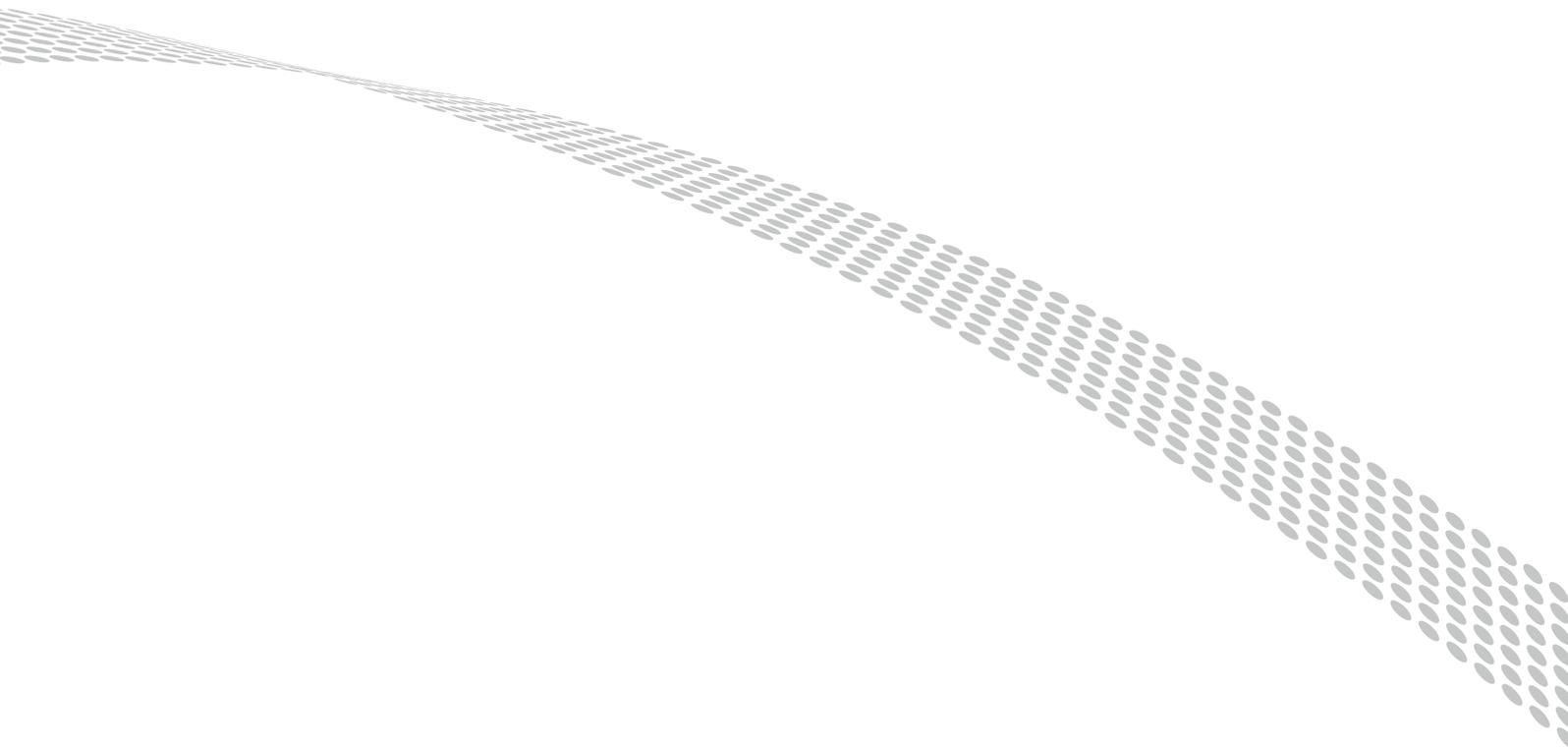


The Food and Environment Research Agency  
**Annual Report and Accounts 2010/11**



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**Annual Report and Accounts 2010/11**

Presented to the House of Commons pursuant to section 7 of the  
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# Foreword by Adrian Belton

## Chief Executive

Fera's vision is *'to be the long term partner of choice to governments, industries, and academia, in applied research, impartial advice and incident response, based on our trusted science, to secure the food chain and protect the environment from global threats'*.

In 2010/11, our second year, good progress has been made towards this vision. In the report that follows we set out the main achievements and the progress against our plan.

Last year I foreshadowed the economic and financial challenges the Agency, its customers, and its partners would face over the coming year. In the event these challenges proved to be slightly more severe than many of us anticipated. Although like for like income (£65.4m) was up on the previous year (£64.3m\*), it was down against plan (£67.7m) in the wake of in-year Government spending cuts and austerity measures. That resulted in the Agency turning in a loss of £1.6m (2009/10, £0.5m\*\*).

Growth in commercial business of 18% on the previous year, went a long way to mitigating the effect of £6m in-year cuts to Government income following the Emergency Budget. Furthermore, the Agency was able to deliver efficiency savings of £4m during the year without impairing our performance.

Fera's scientific capability was reviewed during the year by an independent panel of experts. Much of our work was confirmed as world leading and 'excellent'. Coupled with the appointment last August of a new Chief Scientist we have taken steps to strengthen the way the Agency can develop and harness its science capability for the benefit of both Government and non-Government customers.

Our customer satisfaction remains high. The knowledge of our staff and the quality of our work once again are cited as valued by our customers. We also know that we can improve further still by closer working to develop more strategic, longer term relationships.

Estate developments at the Sand Hutton campus near York went to plan, with the handover on time and to budget of the York Science and Enterprise Centre. Other Government bodies will also be collocating on the site, thereby helping us to develop a science hub where organisations from academia, public, and private sectors can learn from each other, innovate and grow.

At a time when cuts in the public sector have understandably affected morale across much of the Civil Service, it was particularly pleasing to note that the 'staff engagement' index in Fera actually improved over the previous year. Along with all Civil Servants, our staff have had to cope with a particularly difficult year, including uncertainties arising from public spending cuts, Government reviews of 'Arms Length Bodies', and exceptionally prolonged cold weather in December which threatened delivery of our work. For coping with all this, delivering on our non-financial targets, and demonstrating excellence in our work, I would like to thank them all.

As we look ahead, the combined effects of the Government's reform of delivery and cuts to spending will present Fera and its sponsoring Department Defra, with added challenge and opportunity. Given there is healthy demand for the work of the Agency, we are working closely with Defra to look at the best way of putting the work of the Agency on a sustainable footing, thereby maintaining and, where appropriate, securing investment in Fera's nationally important capability.



**Adrian Belton**  
**Chief Executive**

29 June 2011

\*2009/10 income £68.2m, adjusted by £3.9m cost of capital charge funding equates to £64.3m. See note 1.3.

\*\*Original deficit £0.5m, restated to surplus of £3.3m following the removal of cost of capital charge. See note 1.4.

# 1. Management Commentary

## Performance overview

As previously mentioned, this has been a year of change that has required us to adapt to the priorities of the new coalition Government and its drive to reduce public spending. This has been achieved without any degradation in performance. The detailed Financial Commentary to the 2010/11 accounts is in Section 2.

## Business operation

The challenges for operational delivery in the year included a major new surveillance project for Veterinary Medicines Directorate (VMD), selected in-year cuts, or in some cases delays in funding.

Our new work with VMD, to set up and operate the veterinary medicines statutory surveillance programme, was both illustrative of success in extending our Government work to safeguard a national capability, and also in how we have been improving in efficient delivery. A joint Fera/VMD project team met the demanding milestones, overcoming technical, resourcing and HR (TUPE) challenges by applying LEAN management principles, innovative ways to resource equipment and staff and judicious use of external specialist skills (to resolve TUPE). As a result around £0.5m of set up costs were absorbed whilst meeting VMD's needs and still hitting wider programme delivery targets.

A Continuous Improvement Programme using LEAN principles was extended across the whole of Fera, generating a combination of customer improvements, process efficiencies and bottom line savings, as well as enhancing our capability through training and wider engagement of many staff.

In the wildlife and plant health areas, the effects of significant in-year cuts were mitigated through active cost control, including redeployment of staff into non-specialist areas with recognition of their flexibility. Again this involved teams in new approaches to planning, delivery and budget control that ameliorated the effects of the sudden reductions in funding.

We also strengthened our incident response and recovery capability and began the process, after cutting costs in this area of the business by some 28%, of instituting new management and reporting processes to drive better customer service. Of particular note is the successful completion of three full CBRN (Chemical, Biological, Radiological or Nuclear) field decontamination exercises, the first held in the UK.

These are just some examples of progress in a year in which we also successfully delivered several hundred projects for customers, including high profile and collaborative work on badger vaccination, bee health and *Phytophthora* control.

## Developing policy

This year saw solid delivery against our targets and milestones and the further integration of our policy funded work, bringing closer together each part of the policy cycle for Plant Health, Bee Health and Plant Variety and Seeds. We also commenced a number of key initiatives which will run for the next four years. These include moving all our regulatory services to full cost recovery; to set out to influence the EU Commission regarding the UK's options for change in the EU Plant Health and the EU Seeds Marketing regimes; and to re-engineer the engagement process with key stakeholders in Plant Health and Plant Variety and Seeds following the successes we have had with the changes made with our beekeeping stakeholders. Looking forward we also agreed our budgetary position with Defra for our policy work for the next four years.

## Strong science

The contribution of Fera's science base to delivering our stated vision of being the partner of choice in delivering applied research in safeguarding the food chain and environment against global threats received a strong endorsement through the outcome of the science capability review. Reviewing the period 2006 to 2011, the external panel chaired by Sir John Lawton FRS found the science provision in the majority of the core areas of the Agency (food and environmental safety, wildlife management and plant health) to be excellent.

