangements in 2014/15. My executive team and I will continue to take action to escalate our concerns and ensure that Fera maintains a safe and appropriate working environment for its staff.

  In my view the facilities management contractor is performing poorly and the facilities management service provided is not effective. Whilst the facilities management contract is primarily fixed price we note that there have been instances of incorrect charging which have resulted in costs being recovered by Defra from the contractor. Our ability to deliver the substantial growth forecast for our future is critically dependent upon us having effective facility management arrangements at the Sand Hutton estate. To address my concerns, we no longer source project work from Defra's facilities management supplier. We are currently negotiating an arrangement for the Sand Hutton estate with an associated service level agreement and a customer contract with Defra. The Agency will want to ensure that these agreements clarify responsibilities and set out explicit consequences (including financial penalties) where Defra's facilities management supplier is unable to adequately deliver agreed services.

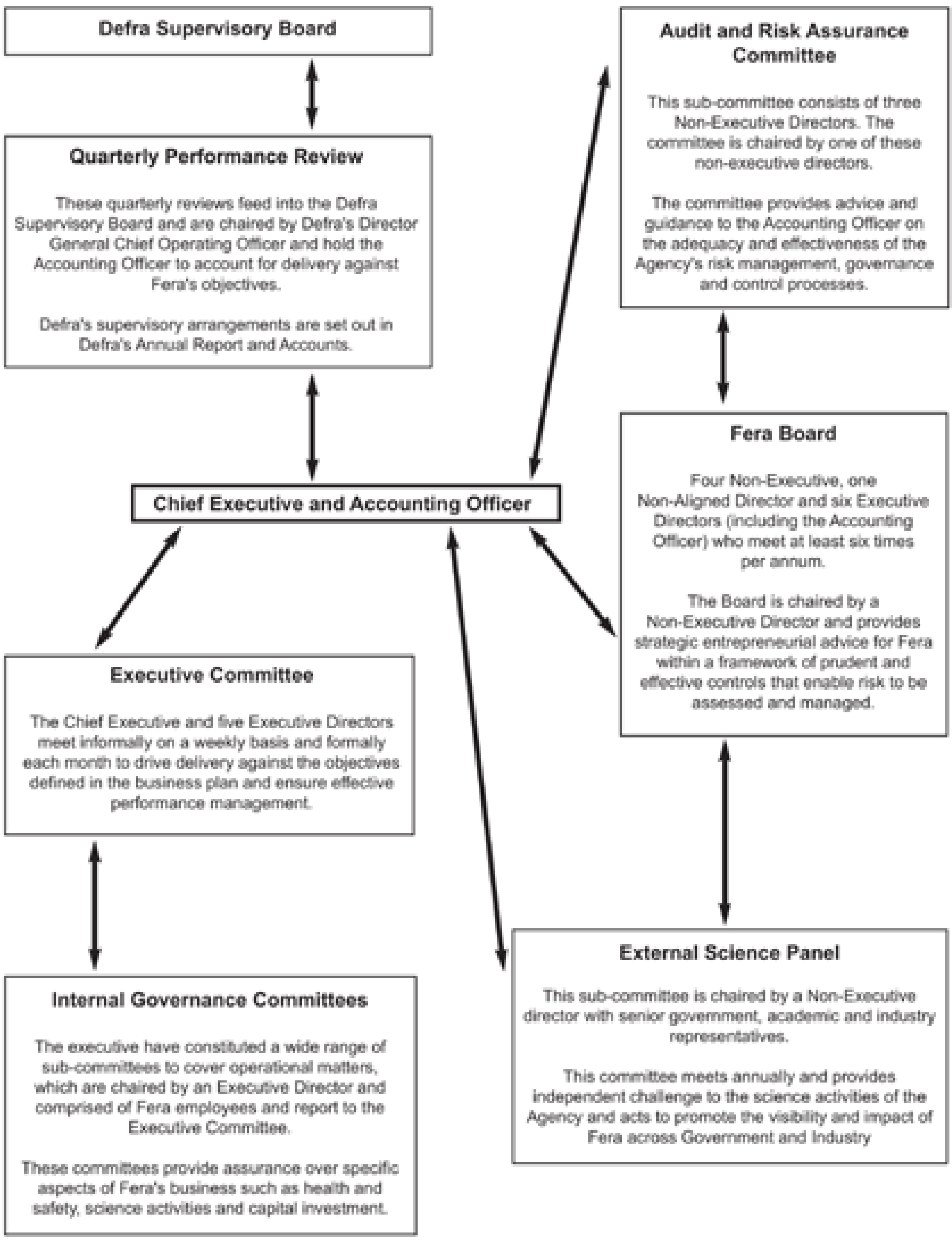
During 2013/14, the Board, my predecessor and I have continued to escalate our concerns to Defra and arranged a number of specific reviews concerning the arrangements for preventative and reactive maintenance. These external reviews have identified multiple issues and concerns over the quality and cost of the work performed by the facilities management contractor. I am pleased to report that following this work and Defra internal audit review, Defra management are now following up on our concerns and I look forward to tangible action and improvement in 2014/15.

Hilary Aldridge

Chief Executive and Accounting Officer

13 June 2014

Fera Governance Structure



7. 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 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Food and Environment Research Agency affairs as at 31 March 2014 and of the net operating surplus 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.

Emphasis of Matter – Going Concern

Without qualifying my opinion, I draw attention to the disclosures made in note 1.2 to the financial statements and the disclosure within the future developments section of the strategic report in respect of Defra's plans to transfer the majority of Fera's activities outside government and cease to operate Fera as an Executive Agency of the Department. This is subject to further Ministerial decisions and there is therefore uncertainty over whether Fera will continue to operate in its current form. The financial statements do not include the adjustments that would result if Fera was unable to continue as a going concern.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Financial Commentary, Sustainability Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

18 June 2014

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

8. Annual Accounts

Statement of Comprehensive Net Expenditure

for the period ending 31 March 2014

	Note			2013/14 £000	2012/13 £000
Administration costs:		**Staff costs**	**Other costs**	**Income**	
Staff costs	2	29,522			32,736
Other running costs	3		31,883		38,077
Operating income	4			(62,912)	(70,971)
Programme costs:					
Staff costs	2	–			151
Other running costs	3		(87)		14
Totals		**29,522**	**31,796**	**(62,912)**	**7**
Bank interest receivable	14			(1)	(1)
Net operating cost deficit/(surplus)				**(1,595)**	**6**
Non-operating activities					
Non-operating loss arising from the transfer of the Sand Hutton estate from Fera to Defra	5			93,698	–
Non-operating loss arising from the transfer of the Wildlife function from Fera to AHVLA	5, 6			911	–
Non-operating cost deficit/(surplus)				**94,609**	**–**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on revaluation of Property, Plant and Equipment	3, 5			–	5,828
Net (gain)/loss on revaluation of Intangibles	6			–	(40)
Net other comprehensive expenditure				**–**	**5,788**
Total comprehensive deficit/(surplus) for the period ending 31 March 2014				**93,014**	**5,794**

The notes on pages 57 to 89 form part of these accounts.

