The Food & Environment Research Agency

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Annual Report and Accounts 2014/15

HC 179

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1. Foreword by Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

I am pleased to be able to present these final financial statements for the Food and Environment Research Agency. Fera successfully moved to a Joint Venture (JV) arrangement between Defra and Capita from 1 April 2015 and met four of its five performance targets during the 2014/15 financial year. Fera underwent substantial restructuring in 2014/15 in advance of the JV and I am pleased to note that this restructuring was effectively managed with a minimal impact on customers and the maintenance of an effective service. This strong result from Fera, in a context of substantial organisational change, is a credit to the leadership by the Executive Team during 2014/15 and the professionalism, resilience and dedication of its staff.

The Future of Fera project

The Secretary of State for Environment, Food and Rural Affairs announced on 1 May 2014 that Defra was launching a procurement exercise to find a JV partner for Fera.

The decision to seek a JV partner followed an extensive amount of work looking at Fera's business model, and the transfer of several business functions into the Defra network. A business case produced in early 2014 indicated that a commercial Joint Venture was most likely to be the best solution for Defra to continue to secure sustainable access to the services provided by Fera, in an affordable and value for money way. The JV presented an opportunity for Fera to develop further as a science organisation, offering its services and capabilities to a wider range of customers.

Following a successful competitive procurement exercise, the Secretary of State announced on 11 February 2015 that Capita had been chosen as the JV partner for Fera. Contracts were signed between Defra and Capita on 11 March 2015 and on 1 April 2015 all Fera staff and assets in scope for the new JV transferred in to Fera Science Limited.

Capita paid Defra £20m to acquire 75% of the shares of Fera Science Ltd., with Defra retaining the other 25%. Capita has committed over £10m investment into Fera Science Ltd. A further £4.5m of investment from the University of Newcastle (Capita's strategic science partner) was secured, with Fera Science Ltd. agreeing to invest an equivalent amount to create a new joint research institute between the University and itself.

Fera Science Ltd. now operates in the private sector. The Department's Chief Scientific Advisor and together with Director General for Strategy International and Biosecurity are Non-Executive Directors on the Board of the Joint Venture. A 10 year Long Term Service Agreement (LTSA) was negotiated for the provision of scientific services by Fera Science Ltd. to Government. Through this service agreement Fera Science Ltd. is obliged to continue to pursue public interest objectives and develop its science capability. A range of Key Performance Indicators (KPIs) have been agreed to ensure the quality of both the service delivery and science capability is maintained. While Defra retains ownership of the Sand Hutton site, Fera Science Ltd. has signed a 10 year lease to occupy the majority of the site.

Defra has ensured that the skills and knowledge that Fera provides in supporting government will be retained in Fera Science Ltd. through the agreements reached between Defra and Fera Science Ltd. Bringing together Fera's world leading capability, with Capita's commercial expertise and Newcastle's academic standing creates new opportunities for the business going forward.

Defra looks forward to working with Fera Science Ltd. as they deliver cost effective and practical science based solutions to the food and environment issues affecting society.

16th June 2015

Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

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 Fera's background and the key changes during the year;
- a balanced 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 performance of the business; and
- 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. Details of Fera's legal framework was set out in Fera's Framework Document, on inception in 2009. HM Treasury required an Annual Report and Accounts to be produced each year in accordance with the Accounts Direction which they provide. This Accounts Direction is available on http://www.gov.uk[1]. Fera's accounts are consolidated into Defra's Annual Report and Accounts and through this ultimately the Whole of Government Accounts.

Key changes during 2014/15

As detailed in the foreword on page four, in April 2014 Defra Ministers decided to find a JV partner for Fera's science business, with the JV commencing on 1 April 2015.

During the year Fera actively supported Defra in the JV exercise. This involved transferring several functions which did not form part of the JV to other parts of the Defra network. On 31 July 2014 Fera transferred the Government Decontamination Service (GDS) to Defra and a team of plant health consultants on 30 September 2014. Additionally the Plant Health and Seeds Inspectorate (PHSI), Bee Inspectorate, GM Inspectorate and Plant Varieties Rights Office and Seeds division (PVS) merged with the Animal Health and Veterinary Laboratories Agency (AHVLA) to create a new body – the Animal and Plant Health Agency (APHA) on 30 September 2014.

Due to the closure of Fera as an Executive Agency of Defra on 31 March 2015, the Annual Report and Accounts include the costs that were incurred as a result of the Agency closing. These one-off costs are, where applicable, disclosed separately within these Annual Report and Accounts to distinguish between Fera's actual 2014/15 performance and the impact of the closure costs.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389351/DAO_GEN_04-14_Accounts_Direction_2014-15_18_December_2015.pdf

Going Concern

On 31 March 2015 all of Fera's assets and liabilities transferred to its parent department, Defra. Defra made a long term commitment, as detailed on page 4, to maintaining the services previously provided by Fera.

As the functions previously provided by Fera will continue to be commissioned by the public sector from Fera Science Ltd, the Accounting Officer, with the support of senior management concluded therefore, that within the context of the Financial Reporting Manual (FReM), it was appropriate for the Agency to prepare the 2014-15 Annual Report and Accounts on a going concern basis.

Performance overview

Fera's role was to work closely with Defra and policy makers across government, providing robust evidence, advice and capability development to support policy-making, monitoring activities, enforcement and incident management response, as well as corporate developments. Whilst Fera's primary purpose was to support Defra's policy objectives, it also used its core skills and expertise to provide similar services to other government departments, the European Commission (EC) and commercial customers both nationally and internationally. In summary, Fera's services addressed risks to a safe, secure and productive food chain and the impact of these risks on the wider environment.

Fera achieved four of its five ministerial targets in a context of substantial organisational change and uncertainty. Fera achieved these results through innovative science and the translation of scientific knowledge and the contextual understanding of problems into practical solutions, often in multidisciplinary teams and in strategic partnerships. The examples below set out the developments made in 2014/15 to meet Fera's objectives and improve capabilities across different aspects of its business.

Science capability

Cutting edge detection and analysis

The development and deployment of novel diagnostic methods continued to be an area where Fera excelled. Through research methods such as Next Generation Sequencing (NGS) for the discovery of novel plant viruses, and Loop-mediated isothermal AMPlification (LAMP) assays for field-based pest and pathogen detection, Fera developed and established routine tools for use by diagnosticians and inspectors respectively. Using funding secured from Innovate UK, Fera took DNA-based detection technology to the next level; to develop air-sampling methods for the automated field surveillance of air-borne pathogens. Working with both industrial and academic partners, the development of this platform will allow farmers to make faster decisions about the control of disease such as rusts in wheat.

As part of Defra's 'ONE Evidence' work package Fera made an important contribution to the work in improving monitoring, leading to a proposal for a Defra Centre of Excellence in Detection and Analysis. Fera worked closely with the Environment Agency in this field, including co-hosting an agency/academia workshop on environmental DNA (eDNA) and development of a high throughput DNA-based method for the assessment of diatom populations in water. This approach will deliver significant cost reductions in water monitoring activity required by EU directives. Fera also supported Natural England in deploying a DNA-based method to detect the presence of Great Crested Newts, providing a more robust and cost-effective solution.

Fera's expertise in molecular diagnostics goes beyond plants, with Fera leading the way in the use of NGS to study food microbial ecology and metagenomics approaches to determine where food products originated and where they have been. These techniques have wide ranging application from determining geographical origin for a wide range of foods, to better prediction of shelf life and in the development of new methods for industry to carry out its own assurance, and for regulators to use in enforcement. Fera has taken the lead in the development of "non-targeted analysis" which enables organisations to profile normality and detect the unexpected.

As a translational research organisation, Fera continued to turn the latest developments from academia into innovative new services for customers. For example, Fera applied state of the art proteomic technology to provide a new surveillance procedure for determining the species origin of gelatin for a wide range of customers. Similarly Fera undertook a large surveillance study for the FSA to determine geographical origin using stable-isotope technology. By being at the forefront of the latest developments in applied research, Fera continued to provide innovative new "smart" surveillance that provides step changes in performance for customers.

Fera's Proficiency Testing Group (PTG) continued to successfully deliver its internationally leading services with key developments in 2014/15 including the launch of new reference materials in response to customer demand in areas such as dithiocarbamates.

Plant and tree health

Fera's capabilities in plant and tree health increased in line with the Tree Health and Plant Biosecurity Expert Task Force recommendations. This included improvements in methods, quality assurance and skills development, all directed towards enhanced, sustainable and more cost-effective services in the future. Fera delivered the planned programme of diagnostics, advice and training services as well as a Research and Development portfolio that included tree health projects co-funded by Defra and Biotechnology and Biological Sciences Research Council (BBSRC) under the Living with Environmental Change (LWEC) programme.

Through an increasingly interdisciplinary approach on projects such as Future-proofing Plant Health, Fera contributed to the integration of economics into areas such as plant and tree health, which have traditionally been dominated by the life sciences. An example of this was in October 2014, when Fera hosted a two-day international conference on Plant Biosecurity, sponsored by the Organisation for Economic Co-operation and Development (OECD). This interdisciplinary meeting brought together over 70 scientists, economists, industry representatives and policy makers from around the world. Fera also contributed to the Government Office of Science/Defra assessment of animal and plant health science capability which reported in December 2014.[2]

The development of novel pest-management solutions was a major area of success for Fera scientists. Having already worked with industry partners to develop novel biopesticides for pests infecting stored crops, Fera staff also worked on other sustainable control solutions for invertebrate pests of crops and trees. This included working as part of major European research consortia; for example EMPHASIS, a new integrated pest-management project, with 22 partners from across Europe.

[2] https://www.gov.uk/government/publications/animal-and-plant-health-in-the-uk-building-our-science-capability

Plant and bee health inspectorates

The Plant Health Inspection Service continued to maintain its lead position in intercepting third country quarantine pests and diseases at points of entry with this responsibility transferring to APHA from 1 October 2014. The Inspectorate function continued to utilise monies obtained under proceeds of crime legislation to enhance the investigation capability of the programme with a number of inspectors trained through this scheme. Contingency readiness exercises were successfully delivered for the first time in preparation for Asian Hornet and Asian Longhorn beetle. These exercises will form part of the annual preparedness calendar that the Plant and Bee Health Inspectorates will undertake as part of APHA.

Agri-food chain

Fera used its expertise in plant/crop health, pest/disease diagnostics and collaborative projects to be a key part of the Government's Agri-Tech strategy. This strategy, which is designed to increase agri-food chain productivity and profitability through innovation is a crucial part of the Department of Business, Innovation and Skills (BIS) future agenda with Fera recognised as a critical enabler in driving the adoption of 21st century science and technology by the broad farming sector.

Fera's expertise was recognised by success in three Agri-tech Catalyst bids, close working with the emerging Agri-Informatics Centre of Innovation and in having a leading role in designing and driving two proposed centres of innovation; in crop health and protection, and livestock health. Fera was also successful in winning work under the Defra Sustainable Intensification Platform programme. Fera's successes will further develop Fera's crop protection and crop health capabilities, strengthened by collaboration with the Met Office in modelling of weather patterns and disease forecasting.

Food authenticity

Fera's food authenticity work continued to support both the FSA and Defra. July 2014 saw publication of the Elliott Review[3] into the Integrity and Assurance of Food Supply Networks, following which Fera engaged with Defra in developing Centres for Excellence in Food Authenticity.

The €12m European project, FoodIntegrity, that Fera co-ordinated, and Fera Science Ltd. will continue, successfully linked major food stakeholders within Europe and developed strong links with the US and China. Through this project, Fera set the research agenda and Fera Science Ltd. will be commissioning €3m of new research to address key gaps that were identified following the horsemeat incident. Fera was at the centre of scientific developments on food authenticity both in terms of shaping the research landscape and in developing innovative solutions. In addition to developing new research in the area of anticipating food fraud, Fera scientists have presented and showcased this project at international fora throughout Europe.

[3] https://www.gov.uk/government/publications/elliott-review-into-the-integrity-and-assurance-of-food-supply-networks-final-report

Food safety

Fera continued to support various government agencies in food safety objectives, through both surveillance and method development work. For FSA this included co-hosting an international conference on Global Genetic Identifiers, a new way to detect and track-and-trace infectious disease outbreaks and emerging pathogens. Other FSA work included projects on norovirus and hepatitis E in pork, continued pre-release testing of horsemeat for the illegal drug ‘bute’, and assessments for environmental contaminants.

Support for Government policy

Fera continued to provide support to government policy throughout 2014/15. Strong support was provided for Defra’s ‘ONE Business’ programme, particularly the ‘ONE Evidence’ activities on improvements to evidence commissioning, quality and capability across the Defra network, and increased collaboration with external partners.

Fera also continued to provide support in the area of veterinary medicine residues with the Veterinary Medicines Directorate (VMD) to manage the final year of the non-statutory surveillance programme and deliver further improvements in methods used in the statutory programme. Similarly Fera continued its work with the Chemicals Regulation Directorate (CRD) of the Health & Safety Executive (HSE) in delivering the pesticides residue surveillance programme and related enforcement activity. Notably this included supporting HSE’s successful criminal prosecution of a gamekeeper, as part of the Wildlife Incident Investigation Scheme. This one case summed up Fera’s value to government, providing robust, independent science solutions combined with an in depth knowledge of the policy and regulatory framework.