Under the direction of the new Chief Scientist, there has been a renewed focus on developing science innovation within the Agency to develop new business opportunities across all key customers with the development of Special Interest Groups allied to new product development and biorefining, using a combination of developing in-house skills and through strategic partnerships. Underpinning the efforts in expanding the culture of innovation, Fera has made significant investments in supporting our high level offering in analytical mass spectrometry and high throughput DNA sequencing technologies.

### Commercial activities

In 2010/11 Fera delivered organic growth of 18% in commercial revenues, underpinning the viability of services delivered to Government customers.

Of particular note were a number of repeat contracts with global food industry players. For example, by leveraging our interactions with one division of a leading food manufacturer and using their recommendations about the quality of our science, Fera has expanded its relationship to become part of a significant animal health project, both in terms of experimental design and data provision. Elsewhere, through strong relationship building and partnering approaches Fera has moved from being an ad hoc supplier to a long term partner for a leading beverage company and has developed a new more flexible way of working with another leading food manufacturer, providing research and scientific support at critical times within a collaborative framework.

In the environmental risk area Fera was successful in securing multi-year deals with two rapidly growing international pharmaceutical manufacturers of veterinary medicines and nutritional products for animals. This is as a result of Fera's excellent reputation for providing high quality confidential services to its client base. In the plant protection area, Fera secured contracts with some European governments.

All these wins were achieved against the background of constraints on marketing spend and business development resource.

### Summary of key Ministerial targets and achievements 2010/11

Defra Internal Audit Division have reviewed our Ministerial targets set at the beginning of the financial year and have assessed them all as indicated below:

1. To demonstrate that the year on year planned savings from the establishment of Fera continue to be achieved. Met
2. To meet agreed efficiency targets for 2010/11 and achieve full economic cost recovery for regulatory services from April 2011. Not met
3. To support sustainable food production through the provision of internationally respected, trusted, independent and impartial advice to both Government and external customers. Met
4. To support a strong and sustainable economy through the delivery of effective policy outcomes and reduce the regulatory burden on industry. Met in part
5. To deliver outputs from strategic and applied research, scientific services, and environmental monitoring and surveillance work to agreed deadlines, quality standards and formats. Met/ Met in part
6. To develop Defra's and the Home Office's incident response capability and to demonstrate the robustness of Fera business continuity and contingency plans. Met
7. Develop and maintain a culture of ownership and accountability that is appropriately led, and that values everyone for their contribution. Met in part
8. Drive value through synergies across the Fera estate that maximise the exploitation of assets. Met in part

### **Environment and sustainability**

Fera has continued to build upon our sustainable development achievements. The 'One a Day' campaign, launched by the Behavioural Change Group, had a very successful year. They are a group of volunteers from across the Agency, who take time out of their regular roles to promote sustainability in the workplace. Over the year the group ran several workshops for staff aimed at informing and encouraging sustainable behavioural change, with the goal that all staff at Fera will feel empowered to initiate change at grass roots level. The workshops focused on identifying ways to reduce the waste generated on site as well as looking for energy and water consumption savings. As recognition of their good work they were nominated for two awards. The first was the Civil Service Award for Sustainability and the second, the Defra Team Award for Innovation.

We have made good progress towards reducing our carbon emissions and exceeding the targets set down by Government. We are also making strong headway to reduce the amount of waste sent to landfill and significantly increasing our recycling and recovery rates.

To manage the food waste on site, we have installed an in-vessel composter. This will allow us to better manage all food waste (e.g. cooked and uncooked meat and fish, vegetables and fruit, and garden waste). The composter will further reduce our waste sent to landfill.

### **Social and community**

This year Fera joined forces with York Cares to launch a Food Science module for the 'Kids College' programme. The programme brings together businesses and University students to develop enrichment materials to be delivered in local schools with a high proportion of students from areas of social deprivation. A second module is in development and Fera is part of the steering group establishing a 'Children's University' for York.

Through York Cares Fera staff have also volunteered to go into schools to support the early years reading scheme and to talk to primary school children about careers in science.

Other activities this year have included a Professional Development day for teachers through the National Science Learning Centre, visits to the Sand Hutton site for AS Applied Science students, three workshops for National Science, Technology, Engineering and Mathematics Centre (STEM) fairs, as well as an exhibit on anaerobic digestion for the National Science Week Discovery Days.

We have also continued our close liaison with North Yorkshire Business and Education Partnership participating as expert judges in this year's Green Griffins Challenge and the Yorkshire and Humber Big Bang.

### **Staff and workforce capability**

Fera continues to review its organisational design and over the last year has begun to consolidate certain programmes of work to further facilitate even closer working and effective use of resource.

The Heads of Programme continue to play a key leadership role, working together to engender the flexibility and responsiveness Fera requires to meet the needs of its diverse customer base. Over 2010/11, Fera has also introduced a new Leadership and Management Development Programme for team leaders. This has been designed to further develop the leadership capability within the Agency and promote more proactive management.

A number of reward and recognition schemes have been operated by Fera over the year that are designed to recognise and promote excellence. These include an in-year bonus scheme which gives managers the flexibility to recognise outstanding achievements as and when they happen. In addition, Fera launched a Specialist Progression Scheme, which is specifically designed to support the continued development of our technical specialists, and the Fera Academy, designed to select and develop individuals who can demonstrate high potential to reach senior levels. Fera continues to work in partnership with the local trade union, Prospect, who provide valuable feedback and promote initiatives across the organisation.

As part of the Civil Service, Fera has been affected by the recruitment restrictions on external appointments. However, due to the specialist nature of many of the roles within Fera, the Agency has obtained Secretary of State approval to recruit a number of posts externally. All recruitments are carried out on the basis of Fair and Open Competition on merit and in accordance with the Civil Service Commissioners Recruitment Principles. In addition to external recruitments Fera continues to develop a flexible work force through the strategic review and assessment of resource allocation. Carefully monitoring funding and staffing levels enables the Agency to ensure that we have the right people, in the right place at the right time. Over 2010/11 there has been an average of 915 staff at Fera, which equates to a 855 Full Time Equivalent.

Despite facing a number of operational challenges as a result of Government austerity measures, Fera has successfully managed to further reduce the average number of working days lost per employee through sickness absence to 4.7 per year. This is almost half the wider Civil Service figure of 8.7 days. The staff turnover rate has not increased significantly and stands at 4.5%\* of the average number of staff in post.

#### Staff recruited to Fera between 1 April 2010 and 31 March 2011

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

<b>Ethnic Origin</b>	<b>Gender</b>	<b>Bands 1-3</b>	<b>Band 4 and above</b>	<b>Total</b>
White	Female	9	4	13
	Male	11	5	16
Non-white	Female	2	0	2
	Male	1	1	2
Not Specified	Female	16	5	21
	Male	17	7	24
<b>Total</b>		<b>56</b>	<b>22</b>	<b>78</b>

<b>Disability Status</b>	<b>Gender</b>	<b>Bands 1-3</b>	<b>Band 4 and above</b>	<b>Total</b>
Disabled	Female	1	1	2
	Male	1	0	1
Non-disabled	Female	12	4	16
	Male	13	6	19
Not Specified	Female	14	4	18
	Male	15	7	22
<b>Total</b>		<b>56</b>	<b>22</b>	<b>78</b>

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

## Health and safety

Fera manages health and safety by following the recommendations contained in the HSE document 'Successful Health and Safety Management' HSG 65. The aim of this approach is to empower our staff to manage their own work through a process of risk assessment, with the Safety, Health and Environment (SHE) team providing support. This allows our staff to develop and apply their own proportionate controls for any risks that they may encounter.

Although there has been an increase in the number of incidents reported at Fera, this is accounted for by an increase in the number of non-injury reports, which is a sign of a positive health and safety culture. There has been a slight drop in the number of injuries and a significant drop in the number of reportable incidents.

<b>Incident data</b>	<b>2010/11</b>	<b>2009/10</b>
Total number incidents, accidents and near misses reported	87	69
Incidents reportable to the HSE	3	7
Incidents involving no injury (near misses)	35	16
Incidents involving an injury	52	53
Number of staff working at Fera	915	926
Total reportable incidents per 100 staff	0.33	0.83

## Future development

Good progress continues to be made in lifting the profile of the Agency and on the plans set out in the 2009/10 Annual Report and Accounts, these being:

1. To work even more closely with colleagues in Defra to help in the formulation and delivery of key strategic policy outcomes. Relationships have strengthened during the year with the key success being the transfer of the Veterinary Medicines Directorate's statutory surveillance programme to Fera, which was facilitated by our policy customer in Defra. We continue to work to build relationships across the Department with the aim of having to bid competitively for less work over the long term.
2. Work continues on a Continuous Improvement Programme and due to the work in this area a change has been achieved in the behaviour within programmes and the emphasis as we move into the new year is in driving change in the way we work across programmes.
3. Commercial growth of 18% has been achieved in the last year and building on this we are anticipating another year of similar growth.
4. On the Sand Hutton site the 'York Science and Enterprise Centre' was opened by Lord Henley on 13 May 2011 and is now being marketed to growing scientific businesses. Simultaneously we are working with Defra and Government estates to help relocate other Government activities to the site with the first two small moves taking place in May 2011 bringing an additional 50 civil servants to the site. To facilitate further space for new tenants Fera are progressively moving all staff to open plan office arrangements.

The Fera Executive continues to look to develop and grow the Agency within the constraints implemented post-election and continues to work with Defra's Arms Length Body Review to identify the most sustainable future of the Agency. This review will be informed by, among other issues, the recently completed review of the Agency's science capability (available at: [www.defra.gov.uk/fera/images/scienceReview.pdf](http://www.defra.gov.uk/fera/images/scienceReview.pdf)). There are no specific proposals at this time.