Statement of Financial Position
as at 31 March 2014

	Note	31 March 2014 £000		31 March 2013 £000	
Non-current assets:					
Property, plant and equipment	5	8,747		102,771	
Intangible assets	6	1,520		1,532	
Investments	15	–		–	
Trade and other receivables	8	36		30	
Total non-current assets			10,303		104,333
Current assets:					
Inventories	7	381		356	
Trade and other receivables	8	17,428		16,260	
Cash and cash equivalents	10	4,161		2,883	
Total current assets			21,970		19,499
Total assets			32,273		123,832
Current liabilities:					
Trade and other payables	11	18,983		17,932	
Provisions	13	10		9	
Total current liabilities			18,993		17,941
Non-current assets plus net current assets			13,280		105,891
Non-current liabilities:					
Provisions	13	44		54	
Other payables	11	534		257	
Total non-current liabilities			578		311
Assets less liabilities			**12,702**		**105,580**
Taxpayers' equity:					
General fund			12,699		84,582
Revaluation reserve			3		20,998
Total taxpayers' equity			**12,702**		**105,580**

The notes on pages 57 to 89 form part of these accounts.

Hilary Aldridge
Chief Executive and Accounting Officer
13 June 2014

Statement of Cash Flows

for the period ending 31 March 2014

	Note	2013/14 £000	2012/13 £000
Cash flows from operating activities			
Net operating cost (deficit)/surplus	SoCNE	1,595	(6)
Adjustments for non-cash transactions:			
Depreciation	5	1,696	5,250
Amortisation	6	473	278
Adjustment to the service concession arrangement	5, 5.1	17	202
Notional charges	3	136	197
Release of excess downward land revaluation	3	–	184
(Gain)/Loss on disposal of non-current assets	3	3	(11)
Early departure costs	3	1	(97)
Transfer of net trade receivables to AHVLA		(454)	–
(Increase)/Decrease in trade and other receivables	8	(1,174)	(850)
(Increase)/Decrease in inventories	7	(25)	48
Increase/(Decrease) in trade payables	11	1,328	2,877
Provisions utilised in year	13.1	(10)	(11)
Net cash inflow from operating activities		**3,586**	**8,061**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,857)	(6,282)
Purchase of intangible assets	6	(488)	(712)
Proceeds from disposal of property, plant and equipment		11	29
Proceeds from disposal of intangible assets		26	–
Net cash outflow from investing activities		**(2,308)**	**(6,965)**
Cash flows from financing activities			
Excess cash repayable to Defra		(3,500)	(7,500)
Cash received from Defra		3,500	7,500
Net cash outflow from financing activities		–	–
Net Increase/(Decrease) in cash and cash equivalents in the period		1,278	1,096
Cash and cash equivalents at the beginning of the period	10	2,883	1,787
Cash and cash equivalents at the end of the period		**4,161**	**2,883**

The notes on pages 57 to 89 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the period ending 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance as at 31 March 2012		82,368	28,809	111,177
Changes in taxpayers' equity for 2012/13				
Excess cash generated and repayable to Defra		(7,500)	–	(7,500)
Cash received from Defra		7,500	–	7,500
Non-cash charges – auditor's remuneration	3	75	–	75
Non-cash charges – Departmental Investigation Service	3	122	–	122
Transfers between reserves		2,023	(2,023)	–
Net operating cost for the year		(6)	–	(6)
Comprehensive expenditure for the year – property, plant and equipment		–	(5,828)	(5,828)
Comprehensive expenditure for the year – Intangibles		–	40	40
Balance as at 31 March 2013		**84,582**	**20,998**	**105,580**
Changes in taxpayers' equity for 2013/14				
Excess cash generated and repayable to Defra		(3,500)	–	(3,500)
Cash received from Defra		3,500	–	3,500
Non-cash charges – auditor's remuneration	3	75	–	75
Non-cash charges – Departmental Investigation Service	3	61	–	61
Net operating surplus for the year		1,595	–	1,595
Sand Hutton site transfer – Land		(7,335)	–	(7,335)
Sand Hutton site transfer – Buildings		(86,363)	–	(86,363)
Sand Hutton site transfer – Revaluation reserve		20,995	(20,995)	–
Transfer of Wildlife assets to AHVLA		(911)	–	(911)
Balance as at 31 March 2014		**12,699**	**3**	**12,702**

The notes on pages 57 to 89 form part of these accounts.

9. Notes to the Fera Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions[16] issued by the Secretary of State for the Environment, Food and Rural Affairs.

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

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food and Environment Research Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items that are considered material in relation to the accounts.

1.1 Significant judgements and accounting estimates

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

In the process of applying the Agency's accounting policies, management have made the following judgements, and estimations, which have the most significant impact on the amounts recognised in the financial statements;

Judgements

- Revenue recognition (see note 1.3)
- Useful economic lives of property, plant and equipment and intangible assets (see note 1.12)

Estimations

- Project adjustments to reflect work-in-progress; the Agency is responsible for managing projects which may span multiple financial years and the preparation of the financial statements require the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, that it fully and accurately reflects the completeness of the project at the end of the financial period, making such adjustments as may be appropriate. (See also note 1.3)

[16] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268438/DAO_GEN_3-13_Accounts_Directions_2013-14_20_December_2013__3_.pdf

1.2 Accounting convention

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

The future structure and scope of Fera's activities has been under review for several years by Defra. Significant progress has been made in 2013/14 with a prospective joint venture option currently being explored by Defra. Further information about the future of Fera is detailed on pages 29 and 30. Whilst the PQQ process has commenced the detailed bidding stage of this possible Joint Venture has not yet started. A final Ministerial decision has yet to be made about the future structure of the Agency and scope of its activities.