Collaborative working with both the Home Office and the Defence Science and Technology Laboratory (Dstl) continued, with projects and knowledge exchange around the subjects of forensic research and development and Chemical, Biological, Radiological and Nuclear (CBRN) capability.

Performance against Ministerial targets

Fera reviewed the ministerial key performance measures and outcomes in the business plan and assessed them as indicated below:

1. Financial performance – To meet agreed financial performance and efficiency targets. **Met**
2. Science capability – To develop and maintain science capabilities to support Defra and wider government needs. **Met**
3. Customer focus – To achieve high standards of customer service and improved account management. **Met**
4. Leadership – To develop and maintain a culture of ownership and accountability that values everyone for their contribution. **Part Met**
5. Performance – To deliver effective and efficient regulatory outcomes, robust evidence, science services and incident response. **Met**

Due to the commencement of the Fera JV on 1 April 2015 Defra agreed at their Audit and Risk Committee (ARC) on 23 January 2015 that Fera would report on its ministerial targets at February 2015, thereby making a self-assessment on its performance for the first ten months of 2014/15.

Quality standards

Fera implemented quality systems to ensure compliance with all the relevant international quality standards that aligned with its work. Fera's application of these quality standards was 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). This enabled Fera's customers to be assured that the work carried out for them met or exceeded their quality expectations. Fera's quality standards compliance included:

- **ISO 9001:2008 Certification:** Provision of scientific services to government and non-government customers worldwide. Software development was performed in accordance with TickIT principles. Fera was last certified in June 2012. ISO 9001:2008 is recertified every three years.
- **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. Fera was last accredited in July 2014. ISO17025:2005 is reaccredited annually.
- **ISO/IEC 17043:2010 Accreditation:** Provision of proficiency testing covering food chemistry (FAPAS), food microbiology (FEPAS), GM detection (GeMMA), and water and environmental (LEAP). Fera was last accredited in November 2014. ISO/IEC 17043:2010 is reaccredited annually.
- **ISO 14001:2004 Environmental Management Systems:** This related to activities at the Sand Hutton site for analytical, diagnostic and consultancy services for land based and food industries. Fera was last certified in March 2015. ISO 14001:2004 is recertified every three years.
- **ISO 17020:2012 Accreditation:** Until the transfer of the Inspectorate function in October 2014 Fera was accredited under ISO 17020. This covered the physical examination of controlled materials for quarantine pests and diseases covering plants, potatoes, produce, seeds and grains, and soils and growing media. The standard also covered the 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 and the sampling of regulated materials for plant health testing and diagnostics.
- **GLP Compliance in accordance with the Good Laboratory Practice Regulations Statutory Instrument 1999 No 3106 and Statutory Instrument 2004 No 994:** Covering analytical chemistry, ecosystems, environmental fate, and environmental toxicity. Fera was last inspected in May 2014. GLP compliance is confirmed by inspection every 15-18 months.
- **Joint Code of Practice for Research (JCoPR):** The code is issued by Defra and is designed to assure the quality of the research process, and the quality of the science in research projects funded by Defra, its agencies and other interested organisations. Fera ensured adherence through its ISO9001 processes.
- **ISTA Accreditation:** Provision of seed quality testing, covering moisture content and purity. Fera was last accredited in May 2014. ISTA is reaccredited every three years.
- **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 every five years with Fera last inspected in January 2013.

- **Investors In People (IIP) Accreditation:** Fera gained accreditation in 1999. Following a tri-ennial review in 2014, Fera's external assessor stated that "Fera is functioning well above the requirements of the core standard and the organisation should aim for the Gold Award".
- Fera was the **National Reference Laboratory** for the UK and Malta for chemical safety in food, chemical contaminants in animal feed, pesticide residues and veterinary medicine residues.

Following the closure of Fera, these accreditations have transferred to Fera Science Ltd.

Health and safety

In 2013/14 Fera reported in its governance statement that it was concerned with the quality of the health and safety arrangements on the Sand Hutton estate. Fera remained concerned at the quality of health and safety arrangements for the Sand Hutton estate, which Defra is accountable for, as the issues raised in prior years had not been fully addressed. Whilst Defra is formally responsible for ensuring that the Sand Hutton estate has adequate health and safety arrangements, Fera remained responsible for ensuring the safety of its staff.

Fera management and the Audit and Risk Assurance Committee (ARAC) continued to take steps during 2014/15 to ensure that their concerns about health and safety arrangements on the Sand Hutton estate were clearly and formally communicated to Defra. These steps led to the creation of a joint health and safety action plan with Defra estates which ensured that these concerns were mitigated as far as possible. Further information is provided in the governance statement.

Incident data	2014/15	2013/14	Trend
Total number of incidents, accidents and near misses reported, which comprises:	91	138	↓
• Incidents involving an injury	45	50	↓
of which reportable to the HSE	1	0	↑
• Incidents involving near misses	27	88	↓
Number of staff working at Fera (headcount at 31 March)	584	845[1]	↓
Total reported incidents/number of staff at Fera	**0.15**	**0.16**	↓

[1] Headcount for 2013/14 included staff that transferred to other elements of the Defra network in 2014/15.

There was one incident reportable to the HSE during 2014/15 (2013/14: NIL) for which the appropriate remedial action was taken.

Near miss reporting	2014/15	2013/14
Near miss reports/100 employees	4.62	11.28
Injury reports/100 employees	7.70	6.41
Near miss : Injury ratio	0.6	1.76

Industry health and safety standards are compared through using the ratio of near miss reports to incident reports per 100 employees. Industry best practice standards predict that there should be 2 to 3 near misses reported for each injury. The table above shows that this ratio of near miss reporting to injuries declined in 2014/15 to 0.6.

Management recognised this declining trend and addressed this through the creation of a dedicated Quality, Safety, Health and Environment (QSHE) team in November 2014. The QSHE team was mandated to enable the cultural change required to shift health & safety from a reactive culture, based on compliance with legislation, to one where employees and management work together to produce a proactive approach to health and safety. This shift is 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.

The QSHE team began to take steps to drive this cultural change, which Fera Science Ltd. will continue. These included the provision of training, conducting random inspections across the organisation to supplement the health & safety inspections carried out by line managers and championing the importance of health & safety.

Financial review

Income and expenditure

Fera delivered an income of £51.9m in 2014/15, yielding a £0.7m deficit for the year. This outturn reflects:

- A stronger performance during 2014/15 than in 2013/14 for those functions which remained with Fera;
- The successful mitigation of the impact of the transfer of approximately 30% of Fera's income and cost base to other parts of the Defra network during 2014/15; and
- The inclusion of £1.1m of closure costs (including VED), detailed in note 3.1 to the financial statements which are required due to the closure of the Agency following the creation of the JV.

£'m	2014/15	2013/14
Income in SoCNE[1]	(51.9)	(62.9)
Functions transferred	10.8	23.1
VED[2] Early departure	1.2	0.7
Underlying Fera income	**(39.9)**	**(39.1)**
Costs in SoCNE	52.7	61.3
Functions transferred	(8.3)	(18.2)
Closure costs	(0.7)	-
VED Early departure	(1.2)	(0.7)
Facilities management settlement	0.5	-
Underlying Fera Costs	**43.0**	**42.4**
Underlying Fera deficit	**3.1**	**3.3**

[1] Statement of comprehensive net expenditure
[2] Voluntary early departure

2014/15 income includes £1.2m of VED income from Defra, £1.4m payment from Defra to compensate for lost contribution from the transferring functions and an income provision of £0.9m in relation to EU project pricing. 2013/14 income includes £0.7m of VED income from Defra.

2014/15 costs include £1.2m of VED cost, £0.5m refund of estate charges from previous years, and a £0.3m release of the annual leave provision. 2013/14 costs include £0.7m of VED cost.

Fera's underlying outcome demonstrates that it continued to apply effective financial management to ensure it delivered its science remit despite reduced Government budgets and constraints on marketing, recruitment and capital investment. Inevitably there were additional costs that Fera incurred whilst preparing for the JV which cannot be accurately identified such as, time taken from business as usual activities and maintaining customer relationships.

Examples of Fera's effective financial management include the £0.6m in-year investment to complete the Food For The Future project. This project delivered a more efficient Food Quality service through the introduction of a purpose built Food Analytical Suite, the creation of a central Sample Management Unit and refreshment of analytical methods. These changes delivered annualised savings of £0.9m through a reduced footprint on the Sand Hutton site and more efficient working practices.

Statement of financial position

Fera's taxpayer equity reduced from £12.7m as at 31 March 2014 to £NIL as at 31 March 2015. This movement reflects:

- The transfers of functions during the year to other parts of the Defra network; and
- The transfer of all remaining functions and associated net assets from Fera to Defra as at 31 March 2015 to enable the closure of Fera. The figures for which are contained in the table below.

Government accounting requirements mandate that these transfers of function both in year and as at 31 March 2015 within Defra's departmental group are accounted for by reducing the net assets and general fund within Fera's accounts and increasing the net assets and general fund in the corresponding bodies accounts.

The total value of the net assets transferred is shown as a non-operating loss within Fera's Statement of Comprehensive Net Expenditure (SoCNE) with a corresponding non-operating gain shown with the corresponding bodies SoCNE's. These non-operating losses had no impact on Fera's 2014/15 operating outturn.

Impact of the closure of the Agency as at 31 March 2015

The following assets and liabilities have transferred to Defra as at 31 March 2015:

Description	£000	Financial Statement Note
Tangible non-current assets	6,799	5
Intangible non-current assets	684	6
Inventories	491	7
Non-current trade and other receivables	30	8
Trade and other receivables	12,095	8
Cash and cash equivalents	4,334	10
Non-current trade and other payables	(35)	11
Trade and other payables	(13,496)	11
Total net assets transferred to Defra	**10,902**	

These transfers as at 31 March 2015 are accounted, as required by the FReM, as a non-operating loss for Fera which reduces the general fund by £10.9m to a £NIL balance.

Cash

After adjusting for non-cash items, excluding the movement of working capital, net cash inflow for 2014/15 was £1.3m which reflected Fera's robust underlying business model. To aid the closure of Fera, management sought to reduce liabilities and receivables as far as possible during 2014/15. This resulted in an adverse movement of £0.7m on working capital with trade liabilities reducing by £6.0m and receivables by £5.3m in the financial year. £0.4m was spent on essential capital purchases during 2014/15 resulting in an overall net cash increase of £0.2m.

Staff and workforce capability

2014/15 witnessed a substantial reduction in Fera's workforce as a number of Fera's functions transferred to other parts of the Defra network. These changes were in preparation for the commencement of the JV and resulted in a reduction in the workforce of a third.

As a significantly smaller organisation, it was necessary for the business support function to be reduced and as a result a major restructure of Fera's back office functions was undertaken. This resulted in a smaller business support workforce whose goals and targets closely aligned with the JV's business objectives in the private sector. Fera's strong performance in delivering effective change was recognised by the receipt of an award for a Step Change in Continuous Improvement from the Institute for Continuous Improvement in Public Services in February 2015[4].

As a result of this restructuring 19 staff left under voluntary terms. A further 16 staff opted to seek redeployment elsewhere in the civil service and transferred to core-Defra before the commencement of the JV.

Fera had an increased absence rate during 2014/15 of 6.2 days (2013/14 4.9 days) which is under the civil service average of 7.3 days.

The staff engagement score reduced by only 1% to 53% in the context of substantial organisational change. To ensure that staff were fully supported during the change Fera made a significant investment in employee health and wellbeing during 2014/15 with a specific focus on mindfulness and coping with change.

Fera provided 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. Fera continued to oppose all forms of discrimination.

Fera Staff Gender Diversity (as at 31 March 2015)

	Male	Female	Total
SCS	4	1	5
Band 4 and above	154	133	287
Bands 1-3	120	172	292
Total (by headcount)	**278**	**306**	**584**

On 31 March 2015, 544 staff transferred on TUPE terms to Fera Science Ltd., the remaining 40 staff either transferred to other parts of Defra and its network or left the organisation.

[4] http://www.icips.org/news/145

The following tables provide a breakdown of staff recruited in 2014/15 to Fera by grade, gender, disability status and declared ethnic origin.

Ethnic Origin	Gender	Bands 1-3	Band 4 and above	Total
White	Female	9	3	12
	Male	1	2	3
Non-white	Female	1	-	1
	Male	-	-	-
Not specified	Female	26	8	34
	Male	21	7	28
Total		**58**	**20**	**78**

Disability Status	Gender	Bands 1-3	Band 4 and above	Total
Non-disabled	Female	8	3	11
	Male	1	2	3
Disabled	Female	-	-	-
	Male	-	-	-
Not specified	Female	28	8	36
	Male	21	7	28
Total		**58**	**20**	**78**

Tax arrangements of public sector appointees

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

The tables below show the detail of the tax arrangements of senior public appointments for Fera for the year ending 31 March 2015.

All existing off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months	**Number**
Number of existing engagements as of 31 March 2015	3
Of which:	
Number that have existed for less than one year at time of reporting.	2
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 or those that reached six months in duration between 1 April 2014 and 31 March 2015 for more than £220 per day and that last for longer than six months	**Number**
Number of new engagements or those that reached six months in duration between 1 April 2014 and 31 March 2015.	4
Number of new engagements which included contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations.	4
Number for whom assurance was requested.	4
Of which:	
Number for whom assurance was requested and received.	4
Number for whom assurance was requested but not received.	0
Number that were terminated as a result of assurance not being received.	0

Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2014 and 31 March 2015	**Number**
Number of off-payroll engagements at board level, and/or, senior officials with significant financial responsibility during the financial year.	2
Total number of individuals both on and off-payroll and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility, during the financial year. This figure includes both on and off-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 Sustainability Reporting guidance.