## Fera's quality standards

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

- **ISO 9001:2008 Certification including TickIT for software development:** Provision of scientific services to Government and non-Government customers worldwide. Software development in accordance with TickIT.
- **ISO 17025:2005 Accreditation:** Provision of food and plant health testing covering veterinary drug residues, pesticide residues, environmental contaminants, mycotoxins, food additives, authenticity, packaging, food microbiology, and plant pathogen detection.
- **ISO 17020 Accreditation:** Physical examination of controlled materials for quarantine pests and diseases covering plants, potatoes, produce, seeds and grains, and soils and growing media. Compliance to EU Council Directive 2000/29/EC, the Plant Health (England) Order 2005 and the Plant Health (Wales) Order 2006. Sampling of regulated materials for plant health testing and diagnostics.
- **ISO/IEC 17043:2010 Accreditation:** Provision of proficiency testing covering food chemistry (FAPAS), food microbiology (FEPAS), GM detection (GeMMA), and water and environmental (LEAP).
- **ISO 14001:2004 Certification Environmental Management System:** Activities at Fera at York and Woodchester Park associated with analytical, diagnostic and consultancy services for the land based and food industries.
- **Good Laboratory Practice Compliance in accordance with Directive 2004/9/EC:** Covering analytical chemistry, ecosystems, environmental fate, and environmental toxicity.
- **International Seed Testing Association Accreditation:** Provision of seed quality testing.
- **Official Recognition of Efficacy Testing Organisations (ORETO) Compliance with Commission Directive 93/71/EEC:** Efficacy trials and testing in agriculture/horticulture, stored crops, vertebrate control, and biologicals and semiochemicals. Assessed by the Chemical Regulation Directorate (CRD).
- **National Reference Laboratory:** Fera is the National Reference Laboratory (NRL) for the UK and Malta for chemicals in food, pesticides, veterinary drug residues, and dioxins and PCBs in feed.
- **Investors In People (IIP) Accreditation:** All of the Fera joining partners previously held separate accreditation against the IIP standard. In November 2010 Fera was successful in achieving accreditation as a single organisation.

## 2. Financial Commentary

### Financial review

Fera's second year of operation has been dominated by changes in Government policy following the election in May 2010 and the austerity measures announced in the subsequent budget. Whilst responding efficiently and effectively to cuts in funding from Defra this has resulted in Fera being constrained in its ambitions for its second year of operation.

Whilst reporting a deficit for the year of £1.6m (2009/10 £0.5m deficit\*) we have helped deliver more than £4m year-on-year cost savings for the Department and the tax payer.

### Income

Income for the year at £65.4m is £1.1m (2%) above the previous year's adjusted\*\* figure. Major changes to income from the core Department year-on-year include a £2.5m reduction in infrastructure funding and a further £3.4m funding reduction against budget for policy and austerity changes. £1.5m increased funding from Defra was as a result of costs transferred to the Agency from the Department and the funding of TUPE transfer costs.

Statutory and regulatory charges amounted to £4.3m similar to the previous year. During the year a major review of Fera's fees and charges was undertaken and representations will be made to Ministers in the coming year to increase fees to more closely reflect the full economic cost of the services provided.

Income in every category excluding the core Department increased year-on-year. Within this increase was the first quarter of the Veterinary Medicines Directorate (VMD) Statutory Surveillance Programme which was transferred to us from a contractor in the private sector (involving the TUPE costs mentioned above), which is expected to deliver more than £2m in sales in the coming year. Commercial income also increased by £1.9m year-on-year to £12.3m (18%). This was an exceptional achievement considering the current economic climate.

\*Original deficit £0.5m, restated to surplus of £3.3m following the removal of cost of capital charge. See note 1.4.

\*\*Adjusted for change in the Government's policy on accounting for capital charge £3.9m. See note 1.3.

### Costs

On the face of the accounts costs have increased by £2.1m (3.3%) year-on-year, however this includes the transfer of costs from the Department of £1.5m. Adjusted for this transfer the increase in costs year-on-year was £0.6m (1.1%), which includes the start-up costs for the VMD business (which only delivered a very small contribution in the year) and the costs of additional Plant Health Inspectors following the European Food and Veterinary Office audit of our import inspection levels. Together these costs are greater than the increase in costs year-on-year.

In the year £32.2m (48%) of costs were expended on labour costs; a 5.4% increase year-on-year. As there was a pay freeze for staff earning more than £21,000 per annum the key increases resulted from the TUPE costs expended on the commencement of the VMD business, the increase in staff to deliver this business, and the increased numbers of Plant Health Inspectors. Fera continues to explore opportunities for more flexible working across the different sectors of the Agency's activities and continuous improvements in the way we work.

Non labour costs in the year amounted to £34.8m (52% of cost); an increase of 1.5%. This figure is less than the equivalent transfer of costs from Defra and with depreciation and amortisation costs increasing by £0.3m, controllable costs reduced year-on-year to support increased sales activity.

### Capital

Fera's capital spend was £5.7m, of which £3m relates to the refurbishment of one of our science blocks (£2m from European Regional Development Fund (ERDF) funding). This was completed at the year end with the newly named 'York Science and Enterprise Centre' being opened by Lord Henley on 13 May 2011.

### Audit

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

The accounts that follow are audited by the Comptroller and Auditor General (C&AG) for which Fera incurs a notional charge of £68.5k.

### **Fera's contribution to austerity savings in Defra**

Year-on-year Fera has helped Defra deliver reduced spending of almost £4m as a result of reduced spending by the Department of £5.9m offset by funding the TUPE costs of £0.4m and the increased deficit of £1.6m.

### **Cashflow**

Fera paid 98% of supplier invoices within 30 days and 76% within five days in line with Government policy. Trade and other debtors increased by £0.4m to £4.9m.

### **Governance report**

Fera's Strategic Advisory Board (SAB) met four times during the year and was strengthened by the addition of a third non-Executive, the recently appointed Chairman of the Audit and Risk Management Committee, thus providing greater consistency and transparency between these two bodies. The Strategic Advisory Board is chaired by Defra's Director General Food and Farming and, in addition to the three non-Executives, has a representative of our Defra customer and of the Defra Science and Evidence Group. Fera's Chief Executive and Director of Finance and Corporate Services attend each meeting subject to agenda.

The Chief Executive is advised in his capacity as Accounting Officer by an independently chaired Audit and Risk Management Committee (ARMC), which includes two further non-Executive members. The committee is attended by Internal and External Auditors, the Director of Finance and Corporate Services, Head of the Finance Programme and other Executives, as required. The full Committee met four times during the year. Representatives of Defra's Internal Audit and central finance team also attend. During the year Fera appointed new Internal Audit providers as part of a Defra wide tendering exercise. Further detail on the activities of the ARMC can be found on page 14.

At the end of our second year of operation Fera has undertaken a review of its governance structure which will result in some minor changes as we enter the new year. These include the addition of an external Science Advisory Panel due to commence before the end of 2011. In addition a number of more focused internal committees are planned to replace the monthly leadership meetings, which were in place throughout 2010/11, thus focussing the activities and delegated authority of the Accounting Officer more appropriately.

The Statement on Internal Control on page 20 provides further detail on Fera's capacity to handle risk, the control framework and the effectiveness of the systems and the processes.

Fera's governance structure is as described on page 13.

### **Information assurance report**

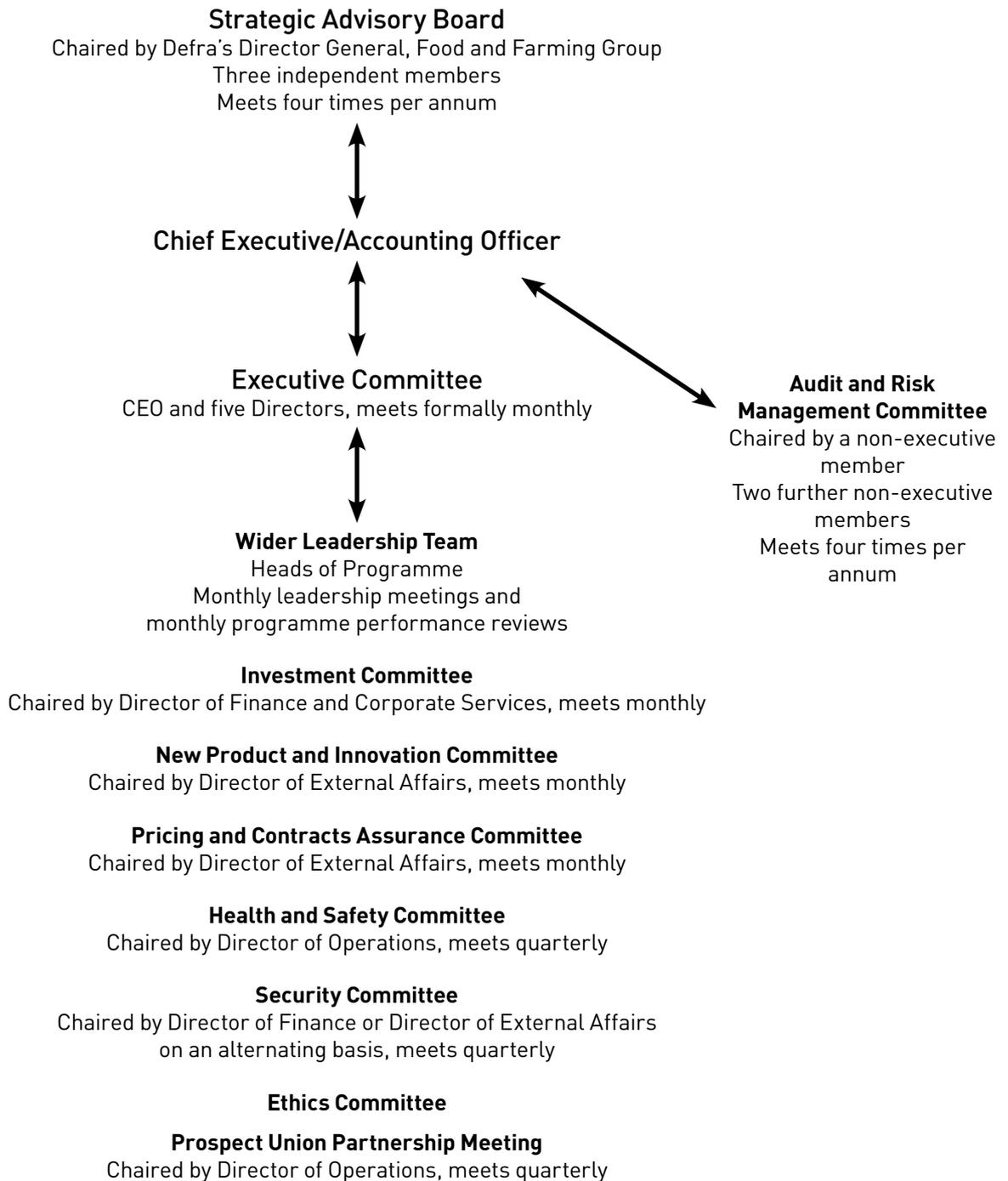
The Statement on Internal Control on page 20 details Fera's systems for information assurance. During the year there were no incidents of a reportable nature.