The Accounting Officer therefore considers that it is appropriate to prepare financial statements on the going concern basis. The financial statements do not include any adjustments that may result from a decision to alter the scope of the activities that the Agency delivers or the means by which these activities are delivered.

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

1.3 Revenue recognition

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

Where the monies received are in excess of stages of completion this will be carried forward as Deferred Income and recognised as a liability in the Statement of Financial Position (SoFP) until such time as these can be contractually recovered.

Where the monies are identified as owing this will be raised as Accrued Income and held as a receivable in the SoFP until such time as these can be contractually recovered. Where stages of completion cannot be reliably recognised the cost recovery approach is taken, where the income is recognised to the extent to which expenditure has been incurred.

1.4 Administration and programme expenditure and income

The SoCNE shows administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition set by HM Treasury. The FReM requires all EC expenditure in respect of grants or subsidy claims to be separately analysed within the notes on programme costs. Due to the nature of the work Fera does, which includes joint working on EC and UK projects Fera is unable to separately analyse EC expenditure in respect of staff costs and consumables for grants and subsidy claims.

1.5 Operating income

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

Operating income also includes specialist funding, which covers the running costs of maintaining specialist assets in support of the scientific and research needs of the wider Defra network. This funding is provided by Defra outside of the normal full economic cost recovery basis.

Further details are provided in note 4.

FReM reference 11.2.11 requires Government bodies to separately show income from the EC on a gross basis in the SoCNE. Fera deviates from this FReM requirement by not including this disclosure in the SoCNE.

Fera does not include this disclosure on the face of the SoCNE as, in management's view, total EC income is immaterial in the context of overall income. The disclosure of EC income which primarily relates to grant funded projects is shown in note 4 to the financial statements. All third party income received from the EC and which is held by Fera as the co-ordinating body is, in accordance with standard accounting practice, excluded from Fera's financial statements and disclosed as third party funds within note 23.

1.6 Capital grants

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

1.7 Research and development expenditure

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

1.8 Foreign exchange

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

1.9 Value added tax (VAT)

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

Irrecoverable VAT is charged to the SoCNE in the year in which it is incurred.

1.10 Property, plant and equipment

Land and buildings

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

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

Plant, equipment and IT

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

The FReM enables the Agency to hold non-current assets which are considered to be low value and have a short useful economic life at depreciated historic cost. Management have interpreted the FReM to apply this exemption to all non-current assets with a value under £100k. An annual exercise is completed to establish a fair value for those assets with a purchase value over £100k, in line with stated requirements in the FReM. Where this cannot be established the depreciated historic cost is used as a proxy. Assets under construction are not depreciated or revalued until the completed asset is brought into service.

Further details are provided in note 5.

1.11 Intangible non-current assets

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

Purchased software is capitalised at cost where the purchase cost, including irrecoverable VAT where appropriate, is greater than £5k. Purchased software is amortised over its useful economic life using straight line amortisation.

In-house developed software that meets the IFRS criteria and costs more than £5k is capitalised on the basis of the cost of development and, where appropriate, as assets under construction. Research costs are written off to the SoCNE as incurred. Internally generated software includes capitalisation of internal IT staff costs on projects which cost in excess of £20k. Assets under construction are not amortised or revalued until the completed asset is brought into service.

The FReM 5.4.39 requires software to be classified under the following headings:

Information technology – software developed in house or by third parties

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

Fera is unable to reclassify the items previously captured as brought in software under these headings due to systems limitations. All brought in software assets are classified as software licences. The implication of this is that the asset values in the software licences category are potentially overstated and those in the information technology category are potentially understated. There is no impact on the overall total or the useful economic lives applied to each asset. The overall net book value of intangible assets is unaffected. In making the decision not to reclassify as required by the FReM Fera has considered materiality and significance of the information and determined that this classification between software licences and information technology is not material.

The FReM requires intangible assets to be revalued using either an active market or a suitable index/model to establish a proxy for fair value. Management have assessed various indices and have determined that either no active market can be reliably determined or an appropriate index does not exist. In absence of a relevant index, management have decided to deviate from revaluing the assets as there is no material effect on the SoFP. Therefore these assets are valued using amortised historic cost as a proxy for fair value.

1.12 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.

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.

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

The useful economic lives are normally in the following ranges:

Buildings	Componentised over 4 to 80 years
Furniture	10 years
Vehicles	5 to 7 years
IT Hardware	3 to 5 years
Scientific equipment	5 to 15 years
Software licences	3 to 7 years
Information technology	3 to 7 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.

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

Further details are provided in notes 5 and 6.

1.13 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount.

In line with an adaption in the FReM, any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential is recognised in full as an impairment loss in the SoCNE. However, in order to align the balance in the Revaluation Reserve with that which would have resulted through strict application of IAS 36 (Impairment of Assets), an amount up to the value of the impairment is transferred to the General Fund for the individual asset concerned.

Downward revaluations, resulting from changes in market value, only result in an impairment where the asset is revalued below its historical cost carrying amount. In these cases the accounting treatment is as for any other impairment, with amounts being firstly set against any accumulated balance in the Revaluation Reserve, and any amount in addition to this being recognised as an impairment and recorded in the SoCNE.

Further details are provided in note 16.

1.14 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease.

The determination of whether an arrangement is, or contains, a lease, is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset.

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 SoCNE 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 SoCNE on a straight-line basis over the term of the lease.

Further details are provided in note 18.

1.15 Service concession arrangements

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

Further details are provided in note 5.1.

1.16 Investments

Where Fera has an investment in another entity it is accounted for following the requirements of IAS 39 (Financial Instruments: Recognition and Measurement) and held as a financial asset.

1.17 Bad debts

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

Details of any losses incurred are provided in note 21.

1.18 Inventories and work in progress

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

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

Further details are provided in note 7.

1.19 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances in sterling, euro and US dollar, with the Government Banking Service and other financial institutes, which are readily convertible to known amounts of cash. These are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Further details are provided in note 10.