As the landlord for the Sand Hutton estate, Defra include the whole of the Sand Hutton site in their sustainability report. As a tenant, Fera was responsible for 76% of the utility costs of the site. As a scientific agency there was a direct link between the amount of science Fera conducted and the Agency's 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.

Fera's data

Energy and water consumption data was based upon actual site meter readings and waste data from the quarterly facilities management waste return. The waste financial data was included within a larger Defra contract and was unavailable to agencies. Due to reporting deadlines, the quarter four waste data was unavailable for inclusion in this report, therefore, 2013/14 quarter four data has been used in order to provide sufficient data for this report. The waste data for year 2013/14 has been updated with the actual data for this period.

For business travel, the data for vehicles was 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 was 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; and
- Ensure that Fera bought more sustainable and efficient products and engaged with suppliers to understand and reduce the impacts of the supply chain.

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

Greenhouse gas emissions

Latest performance results showed a 4.8% reduction against the baseline.

RAG status: RED – For the first two years of reporting Fera did not include vehicle emissions therefore emissions increased since the point that this data was included.

Fera reduced electricity consumption by 3.2% and gas consumption by 7.6% against the 2009/10 baseline. Fera's award winning staff behaviour change programme continued to identify efficiencies, and implement initiatives to ensure that the Agency met its CO_2 reduction targets.

ENERGY CONSUMPTION		2014/15[1]	2013/14[1]	2012/13	2011/12	2010/11	2009/10 Baseline
Non-financial	Electricity	13,301,579	13,051,612	16,993,772	17,317,239	17,577,243	18,086,778
(kWh)	Gas	20,789,669	20,687,403	29,564,432	25,134,134	27,893,783	29,590,222
	TOTAL CONSUMPTION	**34,091,248**	**33,739,015**	**46,558,204**	**42,451,373**	**45,471,026**	**47,677,000**
Financial indicators (£)	Total energy expenditure	£2,142,951	£2,075,865	£2,542,102	£2,658,410	£1,876,667	£2,592,905

[1] The usage in these financial years represents the percentage of the Sand Hutton estate occupied by Fera.

GREENHOUSE GAS EMISSIONS		2014/15[1]	2013/14[1]	2012/13	2011/12	2010/11	2009/10
Non-financial (tCO_2e)	**Scope 1: Direct emissions**						
	Gas	3,846	3,827	5,469	4,738	5,160	5,474
	Vehicles	not available	not available	170	155	not available	not available
	TOTAL SCOPE 1	**3,846**	**3,827**	**5,639**	**4,893**	**5,160**	**5,474**
	Scope 2: Indirect emissions						
	Electricity	7,249	7,112	9,261	9,872	9,579	9,857
	TOTAL SCOPE 2	**7,249**	**7,112**	**9,261**	**9,872**	**9,579**	**9,857**
	Scope 3: Business travel						
	Air	158	212	275	332	278	263
	Rail	43	67	66	65	65	72
	TOTAL SCOPE 3	**201**	**279**	**341**	**397**	**343**	**335**
Financial indicators (£)	Expenditure on official business travel	£139,017	£536,211	£581,099	£557,953	£413,134	£422,602

[1] The emissions usage in these financial years represents the percentage of the Sand Hutton estate occupied by Fera.

Waste

Latest performance results showed a 15.1% reduction against the baseline.

RAG Status: GREEN.

Defra has a contract through its facilities management contractor, through which all waste is managed according to the waste hierarchy – Reduce, Re-use, Recycle. This means that all waste is disposed of in the most appropriate and environmentally responsible manner.

Waste		**2014/15**[1]	**2013/14**[1]	**2012/13**	**2011/12**	**2010/11**	**2009/10**
Non-financial indicators (tonnes)	Hazardous waste	0.7	0.4	0.9	136.1	106.1	84.6
	Reused, recycled, composted	49.3	61.2	88.3	141.1	102.0	149.2
	Incinerated with energy recovery	101.4	82.2	121.9	0	0	0
	Incinerated without energy recovery	0	0	0	0	0	0
	Landfill	38.7	28.0	44.1	40.9	102.2	149.7
	TOTAL WASTE	**190.1**	**171.87**	**255.2**	**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] The usage in these financial years represents the percentage of the Sand Hutton estate occupied by Fera.

Water

Latest performance results showed a 38.2% reduction against the baseline.

RAG Status: GREEN – Fera exceeded the target

Fera used water to perform scientific processes. These included ensuring sterile laboratory environments were maintained and preventing contamination risk.

Water		**2014/15**[1]	**2013/14**[1]	**2012/13**	**2011/12**	**2010/11**	**2009/10**
Non-financial indicators (m^3)	Water consumption – Supplied (non-office estate)	28,191	23,880	34,702	55,984	63,948	60,067
Financial indicators (£)	Invoiced water supply costs	£36,568	£30,617	£41,560	£107,864	£82,450	£144,259

[1] The usage in these financial years represents the percentage of the Sand Hutton estates occupied by Fera.

Environmental management system (EMS)

Fera operated an EMS which was externally certified to the internationally recognised standard ISO14001:2004. This demonstrated Fera's commitment to managing environmental risk and continually improving its environmental performance.

Procurement

Fera ensured that its procurement policies and procedures were aligned with Defra's Sustainable Procurement Strategy. Contract and supplier management practices were embedded within Fera's procurement procedures and through these activities Fera ensured commitment throughout the supply chain to the sustainability agenda. Where possible, procurement was avoided and repair and re-use was the preferred option. Where purchase was unavoidable, sustainable procurement was 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.

Social and community

In 2014/15 Fera continued its laboratory apprenticeship programme recruiting a further five apprentices to bring the current total to 15. The success of the programme was highlighted in November when Joe Turton, working within Fera's Centre for Chemical Safety and Stewardship, won the Royal Society of Chemistry's Chemical Sciences Apprentice of the Year Award. This accolade was presented in recognition of the contribution Joe has made during his apprenticeship and consisted of a £1,000 prize for Joe and a further £1,000 towards Joe's professional development.

Alongside the formal apprenticeship programme Fera continued to offer work experience placements to students from a range of local schools. In 2014/15, 28 placements in 11 different teams were completed for students from 14 different schools. Longer term placements were provided through internships, industrial placements and project based internships through the University of York and University of Huddersfield.

Fera was a member of York Cares[5], a partnership of the city's leading employers committed to making York a better place through employee-volunteering. Fera was one of seven organisations supporting the York Cares Children's University (York CU), which seeks to inspire children aged 7-14 by linking real life and learning. Focused on disadvantaged communities and working closely with local schools, York CU provides innovative experiences which make learning fascinating and fun. Fera's 'Science of Food' module[6], in its fourth year, was successfully delivered to Osbaldwick primary school culminating in a behind the scenes visit to the Sand Hutton site.

Through the York Cares membership, Fera also offered its staff a range of volunteering opportunities from local conservation and renovation projects through a 'Right to Read' scheme where staff go into local schools to support children experiencing difficulties with reading. Staff were given a paid day's volunteering leave to use for these and similar activities. In 2014/15 41 staff participated in Team Challenge projects and ten staff made the commitment to the Right to Read programme.

Disclosure of information to auditors

So far as I am aware, there is no relevant audit information of which the entity's auditors are unaware. As Accounting Officer from 1 April 2015, I am satisfied by assurances from the previous Accounting Officer, who was accountable up to 1 April, that she took all reasonable steps to make herself aware of any relevant audit information, and to establish that the entity's auditors were aware of it.

16th June 2015

Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

[5] http://www.yorkcares.co.uk/

[6] http://yorkcares.pixelbuilders.net/wp-content/uploads/2014/10/CU-Modules.pdf

3. Directors' Report

The directors' report discloses those matters which Fera was 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.

Following the creation of the JV and the associated closure of Fera, the Accounting Officer responsibility for Fera was transferred, as at 1 April 2015, from Hilary Aldridge, Fera's Chief Executive and Accounting Officer, to Bronwyn Hill, Defra's Permanent Secretary and Principal Accounting Officer.

Executive Directors during 2014/15

Name	Role
Hilary Aldridge	Chief Executive and Accounting Officer for the period 1 April 2014 to 31 March 2015
David Chilvers[1]	Interim Commercial Director
Ann Conway-Hughes[2]	Interim Director of Operations
R Angus Hearmon[3]	Director of External Affairs
Philip Newton[4]	Director of Science
Paul Whitfield	Director of Finance & Corporate Services
Mike Wray	Director of Government Relations

[1] David Chilvers was an interim appointee and member of the Board between 5 August 2014 and 5 February 2015.

[2] Ann Conway-Hughes was an interim appointee between 26 August 2014 and 31 March 2015. Ann Conway-Hughes ceased to be a Board member from 26 February 2015 after which her role changed to assist the incoming Director of Operations for Fera Science Limited.

[3] R Angus Hearmon was seconded to Defra with effect from 1 October 2014.

[4] Philip Newton was appointed Director of Science from 14 April 2014.

Non-Executive Directors during 2014/15

Name	Role
Alexis Cleveland	Chair of the Fera Board and member of the Audit and Risk Assurance Committee
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[1]	Government Non-aligned Director on the Fera Board

[1] Andrea Young resigned with effect from 24 June 2014.

The membership of the Fera Board, Audit and Risk Assurance Committee and the External Science Panel and the meetings attended by the directors during 2014/15 are set out in the following table:

	Board	**Audit and Risk Assurance Committee[8]**	**External Science Panel[1]**
Number of meetings in 2014/15	**7**	**6**	**0**
Executive Directors			
Hilary Aldridge[2]	7	4	-
David Chilvers[3]	3	-	-
Ann Conway-Hughes[4]	4	-	-
R Angus Hearmon[5]	2	-	-
Philip Newton[6]	6	-	-
Paul Whitfield[2]	6	6	-
Mike Wray	7	-	-
Non-Executive Directors			
Alexis Cleveland	5	4	-
Geoffrey Drage	7	6	-
John Lawton	6	-	-
Roger Platt	6	4	-
Andrea Young[7]	-	-	-

[1] The External Science Panel did not convene in 2014/15. Further information can be found on page 46

[2] Hilary Aldridge and Paul Whitfield were not formal members of the Audit and Risk Assurance Committee. However, they attended Committee meetings during 2014/15 to assist the Committee with their work.

[3] David Chilvers was eligible to attend five Board meetings.

[4] Ann Conway-Hughes was eligible to attend four meetings as a member of the Board until she ceased to be a member of the Board from 26 February 2015. She attended one further Board meeting as a non-voting invitee.

[5] R Angus Hearmon was eligible to attend two Board meetings before his secondment to Defra.

[6] Philip Newton was eligible to attend six Board meetings.

[7] Andrea Young was eligible to attend four Board meetings.

[8] After Fera closed on 31 March 2015, the ARAC met a further two times as a sub-committee of the Defra ARC.

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

All directors were required to disclose any potential conflicts of interest that they may have. This included all company directorships and other significant interests which potentially conflicted 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 incurred a notional charge of £100k (2013/14 £75k). The 2014/15 fee includes £15k in respect of work conducted to audit the accounting for the Future of Fera transaction. No non-audit work was conducted by the National Audit Office during 2014/15 (2013/14 £NIL).

Political and charitable donations

Fera made no political or charitable donations in 2014/15 (2013/14 £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 the Agency's directors are detailed within the remuneration report.

Information and data management

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

These arrangements enabled individuals to understand and address risks to ensure that the information which they were responsible for was used within the law for the public good. The IAO worked with a number of key staff within the relevant programmes to assess the risks to their data, and these assessments were reported to Defra.

Additional measures such as Fera's participation in the Cabinet Office's 'Security Risk Management Overview' process were taken to ensure that Fera's information assets were protected to a standard appropriate to a Government Agency. Fera was accredited to the Public Services Network (PSN) standard, which requires strict adherence to a 'Code of Connection' that sets high standards for information risk management. Fera's IT Service and Infrastructure team provided services which supported Fera's secure use of IT systems and associated data to assure compliance with all relevant Government and legal requirements and practice. This team advised the business on appropriate strategies, technologies and behaviours to minimise the risk and impact of failures of data security.

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

All staff were required to pass the 'Responsible for Information' course provided by Civil Service Learning, and to undertake annual refresher training. Take up of this course was carefully monitored through automated email notices, with further notifications through the line management chain as required. All staff were also required to agree to Fera's Information Security Policy before full computer access was granted. This agreement was renewed annually.

Financial instruments

The nature of Fera's activities, and the way that agencies are financed means that Fera was not exposed to the degree of financial risk faced by other business entities. Fera had no exposure to liquidity or interest rate risks.

Fera did not trade in financial instruments. Financial assets and liabilities generated by day-to-day operational activities were not held to change the risks faced by 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 Fera aimed to pay 80% of undisputed invoices within five working days of receipt. During 2014/15 Fera paid 71% of its undisputed invoices within five working days (2013/14 58%), an improvement on the prior year as part of the continuous improvement programme.