**Adrian Belton**  
**Chief Executive**

29 June 2011

## Fera's governance structure



## Audit and Risk Management Committee Statement

The purpose of the Fera Audit and Risk Management Committee (ARMC) is to support the Accounting Officer in his responsibility for issues of risk, internal control and governance, through the provision of advice and guidance on the adequacy of the control and risk management framework within the Agency. This includes an assessment on the extent to which the audit programme and other sources of information are sufficiently comprehensive to satisfy the assurance needs of the Accounting Officer. The Committee acts in an advisory capacity only, without executive powers.

### Committee membership

The Committee comprises three non-Executive members; including myself as Chairperson. During the year we have had full and ready access to the Accounting Officer, the Director of Finance and Corporate Services, the Head of Finance and Procurement and key representatives of Internal and External Audit; all of whom attend meetings to both inform and provide advice to the Committee. In addition, appropriate representation from Defra Finance and Internal Audit are invited to participate in the meetings.

### Frequency of meetings

Formal Audit and Risk Management meetings were held four times during the financial year to coincide with key business as stated in the Committee's terms of reference. In addition, the Committee also met separately with the Fera Executive, Internal and External Audit and other key contacts as appropriate, to discuss key business issues of relevance to the Committee's principal responsibilities.

## Our work during the year

Overall, the Committee's work during the year has primarily focussed on the following activities:

1. Reviewing, monitoring and making recommendations in respect of the annual cycle of processes through which the Annual Report and Accounts are prepared, specifically;
  - analytical review of the accounts;
  - composition of the management commentary and Statement on Internal Control (SIC);
  - review of budgetary control, governance and reporting processes.
2. Examination and monitoring of the internal and external audit strategy, specifically:
  - review of assessment reports and opinion, and consideration of response to recommendations made;
  - monitoring of progress against agreed audit recommendations;
  - consideration and recommendations in respect of plans for the forthcoming year.
3. Reviewing and making recommendations in respect of Fera's Risk Management Strategy including;
  - deliberation of Fera's key strategic and operational risks;
  - categorisation of identified risks against the three R's (Regulation, Research and Response);
  - the content, format and management review process of the Agency's risk registers.
4. Consideration of all sources of control and opinion of assurance in respect of the Accounting Officer's Statement on Internal Control.

Through the Committee's challenges and observations, recommendations have been driven forward through the year to help clearly define the principle components of Fera's system of internal control, and the implementation of procedures for its continuous improvement.

**Geoffrey Drage**

**ARMC Chairman**

# 3. Remuneration Report

## Policy on remuneration

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

## Remuneration committee

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

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

## Assessment of performance

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

## Changes to the Executive Team

The former Chief Scientist, Nicola Spence left the organisation in January 2010. Professor Robert Edwards, joined the Board in August 2010, as the new Chief Scientist.

## Duration of contracts

The Chief Executive Adrian Belton was appointed through open competition under the terms of the Civil Service Management Code on 3 March 2008. He has been appointed with a three year contract, which has the option to be extended to five years or made permanent by agreement. The terms of an extension to his contract are currently being negotiated.

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

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

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

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

## Directors' remuneration

The following table shows the salary details for the Chief Executive and the five Directors. This table represents the part of the Remuneration Report to be audited, as referred to in the Audit Certificate.

Salary includes gross salaries, performance pay and bonuses, reserved rights to London weighting and recruitment and retention allowances where applicable. None of the Directors receive benefits-in-kind.

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses are paid in the financial year following the related period. The bonuses reported in 2010/11 relate to performance in 2009/10 and the comparative bonuses reported for 2009/10 relate to performance in 2008/09.

Subject to Audit		2010/11		2009/10	
Official	Post	Salary £000	Bonus Payments £000	Salary £000	Bonus Payments £000
A Belton	Chief Executive	110-115	10-15	110-115	10-15
P Whitfield	Finance and Corporate Services Director	95-100	5-10	95-100	-
R A Hearmon	Director of External Affairs	90-95	5-10	90-95	5-10
R Edwards	Chief Scientist (joined August 2010)	55-60 (90-95 Full Year Equivalent)	N/A	N/A	N/A
T Harrington	Policy and Regulation Director	105-110	5-10	105-110	-
M Wray	Operations Director	70-75	5-10	70-75	5-10
N Spence	Chief Scientist (left January 2010)	N/A	N/A	45-50 (60-65 Full Year Equivalent)	N/A

## Non-executive directors

Non-executive members of the ARMC are paid a fee for attendance at each meeting. In addition they are reimbursed for expenses incurred relating to attendance at these meetings. During the year the three committee members attended four meetings. Andrew Lindsay handed over responsibility as chair in March 2010 and has held no post during 2010/11.

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

### Subject to Audit

<b>Official</b>	<b>Post</b>	<b>2010/11 Fees £000</b>	<b>2009/10 Fees £000</b>
Geoffrey Drage	Non-executive Director – Audit and Risk Management Committee Chair from April 2010	5-10	0-5
Rod Morrod*	Non-executive Director – Audit and Risk Management Committee Member	0-5	0-5
Roger Platt*	Non-executive Director – Audit and Risk Management Committee Member	0-5	0-5
Andrew Lindsay	Non-executive Director – Audit and Risk Management Committee Chair until March 2010	N/A	5-10

\*These non-executives are paid through payroll from which tax is deducted at source.

## Directors' pension details

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

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

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

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

<b>Subject to Audit</b>		<b>Accrued Pension at age 65 as at 31 March 2011 and related lump sum</b>	<b>Real Increase in Pension and related lump sum at pension age</b>	<b>CETV at 31 March 2011</b>	<b>CETV at 31 March 2010*</b>	<b>Real increase in CETV</b>
<b>Official</b>	<b>Post</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
A Belton	Chief Executive	10-15	0-5	190	152	21
P Whitfield	Finance and Corporate Services Director	15-20	15-20	220	28	19
R A Hearmon	Director of External Affairs	5-10	0-5	145	111	19
R Edwards	Chief Scientist (joined August 2010)	0-5	0-5	16	-	14
T Harrington	Policy and Regulation Director	5-10	0-5	48	22	20
M Wray**	Operations Director	10-15 (Lump Sum 35-40)	0-5 (Lump Sum 0-5)	221	187	4
N Spence	Chief Scientist (left January 2010)	-	-	-	66	18

\*The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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



**Adrian Belton**  
**Chief Executive**

29 June 2011

## 4. Annual Accounts

### Statement of the Accounting Officer's Responsibilities

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

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

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

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

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

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

## Statement on Internal Control

### 1. Scope of responsibility

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

I am directly accountable to Ministers for the operation of the Agency within the policy framework set by the Minister, and to the Permanent Secretary for Defra, the Department's Principal Accounting Officer, for the financial management of Fera.

Additionally,

- I ensure that the Defra Permanent Secretary, the Principal Accounting Officer for the Department, is aware of the main risks managed by the Agency through regular reporting, thus enabling the Department to discharge its overall responsibility in respect of ensuring that Fera, as an Executive Agency of Defra, has adequate financial systems and procedures in place
- I ensure that Fera's Business Plans, which are submitted to and approved by Ministers, include sections on risk
- I work with the Defra Corporate Owner (Director General, Food and Farming Group) and the Strategic Advisory Board (SAB) to ensure governance and to ensure alignment of the Fera strategic plans with those of Defra
- I ensure that Fera observes any general guidance issued by HM Treasury or the Cabinet Office, and effects any recommendations of the Public Accounts Committee, other parliamentary Select Committees or other parliamentary authority insofar as Government accepts them

Fera's governance structure includes the Strategic Advisory Board (SAB). The SAB met four times during the year and was strengthened by the addition of a third non-Executive, the recently appointed Chairman of the Audit and Risk Management Committee, thus providing greater consistency and transparency between these two bodies. The Strategic Advisory Board is chaired by Defra's Director General Food and Farming and, in addition to the three non-Executives, has a representative of our Defra customer and of the Defra Science and Evidence Group. Fera's Chief Executive and Director of Finance and Corporate Services attend each meeting subject to agenda.