1.20 Pensions

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

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

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

1.21 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 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.

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

Further details are provided in note 13.1.

1.22 Provisions

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

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 (201) 07[17] guidelines, currently 1.80% (2012/13 2.35%).

1.23 Contingent liabilities

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

[17] http://www.coins.gsi.gov.uk/coins/documents/pespapers/pes201309.pdf

Where the time value of money is material, contingent liabilities that 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.

Further details are provided in note 20.

1.24 Financial instruments

Financial assets

The Agency holds receivables in this category. Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried in the SoFP at cost less appropriate provisions for specific doubtful receivables.

Financial liabilities

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

For further details, see notes 8 and 11. Further disclosures as required by IFRS 7 (Financial instruments: Disclosures) are included in note 15.

1.25 Third party assets

Fera holds third party assets in its capacity as project co-ordinator on EC and other grant funded project collaborations. These are not Agency assets and are excluded from our financial statements. The monies are held in separate third party bank accounts in accordance with the FReM.

Further details are provided in note 23.

1.26 Reserves

The general fund represents the net assets taken over by the Agency as at 1 April 2009 and the surplus generated from notional charges and trading activities. The transfer of functions and assets from Fera to other bodies reduces the general fund. The impact of the transfers on the general fund is summarised within the financial review in the strategic report.

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

1.27 Notional charges

The following notional costs borne on the SoCNE are credited to the general fund: external audit charges and the Departmental Investigation Services (DIS). All other charges are paid on invoice and charged to operating expenditure in the SoCNE.

1.28 Major FReM changes for 2013/14

Fera has reviewed the 2013/14 FReM and determined that there are no major changes affecting the 2013/14 accounts.

1.29 Disclosure of IFRSs in issue but not yet effective

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

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

Standard	Subject	Applies to Reporting Period
IFRS 13	Fair value measurement	2015/16

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

Standard	Subject	Applies to Reporting Period
IAS 27	Separate financial statements	2014/15
IAS 28	Investments in Associates and Joint Ventures	2014/15
IFRS 10	Consolidated financial statements	2014/15
IFRS 11	Joint arrangements	2014/15
IFRS 12	Disclosure of interests in other entities	2014/15

2 Staff numbers and related costs

(i) Staff costs comprise:

	Permanently employed staff	Staff employed on FTA[18]	Staff employed on casual and STA[19]	2013/14 £000 Total	2012/13 £000 Total
Administration costs					
Wages and salaries	20,610	1,775	406	22,791	24,941
Social security costs	1,434	123	64	1,621	1,792
Other pension costs	3,738	278	–	4,016	4,333
Sub total	25,782	2,176	470	28,428	31,066
Secondment staff costs	–	–	165	165	125
Agency staff costs	–	–	237	237	397
Departure costs	692	–	–	692[1]	1,148
Total staff costs	**26,474**	**2,176**	**872**	**29,522**	**32,736**
Programme costs					
Departure costs	–	–	–	–	151
Total staff costs	–	–	–	–	151

[1] 2013/14 early departure costs are £802k. The £692k shown above is adjusted by the release of a £110k brought forward accrual. The release relates to the redeployment of staff whose costs had previously been accrued for.

Staff costs include an increase of £64k in the employee benefit accrual (2012/13 £1k increase).

For 2013/14 normal employers' contributions were payable to the PCSPS at the following rates:

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

For the coming year the following rates will be applicable:

Salary level : £22,000 and under	16.7%
Salary level : £22,001 to £44,500	18.8%
Salary level : £44,501 to £74,500	21.8%
Salary level : greater than £74,501	24.3%

[18] Fixed term appointment

[19] Short term appointment

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

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

For 2013/14, employers' contributions of £3,794k were payable to the PCSPS (2012/13 £4,335k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Further contributions are made to other pension providers. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2013/14, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 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 £65k (2012/13 £45k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £5k, 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

(iii) For details of the Chief Executive and Directors' salaries please refer to the Remuneration Report which can be found on page 36.

(iv) Average number of persons employed

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

	2013/14 Number	**2012/13 Number**
Permanent staff	686	746
Fixed Term Appointments (FTA)	72	84
Casual and Short Term Appointments (STA)	19	24
Total	**777**	**854**

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

	2013/14		2012/13	
	Number of compulsory redundancies	**Number of other departures agreed**	**Number of compulsory redundancies**	**Number of other departures agreed**
Exit package costs band				
<£10,000	–	–	–	1
£10,000 – £25,000	–	5	4	11
£25,000 – £50,000	–	7	3	6
£50,000 – £100,000	–	6	–	7
£100,000 – £150,000	–	–	–	2
£150,000 – £200,000	–	–	–	–
Total number of exit packages	–	**18**	**7**	**27**
Total resource cost (£000)	–	**802**	**165**	**1,134**

During 2013/14 Defra funded a voluntary exit scheme costing £802k and releasing 18 staff. The 2012/13 scheme was also funded by Defra, cost £1,299k and released 34 staff. No exit costs were paid to Directors in either year.

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

3 Other running costs

	Note	2013/14 £000	2012/13 £000
Administration costs			
Accommodation[1]		9,349	9,291
Sub-contractor costs		7,754	7,981
Consumables		5,543	7,137
Office services		2,020	1,851
Travel and subsistence		1,643	2,080
Right of Use asset		1,583	1,754
Training		236	325
Legal costs		200	119
Defra Shared Services		135	158
Accreditation audit costs		112	57
Business consultant fees		99	229
Photocopier rentals under operating leases		63	55
Internal auditors' remuneration and expenses		57	62
Finance charge on finance leases		18	36
Other		760	784
Non-cash items:			
Depreciation[1]	5	1,696	5,250
Amortisation	6	473	278
Adjustment to the service concession arrangement	5, 16	17	202
Release of excess downward land revaluation		-	184
(Gain)/Loss on disposal of property, plant and equipment		3	(11)
External auditors' remuneration and expenses (notional charge)		75	75
Departmental Investigation Service (notional charge)		61	122
Exchange losses – DEL		(14)	58
Sub total		**31,883**	**38,077**
Programme costs			
Non-cash items			
Debt provision		(146)	93
Exchange losses		58	18
Early departure costs	13.1	1	(97)
Sub Total		**(87)**	**14**
Total		**31,796**	**38,091**

[1] Please see pages 17-19 for an explanation of the movements in accommodation and depreciation expenditure.