Employment of disabled individuals

Fera was committed to providing equal access for disabled individuals and ensuring that full and fair consideration was made to applications for employment by disabled people. This also included ensuring that reasonable adjustments were made, where necessary, to enable disabled individuals to have equal access to training, career development and promotion opportunities. Fera's commitment to the employment of disabled individuals was recognised by its longstanding accreditation by the "Two Ticks (Positive About Disabled People)" scheme.

Sickness absence data

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

Employee engagement

Fera's vision was to be the best place to work for those wishing to pursue a career in agri-food translational science. Fera measured its employee engagement using the annual Civil Service People Survey, which provides a benchmark to enable performance to be assessed. Following a four percent increase in Fera's engagement score in 2013, overall engagement held steady during 2014 with a one percent decrease in Fera's overall rating (from 54% to 53%). This result was achieved in the context of the continued uncertainty that Fera faced about its future ownership and the significant change required by Fera in 2014 to prepare for the JV implementation.

Fera's score for Leadership and Managing Change held steady at 30%, with a five percent improvement in the number of people who believed that the Executive Team had a clear vision of the future which was to be the leading supplier of scientific solutions, evidence and advice across the agri-food supply chain.

To assist the transition to the JV all of Fera's team leaders, Heads of Programme and the Executive Team attended a 'Change Leaders' workshop, and personal resilience training was made available to all staff. These courses were designed to help equip staff to deal effectively with change and were positively received.

Fera celebrated 100 years of science within government in 2014 by holding internal and external events such as open days, where colleagues' families and members of the public were welcomed.

16th June 2015

Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

4. Remuneration Report

Policy on remuneration

With the exception of the Director of Operations and the Commercial Director, the Chief Executive and the Executive team were all members of the Senior Civil Service (SCS) and subject to the terms and conditions applied by 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. Fera's Director of Science was appointed on a short term contract under the SCS terms and conditions.

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. Those Executive Directors who formed part of the SCS were subject to a performance system which monitored their performance against agreed targets. For SCS staff this was the performance management system as introduced by the Civil Service Management Board.

The roles of Commercial Director and Director of Operations were filled by two interim appointments during part of 2014/15.

Executive Directors

Contracts, notice periods and termination periods

These were contractual arrangements and notice periods for the Executive Directors in post during 2014/15:

Executive Directors	Position	Date of appointment	Contract end date	Notice period
Hilary Aldridge[1, 5]	Chief Executive and Accounting Officer	29 February 2012[1]	Secondee[1]	3 months
David Chilvers[2]	Interim Commercial Director	5 August 2014	6 February 2015	Up to 20 working days
Ann Conway–Hughes[2]	Interim Director of Operations	26 August 2014	26 February 2015	Up to 20 working days
R Angus Hearmon[3]	Director of External Affairs	2 March 2009	Permanent employee	3 months
Philip Newton[4, 5]	Director of Science	14 April 2014	31 July 2015[4]	3 months
Paul Whitfield[5]	Director of Finance & Corporate Services	23 February 2009	Permanent employee	3 months
Mike Wray[5]	Director of Government Relations	16 February 2009	Permanent employee	3 months

[1] Hilary Aldridge was on secondment from the Environment Agency from 29 February 2012 to 30 March 2015. Hilary was appointed as a permanent Fera employee on 31 March 2015, at which point she became SCS.

[2] David Chilvers and Ann Conway-Hughes were interim appointments during 2014/15. Ann Conway-Hughes ceased to be a Board member on 26 February 2015, but continued in post until 31 March 2015.

[3] R Angus Hearmon was seconded to Defra from 1 October 2014 to assist the Future of Fera transaction. Fera continued to pay his salary during 2014/15. From 1 April Angus transferred to Defra and did not TUPE to Fera Science Ltd.

[4] Philip Newton was on a short term appointment during 2014/15, which was extended to cover the transition to Fera Science Ltd.

[5] On 1 April 2015 Hilary Aldridge, Paul Whitfield, Mike Wray and Philip Newton TUPE transferred to Fera Science Ltd.

Directors' remuneration

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

Salaries

This included gross salaries, overtime, reserved rights to London weighting and recruitment and retention allowances where applicable. None of the Executive Directors received overtime, benefits in kind or London weighting. This does not include amounts which were reimbursements of expenses directly incurred in the performance of an individual's duties or payments to third parties which are separately disclosed within this remuneration report.

Bonus payments

Bonus payments reflected exceptional in year performance and were based on performance levels attained. Bonus payments were determined as part of the appraisal process. With the exception of in year bonuses which were paid relating to specific pieces of work, bonus payments were paid in the financial year following the related period.

Due to the closure of Fera as at 31 March 2015 an accrual for Directors bonuses has been included within a general bonus of £250k for all Fera staff for 2014/15. Until finalised, the bonuses, cannot be allocated to individual Directors or members of staff. Once agreed these bonus payments will be made through Fera Science Ltd., which will be reimbursed by Defra.

The bonuses shown in the table below for 2014/15 relate to director performance in 2013/14 and the payment of any in year bonuses that were awarded in 2014/15. The comparative bonuses shown for 2013/14 relate to director performance in 2012/13 and the payment of any in year bonuses that were awarded in 2013/14.

Information Subject to Audit

Executive Directors	Salary	Bonus payments	Benefit in kind	Pension benefit	Total remuneration	Salary	Bonus payments	Benefit in kind	Pension benefit	Total remuneration
					2014/15					**2013/14**
	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**
Hilary Aldridge[1]	125-130	N/A	N/A	N/A	**125-130**	115-120	N/A	N/A	N/A	**115-120**
Adrian Belton	N/A	N/A	N/A	N/A	**N/A**	110-115	N/A	N/A	24	**135-140**
Robert Edwards[2]	N/A	N/A	N/A	N/A	**N/A**	80-85	5-10	N/A	32	**125-130**
R Angus Hearmon	90-95	0-5	N/A	31	**125-130**	90-95	5-10	N/A	24	**125-130**
Philip Newton	90-95	N/A	N/A	N/A	**90-95**	N/A	N/A	N/A	N/A	**N/A**
Paul Whitfield	95-100	15-20	N/A	41	**150-155**	95-100	N/A	N/A	37	**135-140**
Mike Wray	75-80	0-5 N/A	N/A	16	**95-100**	75-80	N/A	N/A	12	**90-95**

[1] Hilary Aldridge was an employee of the Environment Agency on secondment to Fera from 1 April 2014 to 30 March 2015, from 31 March 2015 she became an employee of 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 was employed on a 0.8 FTE basis. His full year equivalent salary for 2013/14 was £90-95k.

Executive Directors’ pension details

The Executive Directors were members of the Principal Civil Service Pension Scheme (PCSPS). R Angus Hearmon was a member of the premium scheme; Paul Whitfield was a member of the Nuvos scheme and Mike Wray was 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 were included within the amount Fera paid to Environment Agency for her secondment. Fera do not have the information to separate out her secondment cost between salary and pension contributions. Philip Newton held a Partnership pension and received employer contributions to his partnership pension accounts.

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

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

The CETV figures and, from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the 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 31/03/15 and related lump sum	Real Increase in Pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14[1]	Real increase in CETV
	£000	£000	£000	£000	£000
R Angus Hearmon	15-20	0-2.5	334	283	31
Paul Whitfield	30-35	22.5-5.0	432	377	26
Mike Wray[2]	20-15 (60-65)[2]	0-2.5 (2.5-5.0)[2]	411	366	12

[1] The Actuarial factors used to calculate the CETVs change regularly, the CETVs at 31/03/2015 and 31/03/2014 were calculated using the new factors for consistency. The CETV at 31/03/2014 may differ 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 Fera's non-executive directors are set out below:

Non-Executive Directors	Date of appointment	Contract end date	Notice period
Alexis Cleveland[1]	1 September 2011	31 March 2015	3 months
Geoffrey Drage[1]	13 January 2010	31 March 2015	3 months
John Lawton	1 April 2013	31 March 2015	3 months
Roger Platt[1]	1 September 2011	31 March 2015	3 months
Andrea Young[2]	1 April 2013	24 June 2014	3 months

[1] These three non-executive directors, who comprised Fera's Audit and Risk Assurance Committee, have been employed by Defra as members of a sub-committee of the Defra Audit and Risk Committee from 1 April 2015 to provide oversight for the completion of Fera's 2014/15 Annual Report and Accounts.

[2] Andrea Young resigned with effect from 24 June 2014.

Non-Executive Directors remuneration

The non-executive directors were paid an annual fee equivalent to 20 days of work. Committee chairs received an extra five days in respect of the additional work required by these roles. Non-Executive Directors were 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.

	2014/15	2013/14
Non-Executive Directors	**£000**	**£000**
Alexis Cleveland	10-15	10-15
Geoffrey Drage	10-15	10-15
John Lawton	10-15	10-15
Roger Platt	10-15	10-15
Andrea Young	N/A	N/A

With the exception of Andrea Young, whose costs were not paid by Fera, all non-executive directors were paid through payroll by Fera from which tax was deducted at source.

Compensation

Fera did not make any compensation payments to former executive or non-executive directors this year or in the previous year.

Third party payments

Fera paid the following to a third party for the services of two individuals as Executive Directors during 2014/15 (2013/14 £NIL).

Individual	**2014/15**	**2013/14**
	£000	**£000**
Ann Conway-Hughes	154	-
David Chilvers	142	-

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 in financial year 2014/15 was £110k-£115k (2013/14 £110k-£115k). This was 4.31 times (2013/14, 4.27) the median remuneration of the workforce of £26,075 (2013/14 £26,316). The reduction in the median salary and pay multiple is due to the impact of the reduction in workforce following the restructures in preparation for the JV during 2014/15. In 2014/15 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £5k-£10k to £110k-£115k (2013/14 £5-£10k to £110k-£115k).

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.

As the Fera Chief Executive for 2014/15 was seconded from the Environment Agency for the majority of the financial year, the highest paid director during the financial year was the Director of Finance and Corporate Services. In 2013/14 the highest paid director was the Chief Executive, Adrian Belton.

16th June 2015

Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

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.[7]

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 the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year then ended.

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

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

HM Treasury has appointed the Permanent Secretary and Principal Accounting Officer of the Department for Environment, Food & Rural Affairs as the designated 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.

[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389351/DAO_GEN_04-14_Accounts_Direction_2014-15_18 December_2015.pdf

6. Governance Statement

This statement explains Fera’s governance arrangements, describes how risk was managed, and outlines the system of internal control and stewardship of resources. It summarises the effectiveness of these arrangements, and how they support my responsibility for the use of resources.

Accounting Officer responsibilities

As the Principal Accounting Officer for the Department for Environment, Food & Rural Affairs, I have the ultimate responsibility and accountability for the performance of Fera. From 1 April 2014 to 31 March 2015 Fera was an Executive Agency of Defra.

I discharge my responsibility for ensuring that Defra’s Executive Agencies have a sound system of internal control that supports the achievement of their objectives through appointing an Accounting Officer, who reports to me, for each Executive Agency. I and these appointed Accounting Officers are personally responsible for safeguarding the public funds and assets used by each Executive Agency in accordance with the responsibilities outlined in Managing Public Money. In discharging this accountability we 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 Fera within the policy framework they define.

From 1 April 2014 to 31 March 2015, Hilary Aldridge, Fera’s Chief Executive was appointed by me as the Accounting Officer of Fera. She was accountable to me, for the financial management of the Fera in accordance with its Framework Document, effective risk management and for the achievement of the Fera’s business priorities in accordance with its agreed business plan, from 1 April 2014 to 31 March 2015.

Change of Accounting Officer from 1 April 2015

Following the successful transfer of Fera to the JV with Capita, Fera ceased to be an Executive Agency on 31 March 2015. The responsibility and accountability for reporting Fera’s performance has therefore reverted to me as the Principal Accounting Officer for the Department for Environment, Food & Rural Affairs from 1 April 2015.

Fera’s Chief Executive during the 2014/15 financial year has provided me with her views and assurances on the governance processes, the effectiveness of the control environment and the significant issues the Agency faced during 2014/15. I have taken her views and the assurance she has provided into account when forming my opinion on the adequacy and effectiveness of the control environment Fera operated and the significant issues that Fera faced during 2014/15.

Governance arrangements

Governance structure

During 2014/15 Hilary Aldridge was supported by the Fera Board (the Board), the ARAC, and the directors who formed her Executive Team. I have been assured that this governance structure, outlined on page 46, provided an effective advisory and challenge function and that it was sufficient to enable Fera to deliver against the agreed Ministerial targets . The External Science Panel, which was part of Fera's governance structure, did not meet during 2014/15 financial year. The Board included four non-executive directors for the majority of 2014/15. Three of the non-executive directors also comprised the membership of the ARAC. The Board and ARAC were all chaired by experienced non-executive directors. The membership of the Board and ARAC and the meetings attended by the directors during 2014/15 is set out in the directors' report.

The Executive Directors were supported by a broad leadership team of Heads of Programme and Heads of Science. Accountability for performance was cascaded through line management arrangements and defined by individual performance management agreements. All of the Executive Team's sub-committees were chaired by a member of the Executive Team. All of the Executive Team sub-committees had defined and regularly updated terms of reference and were required to keep minutes.