I would like it to be noted that my fixed term employment contract as Chief Executive for Fera, expired on 2 March 2011. The Department's HR Director and Corporate Owner are both aware. At the time of writing we are currently in discussion regarding the terms of an extension, however I continue in my role as Accounting Officer for Fera.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Fera's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Fera for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

### 3. Capacity to handle risk

To offset the decline in Government income following the Spending Review, Fera has sought to develop its income from non-Government sources. Processes have been put in place during the year to ensure that any risks in this regard are fully understood by the Executive, staff and the Defra owner.

Much of Fera operates under various quality standards (see page 10 for a full list) and we are proud, during the year, to have maintained our Investors In People Accreditation and gained ISO 17020 for our Inspectorates operation, the first such accreditation in the world.

In Fera's second year the system of internal control has been scrutinised thoroughly, aided by the appointment of a new non-executive Chairman of the ARMC and the fact that the Finance function has been fully staffed throughout the year. Minor enhancements have been made during the year and will continue to be made as Fera enters the new financial year. Risk management issues are reported to the SAB and the ARMC on a regular basis.

Project risk awareness workshops have been developed and implemented throughout the year for relevant staff and some specific team training has also taken place. Going forward the workshops will be targeted to individual project managers and science delivery programmes.

#### Risk environment

In summary there are two main factors combining to increase the risk that Fera will not be able to deliver a break-even financial return in 2011/12, and possibly future financial years. Firstly the cuts in public expenditure are restricting the funding available from Defra. Secondly, the recruitment freeze and other central government controls may limit the extent to which increases in commercial income can continue to compensate for the reduction in government income.

The austerity measures set out by the current Government during this financial year have had a major impact on the environment in which we operate, key features of which are:

- The announcement of significant efficiencies and cuts in spending following the general election, meant in year cuts for Fera which, because of its fixed costs base, has proved problematic
- The efficiency measures enacted across government since the election are bringing added risks to the Agency, for example decisions on centralising HR, procurement, IT and a potential move into a shared service centre are initiatives which may not be in the best interest of the Agency in certain circumstances. Fera's Executive are currently involved with all these initiatives to ensure that these risks are minimised as far as possible
- Defra and all ALBs (including Fera) are contracted into a comprehensive facilities management contract which has been affected by the austerity cuts. An independent audit, carried out in January 2011 highlighted nine risk areas to Fera/Defra that required urgent repair/facilities management (FM) works in order not to contravene good health and safety practice. To mitigate the risks in this regard Fera is contributing to the contract renegotiation strategy, though our ability to influence across the whole of the Department is limited
- The main Sand Hutton site is now 15 years old and maintenance spend has consistently been below required levels. Consequently significant maintenance is required to ensure the building and support services remain in good repair and Fera will require additional capital spend in this coming and future years to ensure that the facilities are maintained to an appropriate standard
- Capital for scientific equipment has been significantly reduced from previous allocations and, despite seeking innovative solutions to acquire equipment, this reduced budget is likely to have an impact on delivery and hinder Fera's ability to enhance its service provision and access emerging technologies, thus reducing our progress in developing a fit for purpose science capability
- My Finance team have also escalated risks to the Department and myself associated with late information from the Department that affected the preparation of the Annual Report and Accounts. The accounts that follow include Post Financial Reporting Period Events resulting from corrections to the 2009/10 Sand Hutton site valuation figures carried out via the Department and its contractors. Fera and Defra are working closely to improve communications and support from our major contractors

### **Risk appetite**

As a consequence of the Spending Review and Defra's settlement, the Agency has been obliged to increase its risk appetite as reflected by the key factors mentioned above.

Risk awareness continues to be promoted across the Agency and, as more staff become aware of risk and the processes to follow to mitigate risk, our management and awareness of new risks and combinations of risks are being identified.

In addition to the work to develop our understanding of the Fera risk appetite, significant work has been ongoing within the delivery teams who are working closely with the Project Support team. All delivery projects now have associated risks identified with a RAG rating based on their likelihood, impact and proximity with every 'red' rated risk including contingencies. These risks are reported and escalated as required to ensure Fera Management can take appropriate action and understand the full implications of developing new areas of growth.

## **4. The risk and control framework**

### **Risk management strategy**

Since vesting Fera has continued developing its risk management strategy, with assistance from the ARMC and internal and external audit teams. A number of initiatives have been undertaken including:

- The full Fera Executive team now meets the ARMC non executives at least quarterly to discuss the risks facing the Agency and the full ARMC meeting covers risk as a standing item on each agenda
- New Internal Auditors, RSM Tenon, have been in place for six months of the financial year and a number of audits have been completed in order to provide the ARMC and myself, as Accounting Officer, with assurance that the risk and control framework in place across Fera is effective
- A risk maturity audit took place in February 2011 which has highlighted a number of areas for development or where Fera need to commit more resource. These areas will be addressed as we enter the new year

- Following the January 2011 review of our FM contractor's performance, a remedial plan has been put in place and, as at the signing of these accounts, good progress has been made in addressing the concerns raised
- The Executive and ARMC are watching developments/initiatives closely, as the Agency is increasingly being supported by Departmental or Government wide functions, to monitor required changes on our risk management strategy, for example the Defra Facilities Management Owner reported to the February ARMC meeting as it was identified that the performance of this contract was outside the control of my Executive
- Defra is working with Fera to consider the best means of ensuring the sustainability of the Agency's operations in the years ahead. This work will address some of the fundamental risks facing Fera and is therefore a source of assurance to me

### **Embedding risk management**

A number of initiatives were put in place during the year to ensure risk management is embedded in the way we work, including:

- Project risks are now routinely captured and escalated to Programme and Corporate risk registers as appropriate
- Heads of Programme (HoP) produce a monthly SOFT (Successes, Opportunities, Failure and Threats) report relevant to their programme and to Fera as a whole, which are reviewed at monthly meetings between HoPs and their line Director
- Improved risk management processes through the introduction of a risk management training programme for project managers
- Non-compliance instances are dealt with on a case by case basis, issues are escalated through the line management chain
- Fera, for the first time at this year end, asked senior managers to complete an internal control questionnaire which was independently reviewed by Internal Audit. This will further emphasise the importance of controls to our operational management

In addition to these initiatives RSM Tenon, our internal auditors, completed a risk maturity audit towards the end of the financial year and a number of recommendations from that report will be actioned in the coming year.

### Information risk management

Fera has a dedicated Senior Information Risk Owner (SIRO) and an Information Asset Owner (IAO).

The SIRO is a member of the Executive who is familiar with information risks and has the power to decide on whether a risk should be mitigated or accepted. The IAO role is to understand what information is held, what is added and what is removed, how information is moved, and who has access and why.

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

Additionally the following have all been put in place to ensure that Fera's Information Assets are protected to a standard appropriate to a Government Agency, taking into account the different requirements of our commercial customers:

- Fera has recently had its connection to the Government Secure Intranet (GSI) re-approved, which brings with it numerous security requirements
- All Fera laptops are encrypted with Government standard software to ensure they are safe when taken away from the office. Encryptions are updated every five years
- Fera have rolled out Microsoft's Office 2007 suite to all staff as part of the process of keeping our software suite current and easily supported
- Fera has taken steps to ensure that Windows 2000 computers are no longer present on our network
- Fera's e-mails all pass through the GSI, allowing us to communicate securely with the rest of Government
- The only incidents reported were of a very minor nature
- Fera is not a major holder of protected personal or otherwise sensitive data

- All staff, including myself, are required to pass Level 1 of the National School of Government's Protecting Information Course, and are required to refresh this training annually. Take up of this course has been carefully monitored through automated email notice, with further notifications through the line management chain taking place. As a result Fera have a 100% success rate in this area
- All staff are also required to agree to Fera's Information security policies before full computer access is granted. Fera's Information Security and Assurance team provides a set of services which support Fera's secure use of IT systems and associated data to assure compliance with all relevant Government and legal requirements and practice. The team also advises the business on appropriate strategies, technologies and behaviours to minimise the risk and impact of failures of data security

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Managers within Fera, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Strategic Advisory Board and the Audit and Risk Management Committee and a plan to address any weaknesses and ensure continuous improvement is in place.

I am also accountable to Defra and its Ministers on performance and my Executive team and I monitor the ongoing performance of the Agency through the extensive governance processes noted earlier (see page 12).

Three new challenges arose during the year. These are largely outside of the Agency's control and, looking ahead, may give rise to significant control issues in 2011/12 and future years:

1. The longer term sustainability of the business of the Agency under current strategic and operational arrangements. Securing income to balance cost is looking increasingly vulnerable to the forecast decline in government spending and the ways in which the Agency has to compete for work
2. Adequacy of capital investment to maintain and develop the Agency's capabilities required to respond to national contingency and generate the necessary income to balance the books, thereby securing value for money
3. The increasing exposure of the Agency to risks introduced via pan-Department/ Government initiatives

To mitigate the risks arising from these challenges, Fera is working closely with the Department to put the work of the Agency on a long term sustainable basis.

## 6. Significant internal control issues

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



**Adrian Belton**  
**Chief Executive**

29 June 2011

## **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 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Food and Environment Research Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Food and Environment Research Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

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

## Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of The Food and Environment Research Agency's affairs as at 31 March 2011, and of the expenditure and income 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 Financial Commentary and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have audited the financial statements which are prepared on a going concern basis. The financial statements note the Defra's Arms Length Body Review. Notwithstanding this review I am content that the basis of preparation remains appropriate and that the evidence available to me at the date of this report does not indicate that there is a fundamental uncertainty which may cast doubt upon The Food and Environment Research Agency's ability to continue as a going concern.