Within the SoCNE the cost of accommodation reflects the buildings that are leased by Fera or specialised properties held in the Agency's SoFP. The costs are proportionate to occupation and include rates, utilities, management overheads and facilities management. For Defra leasehold properties, this also includes rental costs.

Charges for the Right of Use asset are recharged to Fera by Defra. For more information on the Right of Use Asset see notes 1.15 and 5.1

4 Operating income

	Note	2013/14 £000 Total	2012/13 £000 Total
Defra – Core		23,120	32,187
Defra – Specialist funding		7,765	7,765
Defra – Network		4,460	4,013
Defra – Non-departmental Public Bodies		633	912
Other Government Departments		5,502	4,949
European Commission		2,065	2,033
Commercial (UK and overseas) and other income		11,621	12,503
Statutory and Regulatory fees and charges	4.1	7,746	6,609
Total		**62,912**	**70,971**

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

4.1 Fees and charges

	Income £000	Full cost £000	2013/14 Surplus/ (Deficit) £000	Income £000	Full cost £000	2012/13 Surplus/ (Deficit) £000
National listing of seed varieties	1,374	(2,036)	(662)	1,391	(1,925)	(534)
Seed certification and seed training	1,418	(1,633)	(215)	792	(1,530)	(738)
Plant health inspections	4,954	(6,668)	(1,714)	4,426	(5,904)	(1,478)
Total	**7,746**	**(10,337)**	**(2,591)**	**6,609**	**(9,359)**	**(2,750)**

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

Fera is required by Ministers to ensure that the costs are fully covered by the income received from the customers of these services. A review of costs has been undertaken that has resulted in Parliamentary approval for a phased increase in charges for these eight schemes, which began in April 2012. The 2010/11 initial full economic cost (FEC) review identified a deficit of circa £6m per annum across all schemes; these costs less any efficiency savings (which will be passed on to our customers) are expected to be fully recovered within the three years following the phased fee increases. The relevant reviews and implementation of each scheme did not occur at the same time; four of the schemes, Imports, Plant Passporting, Plant Health Licencing and Seed Potato Classification should all achieve full economic cost in 2014/15 with Exports the following year. The two Plant Variety & Seed (PVS) schemes have just begun their three year phasing process to full economic cost. As a result of the delays in the PVS schemes Defra provided an additional £300k in 2013/14 to cover lost regulatory fee income and this is shown within Defra Core (see income note 4).

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

This information is provided for fees and charges purposes and not for IFRS 8 (Operating Segments) purposes.

5 Property, plant and equipment

	Land	Buildings	Furniture	Vehicles	Information Technology	Scientific Equipment	Right of Use	Finance Lease	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2013	7,335	87,596	358	398	2,353	10,789	730	60	109,619
Additions	–	–	–	16	482	1,295	–	64	1,857
Disposals	–	–	(17)	(26)	–	(55)	–	(60)	(158)
Transfer to Defra	(7,335)	(87,596)	–	–	–	–	–	–	(94,931)
Transfer to AHVLA	–	–	–	(348)	(1)	(628)	–	–	(977)
Adjustment to the service concession arrangement	–	–	–	–	–	–	(17)	–	(17)
Reclassification	–	–	–	–	1	–	–	–	1
Revaluations	–	–	–	–	–	–	–	–	–
At 31 March 2014	–	–	341	40	2,835	11,401	713	64	15,394
Depreciation									
At 1 April 2013	–	1,233	124	290	558	4,038	548	57	6,848
Charged in year	–	–	39	3	444	1,164	38	8	1,696
Disposals	–	–	(10)	(23)	–	(51)	–	(60)	(144)
Transfer to Defra	–	(1,233)	–	–	–	–	–	–	(1,233)
Transfer to AHVLA	–	–	–	(245)	(1)	(274)	–	–	(520)
Adjustment to the service concession arrangement	–	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Revaluations	–	–	–	–	–	–	–	–	–
At 31 March 2014	–	–	153	25	1,001	4,877	586	5	6,647
Net book value at 31 March 2014	**–**	**–**	**188**	**15**	**1,834**	**6,524**	**127**	**59**	**8,747**
Net book value at 31 March 2013	7,335	86,363	234	108	1,795	6,751	182	3	102,771

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

The Right of Use asset relates to IT services provided under the Defra service concession contract with IBM (See Notes 1.15 and 5.1).

The impact of the transfer of the Sand Hutton site from Fera to Defra is detailed in the financial review which is included within the strategic report.

5.1 Service concession assets

	2013/14 £000	2012/13 £000
Opening balance	182	474
Adjustment to the service concession arrangement	(17)	(202)
Depreciation	(38)	(90)
Closing balance	**127**	**182**

Defra have a contract with IBM for the provision of IT services and infrastructure assets. This contract was renewed in February 2010. It aims to support the Department and therefore Fera, by providing a modernised IT infrastructure, in line with the wider Government IT strategy, which gives 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. IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by the Department.

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

There is flexibility in terms of termination, providing Defra 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 the time left on the contract. There are no beneficial entitlements at the end of contract, although the Department has the option to purchase specified assets at net book value on exiting the contract. This gives the Department control of the assets during the life of the contract.

For further information on the service concession agreement see note 1.15.

6 Intangible assets

	Software Licences £000	Information Technology £000	Total £000
Cost or valuation			
At 1 April 2013	574	4,286	4,860
Additions	79	409	488
Disposals	(26)	–	(26)
Transfer to AHVLA	(2)	–	(2)
Reclassification	(1)	–	(1)
Revaluation	–	–	–
At 31 March 2014	624	4,695	5,319
Amortisation			
At 1 April 2013	214	3,114	3,328
Charged in year	98	375	473
Disposals	–	–	–
Transfer to AHVLA	(2)	–	(2)
Reclassification	–	–	–
Revaluation	–	–	–
At 31 March 2014	310	3,489	3,799
Net book value at 31 March 2014	**314**	**1,206**	**1,520**
Net book value at 31 March 2013	360	1,172	1,532

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

A significant element of the intangible assets relates to the eDomero Import module, which contains the inspections recording database and links to various wider Government systems. This is shown under IT assets at a net book value of £581k (2012/13 £671k).