Changes in the executive and non-executive team

During 2014/15 Fera's Executive Team changed significantly as Fera redefined its internal processes and arrangements in advance of the JV with Capita. The Director of External Affairs (Angus Hearmon) was seconded to Defra with effect from 1 October 2014 where he has provided invaluable assistance to Defra on the Future of Fera project.

Hilary Aldridge, my predecessor as Accounting Officer, identified that Fera needed to develop further its commercial expertise and enhance its ability to deliver profitable and timely projects. To enable development in these areas, my predecessor appointed David Chilvers as Interim Commercial Director on 5 August 2014 and Ann Conway-Hughes as Interim Director of Operations from 26 August 2014. Both of these interim appointments proved to be successful with their challenge and support improving capacity and driving cultural change. These appointments helped the Agency to deliver an improved performance in 2014/15 and effectively prepare for the JV.

Following the resignation of Fera's previous Director of Science in 2013/14, Philip Newton was appointed as the Director of Science with effect from 14 April 2014. Philip brought an extensive knowledge and expertise in research and development and was a real asset to the Agency during 2014/15 as Fera demonstrated cutting edge science.

Andrea Young, one of Fera's non-executive directors resigned from the Board on 24 June 2014 to take up a new executive role.

The role and performance of the Board

Fera's Chief Executive informed me that the Board and ARAC provided strong support and guidance during 2014/15. The Board's responsibilities included advising on:

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

The Board met seven times during the year and provided particularly strong support to Fera's Chief Executive regarding the ongoing discussions relating to the Future of Fera. To enable their oversight, the Board was provided with relevant financial and performance information and detailed briefings on the strategic issues facing Fera. The Board demonstrated a willingness to request clarifications and challenge the data where appropriate.

The Board conducted a self-assessment of its performance in mid-2014. This review identified that whilst the Board was operating effectively and was content with the quality of the data it received, some developments were required. These developments related to clarifying the precise role of the Board and ensuring that it remained 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. The Board addressed these matters during its final meetings in 2014/15.

Audit and Risk Assurance Committee

The ARAC, which advised the Board and Fera's Chief Executive during the period 1 April 2014 to 31 March 2015, was normally attended by the Fera Chief Executive, the Director of Finance and Corporate Services, the Head of Financial Audit and Control and representatives from internal and external audit. Following the closure of Fera on 31 March 2015, the non-executive director members of Fera's ARAC have reported to Defra's ARC as a dedicated ARC sub-committee with a specific mandate to review and provide assurance to me on Fera's Annual Report and Accounts.

This arrangement enables me, as Principal Accounting Officer for Defra, to have independent assurance over the reliability, integrity and comprehensiveness of Fera's governance and control arrangements.

Since 1 April 2014 the Agency's ARAC and its successor sub-committee of Defra's ARC have amongst other matters:

- reviewed the 2013/14 Annual Report and Accounts;
- reviewed the 2014/15 Annual Report and Accounts (Fera closure accounts);
- reviewed the National Audit Office's audit plan and audit completion reports;
- approved the Internal Audit Plan for 2014/15 and reviewed audit reports;
- 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, ensuring these are communicated to the management of Fera Science Ltd. The ARAC recognised that not all recommendations have been implemented following the change of ownership.

Recommendations from the ARAC have been escalated to the Defra Chief Operating Officer and the Defra ARC as necessary. The Chair of ARAC has met the Defra ARC Chair and other Defra network ARAC chairs on a regular basis to discuss issues of common interest and concern.

External Science Panel

The Panel did not meet during 2014/15 as its role in advising on Fera's strategic science direction within Government was superseded by the bidding process and the finalisation of the JV outside of Government.

Compliance with the Corporate Governance Code

Insofar as the Corporate Governance Code applies, Fera has applied the principles of the Code which requires 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. In previous years the Executive Team and the Board reviewed their compliance with the principles and concluded that they complied with the Code to the extent that it relates to an Executive Agency. The Board took action where appropriate to address the findings of previous reviews. Due to the closure of Fera on 31 March 2015, the Executive Team and the Board did not self-assess their performance during the period 2014/15.

Risk management

The Board discussed Fera's risk appetite. Fera's risk tolerance varied depending on what the risk could impact. For example, Fera had a very low tolerance for risks which could have affected its reputation and the quality of its science. Fera was however prepared to accept more risk when developing innovative areas as it balanced the risk of potential failure in new innovations against the significant benefits which new innovations may have led to.

Fera used a series of risk registers throughout the business to manage against the defined risk appetite and set out the actions taken to mitigate and address identified risks. Risk registers were updated, as a minimum, on a quarterly basis.

Key risks, opportunities and the actions that had been taken to address these were reported to Defra to enable them to understand the Agency's overall risk environment. Examples of the key risks, that Fera has reported to Defra include:

- the potential risks associated with the transition to the JV with Capita and the steps that were taken to address these;
- concerns over the adequacy and effectiveness of facilities management arrangements and the impact these may have on Health & Safety and Fera's ability to deliver; and
- the impact of government constraints relating to recruitment and retention which affected Fera's ability to resource work and attract specialist staff in a competitive market environment.

As part of the 2014/15 audit plan, Fera's internal auditors, KPMG, conducted an audit of Site and Biosecurity. This report offered only limited assurance. It made four high priority recommendations arising from 'major weaknesses in control', together with nine medium and two low priority recommendations. While the draft report from this audit was issued in mid-December 2014, it was not finalised until April 2015. As Fera closed on 31 March 2015, the report was considered and escalated within Defra by the Fera ARAC as a sub-committee of the Defra ARC. This report was also passed on to Fera Science Ltd.

Fera management had long standing concerns with the standard of maintenance of the facilities at Sand Hutton. Inadequate maintenance poses a risk both to the health and safety of the staff and the ongoing operation of the research programme. These concerns featured in previous governance statements. Some assurance was given to the Fera non-executives that the risks were steadily being reduced as Defra Estates and the facilities provider improved their performance and management introduced extra controls, however, the report by KPMG authoritatively demonstrates that the residual risk remains far too high.

Stewardship of resources

I confirm that an adequate system of internal control, consistent with the requirements of Managing Public Money, was in place for the year ended 31 March 2015. My conclusion is informed by assurances from Fera's Chief Executive who was the appointed Accounting Officer during the period 1 April 2014 to 31 March 2015 and the work of internal and external audit.

Fera's Chief Executive and her Executive Team have assured me that, subject to the significant issues outlined in this statement and the mitigating actions that have been taken, particularly in respect to health and safety, the internal controls they were responsible for were operating adequately.

I have obtained independent confirmation of this assurance through assurances obtained by Internal Audit and reviews of performance by Defra's Chief Operating Officer. These performance reviews were conducted on a quarterly basis up to September 2014 and then, following the appointment of a new Defra Chief Operating Officer, performed on a monthly basis.

Fera delivered four of its five 2014/15 performance objectives which were set out in its agreed Ministerial targets. The delivery of these four objectives and the part delivery of the fifth evidenced that Fera continued to provide high quality science against a reduced budget whilst undergoing substantial structural change. This change included the transfer to other parts of the Defra network in 2014/15 of the GDS and the Inspectorates and the creation of a new JV from 1 April 2015.

In 2014/15 management identified two instances where the operation of the internal control framework was not fully effective in meeting Fera's high delivery standards relating to operating licences. These were both dealt with successfully with the appropriate authorities without detriment to ongoing operations or customers.

As an arm's length government body during 2014/15 Fera was required to provide confirmation that for the period 1 April 2014 to 31 March 2015, an appropriate quality assurance framework was in place and used for all business critical models. Fera did not own any business critical models during this period. Fera did however contribute towards several models owned by other organisations.

The quality of Fera's work during the period 1 April 2014 to 31 March 2015 and the adequacy of its quality assurance framework were demonstrated through its accreditation by multiple third party and international bodies. Fera's external validation and the effective action taken to address the two delivery issues in year provided Fera's customers with assurance over the high quality of its science and assured the quality of the information that it has contributed to business critical models.

During 2014/15 the Executive Team has implemented majority number of recommendations raised by Fera's internal and external auditors. The committee was satisfied that those recommendations that remain outstanding do not affect my assessment of the adequacy of Fera's control environment during the period 1 April 2014 to 31 March 2015.

Head of internal audit opinion

Fera's Head of Internal Audit has confirmed Moderate Assurance in her 2014/15 Assurance Opinion, meaning Fera required some improvements to enhance the adequacy and effectiveness of the framework of governance, risk management and control during the period 1 April 2014 to 31 March 2015.

During the year a number of recommendations were made by internal audit to further improve the control environment. I am satisfied that management took the appropriate actions to address the recommendations raised on a timely basis during 2014/15.

Protecting information and financial assets

Fera operated extensive internal controls and checks to ensure that it adequately protected financial and information assets. Fera's strong information technology controls were reflected by the fact that it was the first Defra Agency to achieve Public Security Network accreditation in 2014. All Fera staff completed the required civil service training on counter fraud and protecting information. There were no reported instances of fraud or inappropriate disclosures of protected information during 2014/15.

Other business issues

Fera maintained strong business continuity arrangements with all teams having regularly updated business continuity plans which were supported by dedicated central resource and reviewed in 2014/15. Two desktop rehearsals were conducted in 2014/15 to test the GDS and Plant Protection Programme business continuity plans.

Fera took significant steps to improve health and safety arrangements in 2014/15 and ensure that these remain fully effective. These steps included the implementation of a series of unannounced health and safety inspections and developing more effective training and support for line managers as they drove improvements in health and safety awareness. Whilst arrangements improved, issues remained with the facilities management of the Sand Hutton estate which could have potentially impacted health and safety during 2014/15. Fera took action where appropriate to ensure that these risks were minimised and adequately managed. I am content that for health and safety matters Fera appropriately managed and minimised the health and safety risks inherent in its operations.

Significant issues

The following key matters had the potential to significantly impact the control environment and the assurances that Fera's Chief Executive and her Executive Team were able to provide in respect of the period 1 April 2014 to 31 March 2015. These issues were:

Future of Fera activity – I note the extensive work required by Fera and Defra to support both the bidding process and the transition from Agency to JV status. This work required significant focus from both Fera's Executive Team and Defra senior management. Fera embraced the JV with Capita and worked hard to ensure the effective transition from the Agency to the JV.

Timely delivery of the JV had the potential to affect the business as usual activities and Fera's performance in 2014/15 was, to an extent, impacted by the transition to the JV. The significance of this change and the work required to deliver it also had the potential to distract management from other transformational initiatives which they had been implementing. For example, in order to ensure that Fera was fully fit for purpose a substantial restructuring of the support functions was conducted in November 2014. I also note that the uncertainty and changes required by the Future of Fera project could have affected Fera's ability to attract and retain key staff and grow commercial income.

Fera's Chief Executive and her Executive Team have assured me that the impact of the Future of Fera activity was successfully managed with these potential risks effectively mitigated. Fera achieved this through a variety of means including the establishment of a specific team to run the transition process, continuous improvement to drive efficiencies and through the professionalism and commitment of its staff.

The facilities management of the Sand Hutton estate – Fera reported in its 2013/14 governance statement that it had significant concerns over the adequacy and effectiveness of the work undertaken by Defra's facilities management contractor on the Sand Hutton estate. While these arrangements have improved during 2014/15, Fera's Chief Executive and her Executive Team have stressed to me and my team that aspects of the facilities management contractor's performance remain inadequate. A recent internal audit report gave only limited assurance and identified significant control weaknesses that pose risks to the health and safety, operational reliability and biosecurity of the Sand Hutton site. In recognition of these risks, greater effort is now being made by Defra Estates team to work with Fera Science Ltd. to address the control weaknesses.

16th June 2015

Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

Fera Governance Structure to 31 March 2015

Defra Chief Operating Officer and Supervisory Board

Ongoing Performance Review

These reviews fed into the Supervisory Board and were chaired by Defra's Director General Chief Operating Officer. These held Fera's Chief Executive to account for delivery against Fera's objectives.

Defra's supervisory arrangements are set out in Defra's Annual Report and Accounts.

Audit and Risk Assurance Committee[8]

This sub-committee consisted of three non-executive directors. The Committee was chaired by one of these non-executive directors.

The Committee provided advice and guidance to the Accounting Officer and the Fera Board on the adequacy and effectiveness of the Agency's risk management, governance and control processes.

Chief Executive and Accounting Officer

Fera Board

Non-executive and Executive Directors who met seven times in 2014/15.

The Board was chaired by a non-executive director and provided strategic advice for Fera within a framework of prudent and effective controls that enabled risk to be assessed and managed.

Executive Committee

The Chief Executive Officer and Executive Directors met informally on a weekly basis and formally each month to drive delivery against the objectives defined in the business plan and ensure effective performance management.

Internal Governance Committees

The Executive constituted a wide range of sub-committees to cover operational matters. These were chaired by an Executive Director, comprised Fera employees and reported to the Executive Committee.

These committees provided assurance over specific aspects of Fera's business such as Health and Safety, science activities and capital investments.

External Science Panel

This sub-committee was chaired by a non-executive director with senior government, academic and industry representatives.

This Committee did not meet during 2014/15 as its role in setting the strategic direction of science within government had been superseded by the finalisation of the Joint Venture outside goverment.