**Amyas C E Morse**

**Comptroller and Auditor General**

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

5 July 2011

## Fera accounts

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note		2010/11 £000	Restated 2009/10 £000
		Staff Costs	Other	Income
<b>Administration Costs:</b>				
Staff costs	2	32,179		30,540
Other running costs	3		34,829	34,319*
Operating income	4			(65,393)
<b>Totals</b>		<b>32,179</b>	<b>34,829</b>	<b>(65,393)</b>
Bank interest receivable	14			(2)
<b>Net Operating Cost/(Surplus)</b>			<b>1,613</b>	<b>(3,342)*</b>

\*Adjusted for the change in the Government's policy on accounting for the cost of capital charge, £3.9m. In 2009/10, Defra provided cash funding to cover the cost of capital. However, this has not occurred in 2010/11. For comparison the net operating cost was £525k. See note 1.3.

### Other Comprehensive Expenditure

	Note		2010/11 £000	Restated 2009/10 £000
Net (gain)/loss on revaluation of property, plant and equipment	5		(11,497)	3,358
Net (gain)/loss on revaluation of intangibles	6		752	(500)
			<b>(10,745)</b>	<b>2,858</b>
<b>Total Comprehensive Surplus for the year ended 31 March 2011</b>			<b>(9,132)</b>	<b>(484)</b>

## Statement of Financial Position as at 31 March 2011

	Note	31 March 2011 £000	Restated 31 March 2010 £000	Restated 31 March 2009 £000
<b>Non-current assets:</b>				
Property, plant and equipment	5	120,559	109,369	114,935
Intangible assets	6	1,853	3,374	3,664
Investments	1.13	-	-	-
Trade and other receivables	8	43	12	5
<b>Total non-current assets</b>		<u>122,455</u>	<u>112,755</u>	<u>118,604</u>
<b>Current assets:</b>				
Inventories	7	563	187	205
Trade and other receivables	8	13,311	12,589	8,102
Cash and cash equivalents	10	3,267	7,628	8,068
<b>Total current assets</b>		<u>17,141</u>	<u>20,404</u>	<u>16,375</u>
<b>Total assets</b>		<u>139,596</u>	<u>133,159</u>	<u>134,979</u>
<b>Current liabilities:</b>				
Trade and other payables	11	12,574	8,968	7,145
Provisions	13	126	302	561
<b>Total current liabilities</b>		<u>12,700</u>	<u>9,270</u>	<u>7,706</u>
<b>Non-current assets plus net current assets</b>		<u>126,896</u>	<u>123,889</u>	<u>127,273</u>
<b>Non-current liabilities:</b>				
Provisions	13	162	252	400
Other payables	11	636	1,018	194
<b>Total non-current liabilities</b>		<u>798</u>	<u>1,270</u>	<u>594</u>
<b>Assets less liabilities</b>		<u>126,098</u>	<u>122,619</u>	<u>126,679</u>
<b>Taxpayers' equity:</b>				
General fund		79,196	86,457	86,264
Revaluation reserve		44,782	36,162	40,415
Government grants reserve		2,106	-	-
Donated asset reserve		14	-	-
<b>Total taxpayers' equity</b>		<u>126,098</u>	<u>122,619</u>	<u>126,679</u>



Accounting Officer

29 June 2011

**Statement of Cash Flows  
for the year ended 31 March 2011**

	Note	2010/11 £000	Restated 2009/10 £000
<b>Cash flows from operating activities</b>			
Net operating (cost)/surplus		(1,613)	3,342
Adjustments for non-cash transactions			
Depreciation	5	5,200	5,085
Amortisation	6	1,084	870
Impairment	5, 6	405	-
Notional charges	3	7,234	9,044
CCA adjustment	3	-	(50)
Purchase of Right of Use Assets	5.1	-	(1,062)
Loss on disposal of fixed assets	3	39	5
Other		(2)	1
Increase in trade and other receivables	8	(753)	(4,494)
(Increase)/Decrease in inventories	7	(376)	18
Increase in trade payables	11	3,224	2,647
Movement of provisions	13	(271)	(564)
<b>Net cash inflow from operating activities</b>		<u>14,171</u>	<u>14,842</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(5,305)	(1,813)
Purchase of intangible assets	6	(373)	(44)
Proceeds from disposal of property, plant and equipment	5	15	7
<b>Net cash outflow from investing activities</b>		<u>(5,663)</u>	<u>(1,850)</u>
<b>Cash flows from financing activities</b>			
Excess cash repayable to Defra		(15,000)	(13,432)
Grant asset funding		2,131	-
<b>Net cash outflow from investing activities</b>		<u>(12,869)</u>	<u>(13,432)</u>
<b>Net decrease in cash and cash equivalents in the period</b>		(4,361)	(440)
<b>Cash and cash equivalents at the beginning of the period</b>	10	7,628	8,068
<b>Cash and cash equivalents at the end of the period</b>		<u>3,267</u>	<u>7,628</u>

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

Note	General Fund £000	Revaluation Reserve £000	Government Grants Reserve £000	Donated Asset Reserve £000	Restated Total Reserves £000
<b>Balance at 31 March 2009</b>	86,264	40,415			126,679
Change in policy – removal of Cost of Capital					
Release of cost to the Statement of Comprehensive Net Expenditure	(4,058)				(4,058)
Release of charge to the General Fund	4,058				4,058
<b>Restated balance at 31 March 2009</b>	86,264	40,415	–	–	126,679
<b>Changes in taxpayers' equity for 2009/10</b>					
Excess cash generated and repayable to Defra	(13,432)				(13,432)
Non-cash charges – auditor's remuneration	3	68			68
Non-cash charges – accommodation	3	8,774			8,774
Non-cash charges – Departmental Investigation Service	3	46			46
Additions – grant reserve					–
Release to grant asset					–
Transfers between reserves	1,395	(1,395)			–
Net operating cost for the year	3,342				3,342
Comprehensive expenditure for the year		(2,858)			(2,858)
<b>Balance at 31 March 2010</b>	86,457	36,162	–	–	122,619
<b>Changes in taxpayers' equity for 2010/11</b>					
Excess cash generated and repayable to Defra	(15,000)				(15,000)
Non-cash charges – auditor's remuneration	3	69			69
Non-cash charges – accommodation	3	7,128			7,128
Non-cash charges – Departmental Investigation Service	3	30			30
Additions – grant reserve			2,116	15	2,131
Release to grant asset			(10)	(1)	(11)
Transfers between reserves	2,125	(2,125)			–
Net operating cost for the year	(1,613)				(1,613)
Comprehensive expenditure for the year		10,745			10,745
<b>Balance at 31 March 2011</b>	79,196	44,782	2,106	14	126,098

## Notes to the Fera accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs.

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

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

#### 1.1 Accounting estimates

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

### 1.2 Accounting convention

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

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

### 1.3 Cost of capital charge

One of the impacts of the HM Treasury "Clear Line of Sight" project to closer align Budgets, Estimates and Accounts has resulted in the removal of cost of capital charge for 2010/11. In accordance with HM Treasury requirement for prior years, a notional charge reflecting the cost of capital charge recognised by Fera was included in the Statement of Comprehensive Net Expenditure. The removal of the notional cost of capital charge is considered a change in accounting policy in accordance with IAS 8 and requires the inclusion of prior period adjustments. This affects the Statement of Comprehensive Net Expenditure (which for 2009/10 includes a charge of £3,867k) and will be offset by an equivalent adjustment in the Statement of Changes in Taxpayers' Equity.

	<b>2009/10 Accounts £000</b>	<b>Adjustment £000</b>	<b>Restated Balance £000</b>
<b>Statement of Comprehensive Net Expenditure</b>			
Other running costs	38,169	(3,867)	34,302
Net operating cost (surplus)	525	(3,867)	(3,342)
<b>Statement of Changes in Taxpayers' Equity</b>			
Net operating cost for the year	(525)	3,867	3,342
Non cash charges – cost of capital	3,867	(3,867)	–

## 1.4 Prior period adjustments

In accordance with IAS 8, adjustments applicable to prior periods arising from either changes in accounting policy or correction of material errors, are accounted for as prior year adjustments.

Reclassification of provision movement balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the preceding period are restated. The restatement has no effect on 2008/09 closing balances. A reconciliation of restated balances is provided below;

	Note	2009/10 Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
<b>Statement of Comprehensive Net Expenditure</b>					
Other running costs	3	38,169	34,319	(3,867)	Removal of cost of capital charge
Other running costs	3			17	Reclassification of employee benefit to staff costs
Staff costs	2	30,557	30,540	(17)	Reclassification of employee benefit movement from other running costs
Net operating cost/(surplus)		525	(3,342)	(3,867)	
<b>Statement of Financial Position</b>					
Property, plant and equipment	5	107,854	109,369	1,515	Restatement of buildings, see additional information on page 42
Payables	11	8,186	8,968	782	Reclassification of employee benefit accrual from provisions, see additional information on page 47
Provisions	15	1,070	302	(768)	Reclassification of employee benefit accrual to payables
Non current other payables	11, 18.3	1,032	1,018	(14)	Restatement of Right of Use liabilities
Revaluation reserve		34,647	36,162	1,515	Restatement of buildings, see additional information on page 42
<b>Statement of Cashflows</b>					
Net operating cost/(surplus)		525	(3,342)	(3,867)	
Notional charges	3	12,754	9,044	(3,867)	Removal of cost of capital charge
Notional charges	3			157	Reclassification of provision movement to notional charges
Increase in payables	11	2,663	2,647	(16)	Reclassification of employee benefit accrual from provisions
Movement of provisions	15	(407)	(564)	(157)	Reclassification of provision movement
<b>Statement of Changes in Taxpayers' Equity</b>					
Revaluation reserve		34,647	36,162	1,515	Restatement of buildings, see additional information on page 42

## 1.5 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure shows administration income and expenditure. The classification of expenditure and income as administration or as programme follows the definition set by HM Treasury. Under this guidance, all Fera income and cost are classed as administration.