Fera have on the basis of materiality decided not to apply indexation to intangible assets from 1 April 2013. Fera considers that the carrying value as at 31 March 2014 is a reasonable proxy for the fair value of the intangible assets. There have been no impairments in either year.

Of the revaluation surplus currently held in the SoFP £3k (2012/13 £3k) relates to IT assets.

7 Inventories

	2013/14 £000	2012/13 £000
Inventories	381	329
Work in progress	–	27
Total	**381**	**356**

8 Trade receivables and other assets

	2013/14 £000	2012/13 £000
Amounts falling due within one year:		
Trade receivables	3,110	1,787
Defra and Defra Agencies receivables	7,170	6,063
Other receivables	240	53
Defra and Defra Agencies accrued income	2,074	3,333
Prepayments and accrued income	3,163	5,024
EU funding – accrued income[1]	1,671	–
Total	**17,428**	**16,260**
Amounts falling due after more than one year:		
Prepayments and accrued income	36	30
Total	**36**	**30**

[1] The balance of accrued income in respect of EU funding is shown separately from prepayments and accrued income in 2013/14. EU accrued income in 2012/13 was included within the prepayments and accrued income line. The 2012/13 balances have not been restated.

9 Trade receivables – Intra Government balances

	2013/14 £000	2012/13 Restated[1] £000
Amounts falling due within one year:		
Balances with Central Government Bodies	10,871	10,604
Balances with Local Authorities	17	(3)
Balances with NHS bodies	–	–
Balances with Public Corporations and Trading Funds	–	–
Balances with bodies external to Government	6,540	5,659
Total	**17,428**	**16,260**
Amounts falling due after more than one year:		
Balances with bodies external to Government	36	30
Total	**36**	**30**

[1] The analysis of the 2012/13 balances have been adjusted to reflect FReM disclosure requirements.

10 Cash and cash equivalents

	2013/14 £000	2012/13 £000
Balance at 1 April 2013	2,883	1,787
Net change in cash and cash equivalent balances	1,278	1,096
Balance at 31 March 2014	**4,161**	**2,883**
The balances at 31 March were held at:		
Government Banking Service	3,346	2,105
Commercial banks and cash in hand	815	778
Balance at 31 March 2014	**4,161**	**2,883**

In addition to the above balances for 2013/14, Fera holds £2.3m of monies relating to third party collaborators (2012/13 £3.1m). See note 23.

Cash held in other currencies represents 3.9% (2012/13 8.1%) of total cash.

In 2013/14 Fera received £3.5m of cash funding from Defra to meet cash requirements (2012/13 £7.5m). This cash funding was transferred back to Defra in year.

11 Trade payables and other liabilities

	2013/14	2012/13
	£000	£000
Amounts falling due within one year:		
VAT	147	402
Other taxation and social security	504	594
Trade payables	378	287
Defra and Defra Agencies payables	435	444
Other payables	652	686
Defra and Defra Agencies deferred income	621	666
Other deferred income	1,650	2,720
Deferred EU income[1]	1,714	–
Accruals	3,931	8,539
Defra and Defra Agencies accruals	8,951	3,594
Total	**18,983**	**17,932**
Amounts falling due after more than one year:		
Defra and Defra Agencies payables[2]	170	257
Accruals	364	–
Total	**534**	**257**

[1] The balance of deferred income in respect of EU funding is shown separately from other deferred income in 2013/14. EU deferred income in 2012/13 was included within the other deferred income line. The 2012/13 balances have not been restated.

[2] Included within Defra and Defra Agencies payables is the future liability to pay for the Right of Use asset to IBM. The current liability is £64k (2012/13 £68k), the non-current liability is £170k (2012/13 £257k).

12 Trade payables – Intra Government balances

	2013/14 £000	2012/13 Restated[1] £000
Amounts falling due within one year:		
Balances with Central Government Bodies	10,616	5,217
Balances with Local Authorities	11	3
Balances with NHS bodies	–	–
Balances with Public Corporations and Trading Funds	–	–
Balances with bodies external to Government	8,356	12,712
Total	**18,983**	**17,932**
Amounts falling due after more than one year:		
Balances with Central Government Bodies	170	257
Balances with bodies external to Government	364	–
Total	**534**	**257**

[1] The analysis of the 2012/13 balances have been adjusted to reflect FReM disclosure requirements.

13 Provisions for liabilities and charges

13.1 Early departure costs

	2013/14 £000	2012/13 £000
Balance at 1 April	63	171
Provided in the year	(5)	(6)
Provisions utilised in the year	(10)	(11)
Release of provision not utilised	–	(100)
Unwinding of discount	6	9
Balance at 31 March	**54**	**63**

	2013/14 £000	2012/13 £000
Not later than 1 year	10	9
Later than 1 year but not later than 5 years	44	42
Later than 5 years	–	12
Balance at 31 March	**54**	**63**

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The provision is reversed over the period until normal retirement age has been reached (see note 1.22). This does not include the Voluntary Early Departure scheme whereby any payment for future years has been met under the terms of the scheme (see note 2.1).

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

14 Returns on investments and servicing of finance

	2013/14	2012/13
	£000	£000
Bank interest received	1	1
Total	**1**	**1**

15 Financial instruments

IFRS 7 (Financial Instruments: Disclosures) requires disclosure of the role that financial instruments had during the year in creating or changing the risks faced by the Agency in undertaking its activities.

Financial instruments by category

		2013/14	2012/13
Assets as per Statement of Financial Position	**Note**	**£000**	**£000**
Trade and other receivables	8	10,520	7,903
Cash and cash equivalents	10	4,161	2,883
Total		**14,681**	**10,786**

The above figures exclude prepayments and accrued income.

		2013/14	2012/13
Liabilities as per Statement of Financial Position	**Note**	**£000**	**£000**
Trade and other payables and accruals	11	14,347	13,098
Provisions	13	54	63
Total		**14,401**	**13,161**

The above figures exclude statutory payables and deferred income.

Debt and equity securities: Fera has a 14% shareholding in Forsite Diagnostics Ltd. The investment is valued at fair value in accordance with IAS 39 (Financial Instrument: Recognition and Measurement). The value at 31 March 2014 based on the latest draft accounts is £NIL (2012/13 £NIL).