8 The Fera ARAC became a sub-committee of the Defra ARC from 1 April 2015 to assist the Defra Accounting Officer in fulfilling her obligation to complete Fera's 2014/15 Annual Report and Accounts.

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 2015 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 the Food and Environment Research Agency's affairs as at 31 March 2015 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

7 July 2015

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 2015

				2014/15 £000	**2013/14 £000**
	Note	**Staff costs**	**Other costs**	**Income**	
Administration costs:					
Staff costs	2	26,979			29,522
Other running costs	3		25,737		31,883
Operating income	4			(51,944)	(62,912)
Programme costs:					
Other running costs	3		(33)		(87)
Totals		**26,979**	**25,704**	**(51,944)**	**(1,594)**
Bank interest receivable	14			(1)	(1)
Net operating cost deficit/(surplus)				**738**	**(1,595)**
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 loss arising from the transfer of the Inspectorate function from Fera to APHA	5, 6			653	-
Non-operating loss arising from the transfer of the GDS function from Fera to Defra	5			16	-
Non-operating loss arising from the transfer of video-conferencing assets from Fera to Defra	5			48	-
Non-operating loss arising from the transfer of Fera's assets as at 31 March 2015 to Defra.				10,902	
Non-operating cost deficit/(surplus)				**11,619**	**94,609**
Net other comprehensive expenditure				**-**	**-**
Total comprehensive deficit/(surplus) for the period ending 31 March 2015				**12,357**	**93,014**

The notes on pages 50 to 79 form part of these accounts.

Statement of Financial Position[1]

as at 31 March 2015

	Note	31 March 2015[1] £000		31 March 2014 £000	
Non-current assets:	**Note**				
Property, plant and equipment	5	-		8,747	
Intangible assets	6	-		1,520	
Investments	15	-		-	
Trade and other receivables	8	-		36	
Total non-current assets			-		10,303
Current assets:					
Inventories	7	-		381	
Trade and other receivables	8	-		17,428	
Cash and cash equivalents	10	-		4,161	
Total current assets			-		21,970
Total assets			-		32,273
Current liabilities:					
Trade and other payables	11	-		18,983	
Provisions	13	-		10	
Total current liabilities			-		18,993
Non-current assets plus net current assets			-		13,280
Non-current liabilities:					
Provisions	13	-		44	
Other payables	11	-		534	
Total non-current liabilities			-		578
Assets less liabilities			-		12,702
Taxpayers' equity:					
General fund			-		12,699
Revaluation reserve			-		3
Total taxpayers' equity			-		12,702

The notes on pages 50 to 79 form part of these accounts.

16th June 2015

Bronwyn Hill

Defra Permanent Secretary and Accounting Officer

[1] Adjusted to reflect transfer of balances to Defra.

Statement of Cash Flows

for the period ending 31 March 2015

		2014/15	2013/14
		£000	£000
Cash flows from operating activities	**Note**		
Net operating cost (deficit)/surplus	SoCNE	(738)	1,595
Adjustments for non-cash transactions:			
Depreciation	5	1,917	1,696
Amortisation	6	376	473
Adjustment to the service concession arrangement	5, 18.3	(124)	17
Notional charges	3	113	136
(Gain)/Loss on disposal of non-current assets	3	16	3
Early departure costs	3	7	1
Transfer of opening Wildlife trade receivables and liabilities to AHVLA		-	(454)
Facilities Management settlement		(458)	-
(Increase)/Decrease in trade and other receivables	8	5,339	(1,174)
(Increase)/Decrease in inventories	7	(110)	(25)
Increase/(Decrease) in trade payables	11	(5,986)	1,328
Less movements in payables relating to items not passing through the SoCNE		236	-
Provisions utilised in year	13.1	(57)	(10)
Net cash inflow from operating activities		**531**	**3,586**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(267)	(1,857)
Purchase of intangible assets	6	(91)	(488)
Proceeds from disposal of property, plant and equipment		-	11
Proceeds from disposal of intangible assets		-	26
Net cash outflow from investing activities		**(358)**	**(2,308)**
Cash flows from financing activities			
Excess cash repaid to Defra		(3,500)	(3,500)
Cash received from Defra		3,500	3,500
Net cash outflow from financing activities		**-**	**-**
Net Increase/(Decrease) in cash and cash equivalents in the period		173	1,278
Cash and cash equivalents at the beginning of the period	10	4,161	2,883
Transfer of cash to Defra following the closure of Fera		(4,334)	-
Cash and cash equivalents at the end of the period		**-**	**4,161**

The notes on pages 50 to 79 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the period ending 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance as at 31 March 2013		**84,582**	**20,998**	**105,580**
Changes in taxpayers' equity for 2013/14				
Excess cash generated and repaid 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 – DIS	3	61	-	61
Net operating surplus for the year		1,595	-	1,595
Sand Hutton site transfer – Land	5	(7,335)	-	(7,335)
Sand Hutton site transfer – Buildings	5	(86,363)	-	(86,363)
Sand Hutton site transfer – Revaluation reserve	5	20,995	(20,995)	-
Transfer of Wildlife assets to AHVLA	5,6	(911)	-	(911)
Balance as at 31 March 2014		**12,699**	**3**	**12,702**
Changes in taxpayers' equity for 2014/15				
Excess cash generated and repaid to Defra		(3,500)	-	(3,500)
Cash received from Defra		3,500	-	3,500
Non-cash charges – auditor's remuneration	3	100	-	100
Non-cash charges – DIS	3	13	-	13
Net operating cost for the year		(738)	-	(738)
Transfer of Inspectorate non-current assets to APHA	5,6	(650)	(3)	(653)
Transfer of GDS non-current assets to Defra	5	(16)	-	(16)
Transfer of video-conferencing non-current assets to Defra	5	(48)	-	(48)
Transfer of net assets as at 31 March 2015 to Defra		(10,902)	-	(10,902)
Facilities management settlement		(458)	-	(458)
Balance as at 31 March 2015		**-**	**-**	**-**

The notes on pages 50 to 79 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 2014/15 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions[9] 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 have been selected. The Agency's accounting policies have been applied consistently in dealing with items that are considered material in relation to the closure 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 Agency's 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 made the following judgements, and estimations, which had 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; Fera was 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)

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389351/DAO_GEN_04-14_Accounts_Direction_2014-15_18_December_2015.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.

Fera closed as a government agency on 31 March 2015. Fera's services continue to be supplied via a JV, called Fera Science Limited which is jointly owned Capita and Defra. The Accounting Officer, in conjunction with senior management has determined that since the services supplied by Fera are continuing to be provided by Fera Science Limited with no break in service provision it is appropriate for these final financial statements for Fera to be prepared on a going concern basis. The financial statements therefore do not include any valuation adjustments as there is no reduction in the scope of activities that Fera Science Limited, as Fera's successor body, will deliver.

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 fell under the classification of rendering of services. Income was 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 was based upon the extent to which activities, or stages of projects, have been completed within the financial period.

Where the monies received were in excess of stages of completion this excess was 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 were identified as owing this was 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 could not 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 did, which includes joint working on EC and UK projects Fera was 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 were applied research, solutions development, commercial testing 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 was 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 deviated from this FReM requirement by not including this disclosure in the SoCNE as, in management's view, total EC income was 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 was held by Fera as the co-ordinating body was, 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 were recognised as income in the period in which they were received and/or the asset was purchased.

1.7 Research and development expenditure

The Agency's expenditure on research activities was 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 were denominated in a foreign currency were recorded at the exchange rate prevailing at the date of each transaction. Balances held in foreign currencies were translated at the rate of exchange ruling at the date of the SoFP. Any gains or losses on translation were recorded against expenditure in the year they were incurred.

1.9 Value added tax (VAT)

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

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

1.10 Property, plant and equipment

Land and buildings

Fera did not hold any land or building assets within its SoFP.

Plant, equipment and IT

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

The FReM enabled the Agency to hold non-current assets which were considered to be low value and have a short useful economic life at depreciated historic cost.

Management interpreted the FReM by applying this exemption to all non-current assets with a value under £100k. An annual exercise was completed to establish a fair value for those assets with a purchase value over £100k, in line with the stated requirements in the FReM. Where this could not be established the depreciated historic cost was used as a proxy. Following the JV and agreement of the business transfer schedules the values were taken as proxy for market value.

Assets under construction were not depreciated or revalued until the completed asset was 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 was capitalised at cost where the purchase cost, including irrecoverable VAT where appropriate, was greater than £5k. Purchased software was amortised over its useful economic life using straight line amortisation.

In house developed software that met the IFRS criteria and which cost more than £5k was capitalised on the basis of the cost of development and, where appropriate, as assets under construction. Research costs were written off to the SoCNE as incurred. Internally generated software included capitalisation of internal IT staff costs on projects which cost in excess of £20k. Assets under construction were not amortised or revalued until the completed asset was 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 was unable to reclassify the items previously captured as bought in software under these headings due to systems limitations. All bought in software assets were classified as software licences. The implication of this was that the asset values in the software licences category were potentially overstated and those in the information technology category were potentially understated. There was no impact on the overall total or the useful economic lives applied to each asset. The overall net book value of intangible assets was unaffected. In making the decision not to reclassify as required by the FReM, management considered materiality and significance of the information and determined that this classification between software licences and information technology was 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 assessed various indices and determined that either no active market could be reliably determined or an appropriate index existed. In the absence of a relevant index, management decided to deviate from revaluing the assets as there was no material effect on the SoFP. Therefore these assets were valued using amortised historic cost as a proxy for fair value.

1.12 Depreciation and amortisation

Depreciation was provided on all property, plant and equipment, 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 was charged in the month the asset came into use but not in the month of disposal.

Amortisation was 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 was charged in the month the asset came into use but not in the month of disposal.

Depreciation and amortisation were not charged on assets held for sale and assets under the course of construction.

The useful economic lives were normally in the following ranges:

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 was varied only for those assets which were expected to remain useful for periods significantly different to those stated above. In these cases a specific life was used.

The Right of Use asset and finance leases were depreciated over the life of their contracts.

Further details are provided in notes 5 and 6.

1.13 Impairment

Impairments were recognised when the recoverable amount of non-current assets fell below its 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 was 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 was transferred to the general fund for the individual asset concerned.

Downward revaluations, resulting from changes in market value, only resulted in impairment where the asset was revalued below its historical cost carrying amount. In these cases the accounting treatment was 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 were borne by the Agency, the asset was recorded as property, plant and equipment and a receivable was 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 was 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 were 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 entered into a contract with IBM for the supply of IT services and support. The contract was for a term of eight years from February 2010 and was approved by HM Treasury. This contract fell within the scope of IFRIC 12 (Service Concession Arrangements) and is disclosed within the accounts as a service concession arrangement. A lease liability was included to reflect the capital value of payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset was raised to reflect the benefit that the Department and Fera derived 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, were classed as one tangible service concession asset referred to as the Right of Use asset, under property, plant and equipment.

The contract prices in this service concession arrangement were subject to an annual incremental increase, applied from 1 April. This increase was based on the Consumer Price Index (CPI) as at the end of January in the previous financial year. Costs were 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.

Further details are provided in note 5.1.

1.16 Investments

Where Fera had an investment in another entity it was 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 were reviewed and high risk debts were 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 were stated at the lower of cost or net realisable value determined by IAS 2 (Inventories) in accordance with the FReM.

Work in progress was stated at the lower of cost or net realisable value. The provision of IAS 18 (Revenue) relating to revenue recognition was applied to long term contracts and, where losses were expected, these were 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 PCSPS is an unfunded defined benefit scheme, in accordance with explicit requirements in the FReM, Fera accounted 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 recognised a liability and expense for employee benefits, including unused annual leave, accrued at the financial statement date, provided these amounts were material in the context of overall staff costs.

Termination benefits were recognised as a liability when Fera had 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 was required to meet additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Fera provided in full for this cost as a provision when the early retirement agreement was in place and binding upon the Agency.

Further details are provided in note 13.1.

1.22 Provisions

Fera provided for obligations arising from past events where it had a present obligation at the reporting date, and where it was probable that it would be required to settle the obligation and a reliable estimate could 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 was made in full when agreement had been reached with employees who wished to take the early departure option. The early departure cost provision was reversed over the period until normal retirement age had been reached. The provision was based on an actuarial valuation taking account of options available to the employee. These were adjusted for future values through the use of discount rates as per the PES (2014) 09[10] guidelines, currently 1.30% (2013/14 1.80%).

1.23 Contingent liabilities

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

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

Further details are provided in note 20.

10 http://www.dfpni.gov.uk/index/finance/afmd/afmd-finance/afmd-financial_reporting/pes__2014__09.pdf

1.24 Financial instruments

Financial assets

The Agency held 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 comprised trade and other payables and other financial liabilities. They were initially recognised at the fair value of consideration received, less directly attributable transaction costs. They were 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 held third party assets in its capacity as project co-ordinator on EC and other grant funded project collaborations. These were not Agency assets and were excluded from financial statements. The monies were 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 represented 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 reduced 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 related to increases in the carrying amount arising on revaluation of Fera buildings and intangible assets which were credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset were charged against the revaluation reserve directly in equity. All other decreases were charged to the SoCNE and depreciation and amortisation based on the assets' original cost, was transferred to the general fund.

1.27 Notional charges

The following notional costs borne on the SoCNE were credited to the general fund: external audit charges and DIS charges. All other charges were paid on invoice and charged to operating expenditure in the SoCNE.