## 1.6 Operating income

Operating income represents the value of amounts of goods sold and services provided (net of discounts and value added tax) from the ordinary activities of the business in the year.

## 1.7 Revenue recognition

Revenue on projects is recognised in line with IAS 18.

## 1.8 Research and development expenditure

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

## 1.9 Property, plant and equipment

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

Non-property tangible fixed assets are held at historic cost. Short life low value assets are valued using depreciated historic cost. An annual exercise is completed to establish a fair value for those assets with a purchase value over £100k. Where this cannot be established the depreciated historic cost is used as a proxy.

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

## 1.10 Intangible non current assets

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

Purchased software is capitalised at cost. Internally generated software that meets the IFRS criteria is capitalised on the basis of the cost of development and, where appropriate, as assets under construction. Research costs are written off to the Statement of Comprehensive Net Expenditure as incurred. Internally generated software includes capitalisation of internal IT staff costs on projects which cost in excess of £20k. Assets under construction are not amortised or revalued until the completed asset is brought into service.

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

## 1.11 Depreciation and amortisation

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

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

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

The useful economic lives are normally in the following ranges:

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

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

## 1.12 Impairment

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

## 1.13 Investments

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

In valuing the investment in the associate Fera has taken its share of total assets less long term liabilities based on FDL provisional accounts as at Year Ending 31 December 2010.

The opening balance as at 1 April 2010	£0k
Revaluation in year	£0k
Closing balance as at 31 March 2011	£0k

## 1.14 Inventories and work in progress

Inventories are stated at historic cost. Where material, inventories are modified to fair value as determined by IAS 2 and in accordance with the FReM.

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

## 1.15 Bad debts

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

## 1.16 Value added tax

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

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

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

## 1.17 Foreign exchange

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

## 1.18 Pensions

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

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

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

### 1.19 Early departure costs

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

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The early departure cost provision is reversed over the period until normal retirement age has been reached. The provision is based on an actuarial valuation taking account of options available to the employee. These are adjusted for future values through the use of discount rates as per the PES (2010) 17 guidelines, currently 2.9%.

### 1.20 Other employee benefits

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

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

### 1.21 Notional charges

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

### 1.22 Leases

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

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

### 1.23 Service concession arrangements

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

## 1.24 Infrastructure funding

Infrastructure funding covers the cost of maintaining the Sand Hutton specialist facilities in support of the scientific and research needs of the wider Defra network.

## 1.25 Contingent liabilities

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

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

## 1.26 Financial instruments

### Financial assets

The Agency hold Loans and Receivables in this category. Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried in the Statement of Financial Position at cost less appropriate provisions for specific doubtful receivables. Loans are not material in Fera's accounts.

### Financial liabilities

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

For further details, see notes 8 and 11.

## 1.27 Third party assets

Fera holds third party assets in its capacity as Project Co-ordinator on EU and other grant funded project collaborations. These are not Agency assets and are removed from the Fera financial statements. The monies are held in separate third party bank accounts in accordance with the Financial Reporting Manual 2010/11.

## 1.28 Disclosure of IFRSs in issue but not yet effective

Fera has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to "new IFRSs" includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that none of the new IFRSs issued in 2010/11 are relevant to Fera.

## 1.29 Major FReM changes for 2011/12

Fera has reviewed the major FReM changes for 2011/12 and determined the following will have no significant impact on the financial statements:

Chapter 4 – Accounting Boundaries.

Chapters 5, 6, 7 and 11 – Accounting for Capital Government Grants and similar financing from non-government sources. Fera are aware of the changes for 2011/12 relating to the accounting treatment of grant funded assets and will make the relevant changes to the Statement of Financial Position.

## 2 Staff numbers and related costs

### (i) Staff costs comprise:

			2010/11 £000	Restated 2009/10 £000
	Permanently employed	Others	Total	Total
Wages and salaries	24,988	381	25,369	24,259
Social security costs	1,709	37	1,746	1,690
Other pension costs	4,494	–	4,494	4,413
<b>Sub Total</b>	31,191	418	31,609	30,362
Secondment staff costs		154	154	–
Agency staff costs		416	416	178
<b>Total Staff Costs</b>	31,191	988	32,179	30,540
Less recoveries in respect of outward secondments	–	–	–	–
<b>Total net costs</b>	31,191	988	32,179	30,540

Staff costs include an increase of £15k in the employee benefit accrual (2009/10 £16k reduction) and £90k relating to early retirement and changes to pension calculations for employees retiring after 16 July 2008 under EPN 269 (2009/10 nil).

For 2010/11 normal employers' contributions were payable to the Principal Civil Service Pension Scheme (PCSPS) at the following rates:

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

For the coming year the following rates will be applicable:

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

Employer contributions are reviewed by the Government Actuary. A full actuarial valuation was carried out on the scheme liabilities as at 31 March 2007. The contributions reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. Further details of the schemes can be found below.

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

For 2010/11, employers' contributions of £4,492k were payable to the PCSPS (2009/10 £4,410k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Further contributions are made to other pension providers. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2011/12, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £41k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from

3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3k, 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

(iii) For details of the Chief Executive's and Directors' salaries please refer to the Remuneration Report which can be found on page 15.

#### (iv) Average number of persons employed

The average number of Full Time Equivalent persons employed during the year was as follows.

	2010/11 Number			2009/10 Number		
	Permanent staff	Others	Total	Permanent staff	Others	Total
Directly Employed	835	20	855	816	23	839
<b>Total</b>	<b>835</b>	<b>20</b>	<b>855</b>	<b>816</b>	<b>23</b>	<b>839</b>

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

	2010/11		2009/10	
	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed
<b>Exit package costs band</b>				
<£10,000	11	–	–	–
£10,000 – £25,000	4	–	–	1
£25,000 – £50,000	2	1	–	–
£50,000 – £100,000	2	–	–	2
£100,000 – £150,000	–	–	–	–
£150,000 – £200,000	–	–	–	1
<b>Total number of exit packages</b>	<b>19</b>	<b>1</b>	<b>–</b>	<b>4</b>
<b>Total resource cost (£000)</b>	<b>321</b>	<b>42</b>	<b>–</b>	<b>360</b>

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

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

### 3 Other running costs

	Note	2010/11 £000	Restated 2009/10 £000
Accommodation		306	145
Consumables		14,250	13,666
Travel and subsistence		1,929	1,920
Office services		1,661	1,493
Right of Use asset		1,320	521
Insurance		72	47
Property, plant and equipment rentals under operating leases		102	7
Rentals under operating leases		14	8
Defra Shared Services		151	114
Legal costs		103	2
Accreditation audit costs		39	–
Internal auditors' remuneration and expenses		42	60
Finance charge on finance leases		77	5
Other		185	416
Training		321	264
Business consultant fees		168	526
Non-cash items			
Accommodation (notional charge)		7,125	8,466
Depreciation	5	5,200	5,085
Amortisation	6	1,084	870
Impairment	16	405	–
CCA adjustment		–	(50)
Loss on disposal of property, plant and equipment		39	5
External auditors' remuneration and expenses (notional charge)		69	68
Rentals under operating leases (notional charge)		5	307
Departmental Investigation Service (notional charge)		30	46
Exchange losses		127	171
Early departure costs (notional charge)	13.1	5	157
<b>Total</b>		<b>34,829</b>	<b>34,319</b>

In 2010/11, the following changes have been made to the presentation of other running costs: removal of the cost of capital charge under Clear Line of Sight (CLoS), separate disclosure of business consultant fees previously included under other, disclosure of legal costs (of which £100k relates to Defra, not charged in previous years), removal of the employee benefit movement to staff costs, disclosure of accreditation audit cost. The 2009/10 comparatives have been restated to reflect these changes.

The depreciation charge for the grant funded asset is offset by the release of funding from reserves of £11k.

CCA adjustment in 2009/10 relates to corrections made to current cost accounting on opening asset values.

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

In 2009/10 Fera was adopted into a Defra wide Estates Management contract. These costs are now treated as non-cash items and are notional charges to the General Fund.

Core Defra from whom Fera receive IT services and support entered into a new agreement with IBM during 2010/11. This new contract (which has been approved by HM Treasury) offered significant improvements to the previous service and significantly strengthened the IT infrastructure of the network. The consequence of the new contract was a significant uplift in price from the previous charge, and this has been subsequently passed onto Fera via the recharge mechanism.

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

The reduction of rentals under operating leases (notional charge) in 2010/11 is due to offsetting income through the Defra managed facilities contract. Previously Fera showed income and full cost.

## 4 Income

	Note	2010/11 £000 Total	Restated 2009/10 £000 Total
Defra – Core		29,726	29,265
Defra – Infrastructure funding		7,120	13,400
Defra – Network		2,748	2,252
Defra – Non-departmental Public Bodies		641	568
Other Government Departments		5,951	5,708
European Commission		2,570	2,365
Commercial (UK and overseas) and other income		12,297	10,382
Regulatory export charges		826	836
Statutory fees and charges	4.1	3,514	3,424
<b>Total</b>		<b>65,393</b>	<b>68,200</b>

In 2010/11 Fera reclassified its income streams to meet the reporting needs of the organisation. Prior year comparatives have been restated to reflect this change.

In 2010/11 the Fera Infrastructure funding was reduced by £3.9m to reflect the removal of the cost of capital charges under CLoS. The full cost of the capital charge has been removed from the accounts but the FReM guidelines did not require restatement of the prior year income. Additional efficiency savings of £2.5m resulting from the Government Spending Review have further reduced this funding.

In 2009/10 £336k of income relating to Plant Varieties and Seeds testing was deferred into 2010/11 as the work was not due to be carried out by the contractor until this time. This was a correction to the accounting treatment undertaken by Defra prior to the merger. In 2010/11 £553k was deferred into 2011/12.