Foreign currency risk: Fera transacts in Euros and Dollars as well as Sterling. Fera manages its own risk and reduces its exposure to foreign currency by netting receipts and payments in the same currencies before translating any remaining funds into Sterling. Fera regularly reviews the balances it holds in foreign currency accounts with excess balances being exchanged into Sterling at the most favourable available rate. Fera does not conduct hedging transactions. This approach cannot eliminate all foreign exchange risk. Detail of foreign exchange losses can be found in note 3.

Balances held at 31 March in denominated currency

	Euros €000	US Dollar $000
As at March 2014	137	86
As at March 2013	159	82

Credit risk: Fera does not have significant credit risk as the majority of its activities are for Government entities. Included within trade receivables is a £645k provision (2012/13 £723k) for doubtful receivables. This includes £643k for Forsite Diagnostics Ltd. See note 22 for further information. Fera's remaining provision for doubtful receivables relates to four customers owing £2k (2012/13 £56k).

Aged receivable analysis

	0-30 days £000	31-60 days £000	61-90 days £000	90 days+ £000
As at March 2014	9,369	369	81	701
As at March 2013	6,187	487	322	907

The book value of Fera's financial assets and liabilities as at 31 March 2014 and 31 March 2013 are not materially different from their fair values.

16 Impairments

During 2013/14 Fera recognised an adjustment to the service concession arrangement of £17k (2012/13 £202k) on the Right of Use asset.

17 Capital commitments

In 2013/14 Fera had no capital commitments. In 2012/13 Fera had £1.48m of capital commitments relating to the Defra Estates contract.

18 Commitments under leases

18.1 Operating leases

	2013/14 £000	2012/13 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	147	189
Later than 1 year but not later than 5 years	167	281
Later than 5 years but not later than 10 years	14	33
Later than 10 years but not later than 15 years	–	2
Expiry thereafter	–	–
Total	**328**	**505**
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**

Obligations under operating leases relate to Fera's commitment to pay rental costs for the life of the lease. These are analysed according to the period in which the lease expires. Land and buildings are managed by Defra under the estates contract.

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

18.2 Finance leases

	2013/14 £000	2012/13 £000
Obligations under finance lease arrangements comprise:		
Not later than 1 year	13	4
Later than 1 year but not later than 5 years	48	–
Expiry thereafter	–	–
Total	**61**	**4**

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

18.3 Service concessions

	2013/14 £000	2012/13 £000
Obligations under service concession arrangements comprise:		
Not later than 1 year	64	73
Later than 1 year but not later than 5 years	170	257
Expiry thereafter	–	–
Total	**234**	**330**

Service concession arrangements relate to the Right of Use asset. For further details see notes 1.15 and 5.1.

18.4 Operating leases from tenants (receipts)

	2013/14 £000	2012/13 £000
Benefits due from tenants under operating leases comprise:		
Not later than 1 year	–	531
Later than 1 year but not later than 5 years	–	1,405
Expiry thereafter	–	–
Total	**–**	**1,936**

Fera received rental income for the Sand Hutton estate in 2012/13. Following the transfer of the Sand Hutton estate on 1 April 2013 all tenant income is now payable directly to Defra.

18.5 Commitments under Defra PFI contracts

	2013/14 £000	2012/13 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	76	–
Later than 1 year but not later than 5 years	320	–
Later than 5 years but not later than 10 years	455	–
Later than 10 years but not later than 15 years	523	–
Expiry thereafter	470	–
	1,844	**–**

An off-balance sheet private finance initiative (PFI) contract was signed by the Department in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset.

Defra pays the costs associated with this PFI arrangement which are then recharged as a percentage occupancy basis to the organisations which use this office building. Fera relocated its Cambridge office into this building from 1 April 2013. The commitments shown in the table above reflect Fera's use of 1.53% of this office building.

19 Other financial commitments

	2013/14			2012/13		
	Defra managed contracts	Fera managed contracts	Total	Defra managed contracts	Fera managed contracts	Total
	£000	£000	£000	£000	£000	£000
Not later than 1 year	4,451	2,562	7,013	5,705	2,553	8,258
Later than 1 year but not later than 5 years	15,494	2,300	17,794	21,230	4,810	26,040
Later than 5 years	13,231	–	13,231	19,619	–	19,619
Expiry thereafter	–	–	–	–	–	–
Total	**33,176**	**4,862**	**38,038**	**46,554**	**7,363**	**53,917**

Defra managed contracts

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

The estimated value of freehold property owned by Defra but occupied by the Agency at 31 March 2014 is £69,551k (2012/13 £166k). The increase reflects the transfer of the Sand Hutton site back to Defra.

Fera managed contracts

The Agency has entered into non-cancellable contracts (which are not leases or PFI contracts), for nursery and daycare, service provision, software and systems support. The payments to which the Agency is committed during 2013/14 are the full contractual costs over the period of the lease.

20 Contingent liabilities disclosed under IAS 37

Fera have no contingent liabilities for 2013/14. The liability disclosed in the 2012/13 Accounts related to the Sand Hutton estate and responsibility for this was transferred to Defra as part of the Sand Hutton site transfer on 1 April 2013.

21 Losses and special payments

In 2013/14 Fera wrote off losses of £33k relating to 72 cases of bad debts. Fera incurred £44k of exchange rate losses. Fera also paid £49k in compensation to an exporter.

In 2012/13 Fera wrote off losses of £22k, which related to 71 cases of bad debts. Fera incurred £76k of exchange rate losses. Fera also paid HM Revenue & Customs £69k in settlement of a liability in relation to taxable benefits. A loss of £8K relating to a closed project was provided for.

22 Related party transactions

Fera is an executive agency of the Department for Food and Rural Affairs (Defra). Defra is a related party and there were a significant number of material transactions with Defra and its network bodies during 2013/14. Defra's network bodies include the Animal Health and Veterinary Laboratories Agency, Rural Payments Agency, Centre for Environment, Fisheries & Aquaculture Science and Veterinary Medicines Directorate. In addition, Fera has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with the Food Standards Agency.

During the year, no Board members, members of the key management staff or other related parties have undertaken any material transactions with Fera. The remuneration of Fera's Executive and Non-Executive Directors is stated within the Remuneration Report.