1.28 Major FReM changes for 2014/15

Fera reviewed the 2014/15 FReM and determined that there are no major changes affecting the 2014/15 accounts.

1.29 Newly issued accounting standards not yet effective

No new standards, amendments to standards and interpretations that are not yet effective have been applied in these financial statements ahead of their implementation date. Due to the closure of Fera on the 31 March 2015, any assessment of future impact is not applicable.

2 Staff numbers and related costs

(i) Staff costs comprise:

	Permanently employed staff	Staff employed on FTA[1]	Staff employed on casual and STA[2]	2014/15 £000 Total	2013/14 £000 Total
Administration costs					
Wages and salaries	18,055	1,803	309	20,167	22,791
Social security costs	1,202	112	74	1,388	1,621
Other pension costs	3,256	288	-	3,544	4,016
Sub total	22,513	2,203	383	25,099	28,428
Secondment staff costs	-	-	233	233	165
Agency staff costs	-	-	485	485	237
Departure costs[3]	1,162	-	-	1,162	692
Total staff costs	**23,675**	**2,203**	**1,101**	**26,979**	**29,522**

[1] Fixed term appointment

[2] Short term appointment

[3] 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 a release of £271k in the employee benefit accrual (2013/14 £64k increase), due to the reduction in staff numbers arising from the transfers to Defra and APHA.

For 2014/15 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%

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 2014/15, employers' contributions of £3,480k were payable to the PCSPS (2013/14 £3,794k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Further contributions were made to other pension providers. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates were set to meet the cost of the benefits accruing during 2014/15 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 £74k (2013/14 £65k) 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 32.

(iv) Average number of persons employed

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

	2014/15 Number	**2013/14 Number**
Permanent staff	563	686
Fixed Term Appointments (FTA)	98	72
Casual and Short Term Appointments (STA)	16	19
Total	**677**	**777**

Following the closure of Fera the majority of staff TUPE transferred to Fera Science Ltd. On 1 April 2015, a small number were redeployed within Defra.

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

	2014/15		2013/14	
	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	-	5
£25,000 – £50,000	-	9	-	7
£50,000 – £100,000	-	4	-	6
£100,000 – £150,000	-	-	-	-
£150,000 – £200,000	-	-	-	-
Total number of exit packages	**-**	**19**	**–**	**18**
Total resource cost (£000)	**-**	**699**	**-**	**802**

During 2014/15 Defra funded a voluntary exit scheme costing £699k and releasing 19 staff. The 2013/14 scheme was also funded by Defra, cost £802k and released 18 staff.

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

3 Other running costs

	Note	2014/15 £000	2013/14 £000
Administration costs			
Accommodation		7,714	9,349
Consumables		5,233	5,543
Subcontractors		4,706	7,754
Office Services		2,055	2,020
Travel and subsistence		1,337	1,643
Right of Use asset		709	1,583
Training		229	236
Legal costs		212	200
Defra Shared Services		57	135
Accreditation audit costs		122	112
Business consultant fees		581	99
Photocopier rentals under operating leases		(4)	63
Internal auditors' remuneration and expenses		81	57
Finance charge on finance leases		1	18
Other		359	760
Non-cash items:			
Depreciation	5	1,917	1,696
Amortisation	6	376	473
Adjustment to the service concession arrangement	5, 18.3	(124)	17
(Gain)/Loss on disposal of property, plant and equipment		16	3
External auditors' remuneration and expenses (notional charge)		100	75
DIS (notional charge)		13	61
Exchange losses – DEL		47	(14)
Sub total		**25,737**	**31,883**
Programme costs			
Legal Costs		34	-
Non-cash items			
Debt provision		(108)	(146)
Exchange losses		34	58
Early departure costs	13.1	7	1
Sub Total		**(33)**	**(87)**
Total		**25,704**	**31,796**

Within the SoCNE the cost of accommodation reflects the buildings that were leased by Fera. The costs were proportionate to occupation and include rates, utilities, management overheads and facilities management. For Defra leasehold properties, this also included rental costs.

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

3.1 Closure Costs

	Note	2014/15 £000	2013/14 £000
Administration costs			
Costs of individuals working on the transfer		59	-
Costs of redeployment		346	-
Early departure costs		418	-
Bonus provision		250	
External audit costs		15	-
Other costs		13	-
Total		**1,101**	

These figures are contained in costs in Notes 2 and 3

4 Operating income

	Note	2014/15 £000 Total	2013/14 £000 Total
Defra – Core		18,961	23,120
Defra – Specialist funding		7,653	7,765
Defra – Network		3,344	4,460
Defra – Non-departmental Public Bodies		748	633
Other Government Departments		5,510	5,502
European Commission		901	2,065
Commercial (UK and overseas) and other income		11,641	11,621
Statutory and Regulatory fees and charges	4.1	3,186	7,746
Total		**51,944**	**62,912**

Fera has not reported 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

	2014/15			2013/14		
	Income	Full cost	Surplus/ (Deficit)	Income	Full cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
National listing of seed varieties	581	(1,017)	(436)	1,374	(2,036)	(662)
Seed certification and seed training	342	(641)	(299)	1,418	(1,633)	(215)
Plant health inspections	2,263	(3,798)	(1,535)	4,954	(6,668)	(1,714)
Total	**3,186**	**(5,456)**	**(2,270)**	**7,746**	**(10,337)**	**(2,591)**

The Inspectorate programme transferred from Fera to APHA on 1 October 2014. The 2014/15 figures reflect the six months of income and costs earned up to the date of the transfer. The income pattern for National Listings and Seed Certification is such that the majority of the income was earned during the second half of the financial year.

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

Fera was required by Ministers to ensure that the costs were fully covered by the income received from the customers of these services. A review of costs was undertaken that resulted in Parliamentary approval for a phased increase in charges for these eight schemes. These increases 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 were passed on to customers) were 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 were planned to achieve FEC in 2014/15 with Exports the following year. The two PVS schemes have just begun their three year phasing process to FEC.

Fera was committed to continuous improvement in all its activities and set up Government and Industry taskforces for each scheme to investigate new ways of working to ensure the full cost of the services was covered whilst minimising the effect on industry customers. Fera was a public sector information holder and 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

	Furniture	Vehicles	Information Technology	Scientific Equipment	Right of Use	Finance Lease	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2014	341	40	2,835	11,401	713	64	15,394
Additions	-	-		267	-	-	267
Disposals	-	(3)	(39)	(137)	-	-	(179)
Transfer to Defra	-	-	(195)	-	-	-	(195)
Transfer to APHA	(7)	(17)	(17)	(50)	(602)	-	(693)
Adjustment to the service concession arrangement	-	-	-	-	(111)	-	(111)
Reclassification	-	-	(56)	-	-	-	(56)
At 31 March 2015	334	20	2,528	11,481	-	64	14,427
Depreciation							
At 1 April 2014	153	25	1,001	4,877	586	5	6,647
Charged in year	34	3	522	1,329	16	13	1,917
Disposals	-	(3)	(22)	(133)	-	-	(158)
Transfer to Defra	-	-	(131)	-	-	-	(131)
Transfer to APHA	(3)	(17)	(11)	(14)	(602)	-	(647)
Adjustment to the service concession arrangement	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
At 31 March 2015	184	8	1,359	6,059	-	18	7,628
Value transferred to Defra as at 31 March 2015	(150)	(12)	(1,169)	(5,422)	-	(46)	(6,799)
Net book value at 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value at 31 March 2014	188	15	1,834	6,524	127	59	8,747

	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
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	6848
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	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
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

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

5.1 Service concession assets

	2014/15	2013/14
	£000	£000
Opening balance	127	182
Adjustment to the service concession arrangement	(111)	(17)
Depreciation	(16)	(38)
Closing balance	**-**	**127**

This service concession arrangement related to the services provided to the Inspectorate function which transferred to APHA on 1 October 2014. Following this transfer, the service concession asset and associated liability has transferred to APHA.

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

6 Intangible assets

	Software Licences	Information Technology	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2014	624	4,695	5,319
Additions	-	91	91
Disposals	(102)	-	(102)
Transfer to APHA	-	(4,055)	(4,055)
Reclassification	56	-	56
At 31 March 2015	578	731	1,309
Amortisation			
At 1 April 2014	310	3,489	3,799
Charged in year	94	282	376
Disposals	(102)	-	(102)
Transfer to APHA	-	(3,448)	(3,448)
Reclassification	-	-	-
Revaluation	-	-	-
At 31 March 2015	302	323	625
Value transferred to Defra as at 31 March 2015	**(276)**	**(408)**	**(684)**
Net book value at 31 March 2015	**-**	**-**	**-**
Net book value at 31 March 2014	314	1,206	1,520

	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

A significant element of the Information Technology intangible assets related to the eDomero Import module, which contained the inspections recording database and linked to various wider government systems. These assets transferred to APHA following the transfer of the Inspectorate function. Following the transfer the remaining net book value of these eDomero assets was £NIL (2013/14 £581k).

Fera, on the basis of materiality, decided not to apply indexation to intangible assets from 1 April 2013. Fera considered that the carrying value as at 31 March 2015 was a reasonable proxy for the fair value of the intangible assets. There were no intangible non-current assets impairments in either year.

Of the revaluation surplus held in the SoFP £NIL (2013/14 £3k) related to IT assets.

In 2014/15 Fera reclassified £56k of Software Licences incorrectly classed as Tangible Assets relating to 2013/14.

7 Inventories

	2014/15 £000	2013/14 £000
Inventories	464	381
Work in progress	27	-
Total pre transfer of net assets to Defra	491	381
Value transferred to Defra as at 31 March 2015	(491)	-
Total	**-**	**381**

8 Trade receivables and other assets

	2014/15 £000	2013/14 £000
Amounts falling due within one year:		
Trade receivables	2,551	3,110
Defra and Defra Agencies receivables	5,521	7,170
Other receivables	58	240
Defra and Defra Agencies accrued income	470	2,074
Prepayments and accrued income	2,363	3,163
EU funding – accrued income	1,132	1,671
Total pre transfer of net assets to Defra	12,095	17,428
Value transferred to Defra as at 31 March 2015	(12,095)	-
Total	**-**	**17,428**
Amounts falling due after more than one year:		
Prepayments and accrued income	30	36
Total pre transfer of net assets to Defra	30	36
Value transferred to Defra as at 31 March 2015	(30)	-
Total	**-**	**36**

9 Trade receivables – Intra Government balances

	2014/15	2013/14
	£000	**£000**
Amounts falling due within one year:		
Balances with Central Government Bodies	7,169	10,871
Balances with Local Authorities	17	17
Balances with NHS bodies	-	-
Balances with Public Corporations and Trading Funds	-	-
Balances with bodies external to Government	4,909	6,540
Total pre transfer of net assets to Defra	12,095	17,428
Value transferred to Defra as at 31 March 2015	(12,095)	-
Total	**-**	**17,428**
Amounts falling due after more than one year:		
Balances with bodies external to Government	30	36
Total pre transfer of net assets to Defra	30	36
Value transferred to Defra as at 31 March 2015	(30)	-
Total	**-**	**36**

10 Cash and cash equivalents

	2014/15	2013/14
	£000	**£000**
Balance at 1 April 2014	4,161	2,883
Net change in cash and cash equivalent balances	173	1,278
Balance at 31 March 2015 pre transfer of net assets to Defra	4,334	4,161
Transfer of cash to Defra at 31 March 2015	(4,334)	-
Balance at 31 March 2015	**-**	**4,161**
The balances at 31 March were held at:		
Government Banking Service	3,463	3,346
Commercial banks and cash in hand	871	815
Balance at 31 March 2015 pre transfer of net assets to Defra	4,334	4,161
Transfer of costs to Defra at 31 March 2015	(4,334)	-
Balance at 31 March 2015	**-**	**4,161**

In addition to the above balances for 2014/15, Fera held £3.3m of monies relating to third party collaborators (2013/14 £2.3m). See note 23.

Cash held in other currencies represented 2.6% (2013/14 3.9%) of total cash. This transferred to Defra.

In 2014/15 Fera received £3.5m of cash funding from Defra to meet cash requirements (2013/14 £3.5m). This cash funding was transferred back to Defra in 2014/15 (2013/14 £3.5m).