Hilary Aldridge, the Director of Policy and Regulation joined Fera on secondment from the Environment Agency during March 2012. The funds paid to the Environment Agency in respect of this secondment arrangement are disclosed in the remuneration report. Ms Aldridge is not involved in any contractual negotiations with the Environment Agency.

Hilary Aldridge is married to a senior manager within Yorkshire Water. Ms Aldridge is not involved in any contractual negotiations with Yorkshire Water. During 2013/14 transactions between Fera and Yorkshire Water totalled income of £11k (2012/13 £NIL) and expenditure of £NIL (2012/13 £NIL). As at 31 March 2014 there were no outstanding receivables or payables relating to Yorkshire Water (31 March 2013 £NIL). All transactions between Fera and Yorkshire Water were at arm's length on normal terms of trade.

R Angus Hearmon, the Director of External Affairs, represents Fera's interests on the Board of Forsite Diagnostics Ltd in a Non-Executive capacity. He receives no financial recompense for this position. During 2013/14 transactions between Fera and Forsite Diagnostics Ltd totalled income of £56k (2012/13 £43k) and expenditure of £88k (2012/13 £104k). The income related to administrative expense, IT and Health and Safety support. Expenditure related to consumables and contractor costs. The outstanding receivables at the period end totalled £643k (2012/13 £723k) and have been provided for in full. There were no outstanding payables and all transactions were conducted at arm's length on normal terms of trade.

Mike Wray, the Director of Government Relations, holds preserved rights in the National Institute of Agricultural Botany (NIAB) Pension Scheme. There were no transactions with the NIAB Pension Scheme in 2012/13 or 2013/14. Mr Wray is not involved in any dealings with NIAB.

Robert Edwards, the Chief Scientist up to 28 February 2014, had a joint appointment with the Centre for Novel Agricultural Products (CNAP), Department of Biology, University of York, where he holds a Chair in Crop Protection. The CNAP post represented a 0.2 FTE appointment whilst the Fera post was a 0.8 FTE.

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

Alexis Cleveland is a member of the University of Durham University Council. Ms Cleveland is not involved in any contractual negotiations with the University. During 2013/14 transactions between Fera and the University totalled income of £NIL (2012/13 £30k) and expenditure of £105k (2012/13 £6k). As at 31 March 2014 there were no outstanding transactions (31 March 2013 £NIL). All transactions were conducted at arm's length and on normal terms of trade.

23 Third party assets

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

	31 March 2013 £000	Gross inflows £000	Gross outflows £000	31 March 2014 £000
3rd Party bank balances – Euros	3,042	7,023	(7,840)	2,225
3rd Party bank balances – GBP	32	8	(4)	36
Total	**3,074**	**7,031**	**(7,844)**	**2,261**

24 Events after the reporting period

Hilary Aldridge was appointed as the interim Chief Executive and Accounting Officer with effect from 1 April 2014. Phil Northing was promoted to interim Director of Operations with effect from 1 April 2014. Philip Newton was appointed as the interim Director of Science with effect from 14 April 2014.

The Secretary of State for Defra announced in April 2014 that the inspectorate functions of Fera (the Bee Inspectorate, the Plants Health and Seeds Inspectorate and GM Inspectorate) and the Plant Variety and Seeds Group is planned to join with AHVLA to form a new agency by October 2014. The Government Decontamination Service is planned to transfer to Defra in August 2014. Fera's Plant Health Consultants are also planned to transfer to Defra in October 2014.

Defra published a procurement notice in respect of the proposed joint venture in the Official Journal of the European Union on 7 May 2014. This set out the PQQ process that potential bidders undertake. As described in the future developments section of the strategic report, this PQQ process is expected to be finalised in late June 2014.

The Accounting Officer authorised these financial statements for issue on 13 June 2014.

10. Glossary

AHVLA	Animal Health and Veterinary Laboratories Agency
ARAC	Audit and Risk Assurance Committee
Bute	Phenylbutazone
C&AG	Comptroller and Auditor General
CAP	Common Agricultural Policy
CBRN	Chemical, Biological, Radiological and Nuclear
CCSS	Centre for Chemical Safety and Stewardship
CETV	Cash Equivalent Transfer Value
CI	Continuous Improvement
CNAP	Centre for Novel Agricultural Products
CPI	Consumer Price Index
CRD	Chemicals Regulation Directorate
Defra	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DIS	Departmental Investigation Services
Dstl	Defence Science and Technical Laboratory
EC	European Commission
EMS	Environmental Management System
EU	European Union
FEC	Full Economic Cost
Fera	The Food and Environment Research Agency
FP7 KBBE	Seventh Framework Programme Knowledge Based Bio-Economy
FReM	Government Financial Reporting Manual
FSA	Foods Standards Agency
FTA	Fixed Term Appointments
FTE	Full Time Equivalent
GDS	Government Decontamination Service
GLP	Good Laboratory Practice
GMOs	Genetically Modified Organisms
Hazmat	Hazardous materials
HSE	Health and Safety Executive
IAO	Information Asset Owner
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIP	Investors In People

ISTA	International Seed Testing Association
NAO	National Audit Office
NRL	National Reference Laboratory
Omics	Refers to a field of study in biology ending in -omics, i.e genomics, proteomics or metabolomics
OPAL	Open Air Laboratories
ORETO	Official Recognition of Efficacy Testing Organisations
PCSPS	Principal Civil Service Pension Scheme
PES	Public Expenditure System
PFI	Private Finance Initiatives
PHSI	Plant Health and Seeds Inspectorate
PQQ	Pre-Qualification Questionnaire
PSN	Public Services Network
PVS	Plant Varieties and Seeds
RICS	Royal Institute Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
SCS	Senior Civil Service
Seedcorn	Specific investments in new and innovative research or proof-of-concept projects
SIRO	Senior Information Risk Owner
SMEs	Small and medium enterprises
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
STA	Short Term Appointments
STEM	Science, Technology, Engineering and Mathematics
TSB	Technology Strategy Board
UKAS	United Kingdom Accreditation Service
VAT	Value Added Tax

The Food & Environment Research Agency

Department for Environment Food & Rural Affairs

Fera is an Executive Agency of Defra

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