11 Trade payables and other liabilities

	2014/15 £000	2013/14 £000
Amounts falling due within one year:		
VAT	270	147
Other taxation and social security	361	504
Trade payables	110	378
Defra and Defra Agencies payables	4,252	435
Other payables	312	652
Defra and Defra Agencies deferred income	116	621
Other deferred income	2,436	1,650
Deferred EU income	429	1,714
Accruals	4,595	3,931
Defra and Defra Agencies accruals	615	8,951
Total pre transfer of net assets to Defra	13,496	18,983
Value transferred to Defra as at 31 March 2015	(13,496)	-
Total	**-**	**18,983**
Amounts falling due after more than one year:		
Defra and Defra Agencies payables	-	170
Accruals	35	364
Total pre transfer of net assets to Defra	35	534
Value transferred to Defra as at 31 March 2015	(35)	-
Total	**-**	**534**

12 Trade payables – Intra Government balances

	2014/15	2013/14
Amounts falling due within one year:	**£000**	**£000**
Balances with Central Government Bodies	5,962	10,616
Balances with Local Authorities	9	11
Balances with NHS bodies	-	-
Balances with Public Corporations and Trading Funds	-	-
Balances with bodies external to Government	7,525	8,356
Total pre transfer of net assets to Defra	13,496	18,983
Value transferred to Defra as at 31 March 2015	(13,496)	-
Total	**-**	**18,983**

Amounts falling due after more than one year:		
Balances with Central Government Bodies	-	170
Balances with bodies external to Government	35	364
Total pre transfer of net assets to Defra	35	534
Value transferred to Defra as at 31 March 2015	(35)	-
Total	**-**	**534**

13 Provisions for liabilities and charges

13.1 Early departure costs

	2014/15	2013/14
	£000	**£000**
Balance at 1 April	54	63
Provided in the year	(3)	(5)
Provisions utilised in the year	(53)	(10)
Release of provision not utilised	(4)	-
Unwinding of discount	6	6
Balance at 31 March	**-**	**54**

	2014/15	2013/14
	£000	**£000**
Not later than 1 year	-	10
Later than 1 year but not later than 5 years	-	44
Later than 5 years	-	-
Balance at 31 March	**-**	**54**

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

Fera paid a sum of £53k to settle the outstanding early departure cost provision. Fera did not have any remaining provisions as at 31 March 2015.

14 Returns on investments and servicing of finance

	2014/15 £000	2013/14 £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 Fera in undertaking its activities. Due to the transfer of net assets to Defra following the closure of Fera, the Agency did not hold any financial instruments as at 31 March 2015.

Financial instruments by category

Assets as per Statement of Financial Position	**Note**	**2014/15 £000**	**2013/14 £000**
Trade and other receivables	8	-	10,520
Cash and cash equivalents	10	-	4,161
Total		**-**	**14,681**

In 2013/14 the above figures excluded prepayments and accrued income.

	Note	**2014/15 £000**	**2013/14 £000**
Liabilities as per Statement of Financial Position			
Trade and other payables and accruals	11	-	14,347
Provisions	13	-	54
Total		**-**	**14,401**

In 2013/14 the above figures excluded statutory payables and deferred income

Debt and equity securities: Following a further share issue Fera's shareholding in Forsite Diagnostics Ltd. reduced from 14% to 10%. The investment was valued at fair value in accordance with IAS 39 (Financial Instruments: Recognition and Measurement*)*. The value at 31 March 2015 based on the latest draft accounts was £NIL (2013/14 £NIL). This investment transferred to Defra as at 31 March 2015.

Foreign currency risk: Fera transacted in Euros and Dollars as well as Sterling. Fera managed its own risk and reduced its exposure to foreign currency by netting receipts and payments in the same currencies before translating any remaining funds into Sterling. Fera regularly reviewed the balances it held in foreign currency accounts with excess balances being exchanged into Sterling at the most favourable available rate. Fera did not conduct hedging transactions. This approach could not 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 2015	-	-
As at March 2014	137	86

Credit risk: Fera did not have significant credit risk as the majority of its activities were for Government entities. Included within trade receivables which transferred to Defra as at 31 March 2015 was a £538k provision (2013/14 £645k) for doubtful receivables. This was for Forsite Diagnostics Ltd. See note 22 for further information.

Aged receivable analysis

	0-30 days £000	31-60 days £000	61-90 days £000	90 days+ £000
As at March 2015	-	-	-	-
As at March 2014	9,369	369	81	701

Due to the closure of Fera the book value of Fera’s financial assets and liabilities as at 31 March 2015 was NIL. The figures reported for 31 March 2014 were not materially different from fair value.

16 Impairments

No impairments were made in 2014/15 (2013/14 £17k).

17 Capital commitments

Fera had no capital commitments as at 31 March 2015. (2013/14 £NIL).

18 Commitments under leases

18.1 Operating leases

	2014/15 £000	2013/14 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	-	147
Later than 1 year but not later than 5 years	-	167
Later than 5 years but not later than 10 years	-	14
Later than 10 years but not later than 15 years	-	-
Expiry thereafter	-	-
Total	**-**	**328**
Land:		
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	1
Later than 5 years but not later than 10 years	-	1
Later than 10 years but not later than 15 years	-	1
Expiry thereafter	-	5
Total	**-**	**8**

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

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

Following the closure of Fera on 31 March 2015 the Agency has no future commitments.

18.2 Finance leases

	2014/15 £000	2013/14 £000
Obligations under finance lease arrangements comprise:		
Not later than 1 year	13	13
Later than 1 year but not later than 5 years	35	48
Expiry thereafter	-	-
Total pre transfer of net assets to Defra	**48**	**61**
Value transferred to Defra as at 31 March 2015	(48)	-
Total	**-**	**61**

The finance leases related to a contract for printer, copier and scanning machines.

18.3 Service concessions

	2014/15	2013/14
	£000	£000
Obligations under service concession arrangements comprise:		
Not later than 1 year	-	64
Later than 1 year but not later than 5 years	-	170
Expiry thereafter	-	
Total	-	**234**

The service concession arrangements costs related to the Right of Use asset which transferred to APHA following the transfer of the Inspectorate function. For further details see notes 1.15 and 5.1.

18.4 Commitments under Defra PFI contracts

	2014/15 £000	2013/14 £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 paid the costs associated with this PFI arrangement which were then recharged as a percentage occupancy basis to the organisations which used this office building. 1.53% of this building was used by Fera's Inspectorate function. Following the transfer of the Inspectorate function to APHA Fera was no longer liable for these future obligations.

19 Other financial commitments

	2014/15			2013/14		
	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
Later than 1 year but not later than 5 years	-	-	-	15,494	2,300	17,794
Later than 5 years	-	-	-	13,231	-	13,231
Expiry thereafter	-	-	-	-	-	-
Total	**-**	**-**	**-**	**33,176**	**4,862**	**38,038**

Following the closure of Fera on 31 March 2015 the Agency has no future commitments.

Defra managed contracts

These costs related to facilities management charges associated with the proportion of occupation of buildings that were either owned or leased by Defra or specialised properties held on Fera's SoFP. The payments to which the Agency was committed were the full contractual costs over the period of the contract.

The estimated value of freehold property owned by Defra but occupied by Fera at 31 March 2015 is £NIL (2013/14 £69,551k).

Fera managed contracts

Fera had entered into contracts (which are not leases or PFI contracts), for nursery and daycare, service provision, software and systems support.

20 Contingent liabilities disclosed under IAS 37

Fera had no contingent liabilities as at 31 March 2015 (2013/14 NIL).

21 Losses and special payments

In 2014/15 Fera wrote off losses of £59k relating to 73 cases of bad debts. Fera incurred £81k of exchange rate losses. Fera also paid £6k as a one-off special payment and wrote off £18k of small payroll related balances for 45 staff.

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

22 Related party transactions

Fera was an executive agency of the Department for Environment, Food and Rural Affairs (Defra) until 31 March 2015. Defra was therefore a related party and there were a significant number of material transactions with Defra and its network bodies during 2014/15. Defra's network bodies include the Animal and Plant Health Agency (formerly AHVLA), Rural Payments Agency, Centre for Environment, Fisheries & Aquaculture Science and Veterinary Medicines Directorate. In addition, Fera had various material transactions with other government departments and other central government bodies, the majority were with the Food Standards Agency and the Chemicals Regulation Directorate.

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

Hilary Aldridge, the Chief Executive and Accounting Officer for Fera until 31 March 2015, joined Fera on secondment from the Environment Agency during March 2012 and, in order to TUPE to Fera Science Ltd, she became a Fera employee on 30 March 2015. The funds paid to the Environment Agency in respect of the secondment arrangement are disclosed in the remuneration report. Fera did not incur any additional salary costs for March 2015. Ms Aldridge was not involved in any contractual negotiations with the Environment Agency.

The husband of Hilary Aldridge was a senior manager within Yorkshire Water until November 2014. Ms Aldridge was not involved in any contractual negotiations with Yorkshire Water. During 2014/15 transactions between Fera and Yorkshire Water totalled income of £NIL (2013/14 £11k) and expenditure of £NIL (2013/14 £NIL). As at 31 March 2015 there were no outstanding receivables or payables relating to Yorkshire Water (31 March 2014 £NIL). All transactions between Fera and Yorkshire Water were at arm's length on normal terms of trade.

Dr R Angus Hearmon, the Director of External Affairs, represented Fera's interests on the Board of Forsite Diagnostics Ltd.in a Non-Executive capacity. The position, which Dr Hearmon relinquished on 31 March 2015, received no financial recompense. During 2014/15 transactions between Fera and Forsite Diagnostics Ltd.totalled income of £30k (2013/14 £56k) and expenditure of £36k (2013/14 £88k). The income related to administrative expense, IT and Health and Safety support. Expenditure related to consumables. The outstanding receivables at the period end totalled £529k (2013/14 £643k) and were 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 2013/14 or 2014/15. Mr Wray is not involved in any dealings with NIAB.

Alexis Cleveland is a member of the University of Durham Council. Ms Cleveland was not involved in any contractual negotiations with the University. During 2014/15 transactions between Fera and the University totalled income of £NIL (2013/14 £NIL) and expenditure of £76k (2013/14 £105k). As at 31 March 2015 there were no outstanding transactions (31 March 2014 £NIL). All transactions were conducted at arm's length and on normal terms of trade.

From 1 October 2014 Alexis Cleveland became the interim chair of the APHA Board. Ms Cleveland was not involved in any contractual negotiations between Fera and APHA, nor did Ms Cleveland have any involvement in the details of the LTSA for Fera Science Ltd.

Ann Conway-Hughes and David Chilvers were contracted to Fera through Veredus, which is part of the Capita organisation. Neither Ms Conway-Hughes nor Mr Chilvers had any involvement in the JV negotiations.

Future of Fera

Parties involved in the JV negotiations, specifically Defra staff in the Defra Future of Fera team, and the Defra Permanent Secretary, Bronwyn Hill, were not directly involved in the normal trading activities of Fera.

Additionally, the appointed Defra Directors of the new Fera Science Ltd, Nicholas Joicey and Professor Ian Boyd, were not directly involved in the trading activities or contract negotiations of Fera.

Dr R Angus Hearmon was seconded to Defra from 1 October 2014, at which point he relinquished his Fera Executive responsibilities. His role on the Future of Fera team within Defra meant Dr Hearmon had a joint appointment and was acting in the best interests of both parties. Dr Hearmon transferred to Defra on 1 April 2015 and did not TUPE to Fera Science Ltd.

Hilary Aldridge, Paul Whitfield, Mike Wray and Philip Newton TUPE transferred into positions in Fera Science Ltd. in their current roles with effect from 1 April 2015. Since their transfer was agreed, in February 2015, the Directors declared a potential conflict of interest in relevant Board and committee meetings.

23 Third party assets

Fera held third party assets in its capacity as project co-ordinator on EC and other grant funded project collaborations. These were 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 2014	Gross inflows	Gross outflows	31 March 2015
	£000	£000	£000	£000
3rd Party bank balances – Euros	2,225	3,251	(2,172)	3,304
3rd Party bank balances – GBP	36	32	(31)	37
Total	**2,261**	**3,283**	**(2,203)**	**3,341**

These third party balances did not form part of Fera's net assets and have not transferred to Defra on 31 March 2015 following the closure of Fera. These third party assets will be managed by Fera Science Ltd. on the behalf of the external funding bodies.

24 Events after the reporting period

From 31 March 2015 Fera as an Executive Agency ceased to exist and became Fera Science Ltd.

In April 2015, Defra represented Fera at two employment tribunals. Liabilities that transferred to Defra on 31 March 2015 included an accrual for the cost of these tribunals. The full cost will be settled by Defra and reflected in Defra's accounts.

Bronwyn Hill, Defra's Accounting Officer authorised these financial statements for issue on 7 July 2015.

10. Glossary

AHVLA	Animal Health and Veterinary Laboratories Agency
APHA	Animal and Plant Health Agency
ARC	Audit and Risk Committee (Defra)
ARAC	Audit and Risk Assurance Committee (Fera)
BBSRC	Biotechnology and Biological Sciences Research Council
BIS	Department for Business, Innovation and Skills
Bute	Phenylbutazone
CBRN	Chemical, Biological, Radiological and Nuclear
CETV	Cash Equivalent Transfer Value
CPI	Consumer Price Index
CRD	Chemicals Regulation Directorate
Defra	Department for Environment, Food and Rural Affairs
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
FReM	Government Financial Reporting Manual
FSA	Foods Standards Agency
FTA	Fixed Term Appointment
FTE	Full Time Equivalent
GDS	Government Decontamination Service
GLP	Good Laboratory Practice
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
JV	Joint Venture
NAO	National Audit Office
NED	Non-Executive Director
ORETO	Official Recognition of Efficacy Testing Organisations
PCSPS	Principal Civil Service Pension Scheme

PFI	Private Finance Initiatives
PHSI	Plant Health and Seeds Inspectorate
PSN	Public Services Network
PVS	Plant Varieties Rights Office and Seeds Division
QSHE	Quality, Safety, Health and Environment
RAG	Red, Amber, Green
SCS	Senior Civil Service
SIRO	Senior Information Risk Owner
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
STA	Short Term Appointments
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
UKAS	United Kingdom Accreditation Service
VAT	Value Added Tax
VMD	Veterinary Medicines Directorate

The Food & Environment
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