### 4.1 Fees and charges

	2010/11			2009/10		
	Income £000	Full Cost £000	Surplus (Deficit) £000	Income £000	Full Cost £000	Surplus (Deficit) £000
National listing of seed varieties	773	(1,995)	(1,222)	1,246	(1,890)	(644)
Seed certification and seed training	1,228	(1,191)	37	650	(1,154)	(503)
Plant health inspections	1,513	(2,247)	(734)	1,528	(2,763)	(1,235)
<b>Total</b>	<b>3,514</b>	<b>(5,433)</b>	<b>(1,919)</b>	<b>3,424</b>	<b>(5,807)</b>	<b>(2,383)</b>

## 5 Property, plant and equipment

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

Property values are included in the financial statements where the Agency is the sole or major occupier and a charge is made for depreciation. All properties are valued as fully equipped. On 31 March 2010, as part of the five yearly review of departmental estate, Defra obtained an independent valuation from DTZ. They valued the York site at £94,254. Additional capital works of £327k were carried out at the end of the year and were not considered in the valuation. These have been added to the valuation figure. The next review is mid 2015. In the intervening years a desk based review is carried out.

Block 10 of the Sand Hutton site was vacated during 2007/08 however it is proposed that the empty block will be rented out to a similar organisation for laboratory or office use. The carrying amount will therefore remain unchanged based on the potential rental income which would be in line with current cost levels.

Areas of the Fera Sand Hutton site have been redeveloped through Science City York with grant funding from the European Regional Development Fund (ERDF). This has allowed the development of a purpose built area for stimulating growth by collocating inventive small and medium enterprises (SMEs) with an established centre of expertise, the intention of which is to enable SMEs to grow and provide further employment opportunities for the region.

Right of Use Assets relate to IT services provided under the Defra contract with IBM. (See note 5.1)

The depreciation charge for the grant funded asset is offset by the release of funding from reserves of £11k.

	Land £000	Buildings £000	Furniture £000	Vehicles £000	Information Technology £000	Scientific Equipment £000	Right of Use £000	Finance Lease £000	Restated Total £000
<b>Cost or valuation</b>									
At 1 April 2009	9,970	99,015	267	295	143	4,893	316	36	114,935
Additions	-	328	188	102	255	990	1,062	-	2,925
Disposals	-	-	(13)	-	(2)	(11)	-	-	(26)
Reclassifications	-	-	(43)	-	7	-	-	-	(36)
Impairment	-	-	-	-	-	-	-	-	-
Revaluations	(2,250)	(1,108)	-	-	-	-	-	-	(3,358)
<b>At 31 March 2010</b>	<b>7,720</b>	<b>98,235</b>	<b>399</b>	<b>397</b>	<b>403</b>	<b>5,872</b>	<b>1,378</b>	<b>36</b>	<b>114,440</b>
<b>Depreciation</b>									
At 1 April 2009	-	-	-	-	-	-	-	-	-
Charged in year	-	3,653	39	128	75	986	179	25	5,085
Disposals	-	-	(10)	-	(2)	(2)	-	-	(14)
Reclassifications	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>3,653</b>	<b>29</b>	<b>128</b>	<b>73</b>	<b>984</b>	<b>179</b>	<b>25</b>	<b>5,071</b>
<b>Net book value at 31 March 2010</b>	<b>7,720</b>	<b>94,582</b>	<b>370</b>	<b>269</b>	<b>330</b>	<b>4,888</b>	<b>1,199</b>	<b>11</b>	<b>109,369</b>
Net book value at 31 March 2009	9,970	99,015	267	295	143	4,893	316	36	114,935

All assets transferred to the Agency at their carrying value as at 1 April 2009.

During 2010/11 it became apparent that the site valuation at 31 March 2010 was incorrect. Block 15/16 had been valued at zero and the valuation also included a value for Block 22 which belongs to and sits on the Home Office Statement of Financial Position. The net impact of these errors was £1.5m. Prior year comparatives have been restated to reflect this.

## 5.1 Service concession assets

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
	<b>Total</b>	<b>Total</b>
Opening balance	1,199	316
Extension to the service concession arrangement	–	1,023
Adjustment to the service concession arrangement	(347)	39
Depreciation	(135)	(179)
<b>Closing balance</b>	<b>717</b>	<b>1,199</b>

Defra have contract with IBM for the provision of IT services and infrastructure assets. This contract was renewed on 1 February 2010. It aims to support the Department by providing a modernised IT infrastructure, in line with the wider Government IS strategy, which will give the Department access to cost effective IT services and infrastructure.

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

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year.

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

## 6 Intangible assets

	Assets under construction £000	Software Licenses £000	Internally Generated systems £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2010	-	162	4,082	4,244
Additions	-	126	247	373
Disposals	-	-	-	-
Revaluation	-	-	(752)	(752)
Impairment	-	-	(58)	(58)
<b>At 31 March 2011</b>	-	288	3,519	3,807
<b>Amortisation</b>				
At 1 April 2010	-	46	824	870
Charged in year	-	42	1,042	1,084
Disposals	-	-	-	-
Revaluation	-	-	-	-
<b>At 31 March 2011</b>	-	88	1,866	1,954
<b>Net book value at 31 March 2011</b>	-	<b>200</b>	<b>1,653</b>	<b>1,853</b>
Net book value at 31 March 2010	-	116	3,258	3,374

As disclosed in note 1.10, Fera's policy is to revalue intangible assets through the use of indices. In 2009/10, Fera revalued its internally generated software using PQEK indices (Computers and Other Data Processing Equipment). During 2010/11, these were withdrawn, and, in line with Defra,

Fera adopted the use of KA5Q (Average Weekly Earnings). The 2009/10 figures have been recalculated and resulted in a full write down of the revaluation reserve and an impairment. All adjustments have been entered in 2010/11.

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

## 7 Inventories

	2010/11 £000	2009/10 £000	2008/09 £000
Inventories	349	19	17
Work in progress	214	168	188
<b>Total</b>	<b>563</b>	<b>187</b>	<b>205</b>

The increased levels of inventories in 2010/11 are due to a revision in the methodology used to recognise materials as inventories. The Proficiency Testing Team hold inventories of test materials used by Fera customers participating in various proficiency testing rounds.

In prior years these test materials were taken directly to the Statement of Comprehensive Net Expenditure as direct consumable costs.

## 8 Trade receivables and other current assets

	2010/11 £000	2009/10 £000	2008/09 £000
<b>Amounts falling due within one year:</b>			
Trade receivables	3,983	4,452	3,880
Defra & Defra Agencies receivables	814	779	772
Other receivables	975	117	60
Defra & Defra Agencies accrued income	2,347	3,703	613
Prepayments and accrued income	5,192	3,538	2,777
<b>Total</b>	<b>13,311</b>	<b>12,589</b>	<b>8,102</b>
<b>Amounts falling due after more than one year:</b>			
Prepayments and accrued income	43	12	5
<b>Total</b>	<b>43</b>	<b>12</b>	<b>5</b>

The reduction in Defra accrued income is due to earlier invoicing on larger projects such as the main Policy programme. Invoicing was completed to 11 months with an accrual for March, £1.4m 2010/11 (£3.2m 2009/10).

The work in progress exercise identifies adjustments required to prepayments and accrued income on projects where work is partially completed but no invoice has yet been raised. This figure increased in 2010/11 mainly around EU income provisions which increased by £0.7m on 2009/10 and commercial income provisions increased by £0.6m.

**9 Trade receivables – Intra Government balances**

	<b>2010/11</b> <b>£000</b>	<b>2009/10</b> <b>£000</b>	<b>2008/09</b> <b>£000</b>
<b>Amounts falling due within one year:</b>			
Balances with Central Government Bodies	5,158	6,190	2,836
Balances with Local Authorities	18	9	17
Balances with Other Public Bodies	51	156	–
Balances with Public Corporations and Trading Funds	–	–	–
Balances with bodies external to Government	8,084	6,234	5,249
<b>Total</b>	<b>13,311</b>	<b>12,589</b>	<b>8,102</b>
<b>Amounts falling due after more than one year:</b>			
Balances with bodies external to Government	43	12	5
<b>Total</b>	<b>43</b>	<b>12</b>	<b>5</b>

**10 Cash and cash equivalents**

	<b>2010/11</b> <b>£000</b>	<b>2009/10</b> <b>£000</b>	<b>2008/09</b> <b>£000</b>
Balance at 1 April 2010	7,628	8,068	6,360
Net change in cash and cash equivalent balances	(4,361)	(440)	1,708
<b>Balance at 31 March 2011</b>	<b>3,267</b>	<b>7,628</b>	<b>8,068</b>
The following balances at 31 March 2011 were held at:			
Government Banking Service	1,561	7,045	6,299
Commercial banks and cash in hand	1,706	583	1,769
<b>Balance at 31 March 2011</b>	<b>3,267</b>	<b>7,628</b>	<b>8,068</b>

In addition to the above balances for 2010/11, Fera hold £3.6m of monies relating to Third Party Collaborators (2009/10 £2.7m restated). See note 23.

Cash held in other currencies represents 6.14% of total cash.

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

Fera transferred £15m of excess cash back to Defra during 2010/11 (2009/10 £13.4m).

## 11 Trade payables and other current liabilities

	2010/11 £000	Restated 2009/10 £000	Restated 2008/09 £000
<b>Amounts falling due within one year:</b>			
VAT	330	138	111
Other taxation and social security	617	591	427
Trade payables	47	47	114
Defra & Defra Agencies payables	120	182	129
Other payables	570	449	828
Defra & Defra Agencies deferred income	1,106	776	382
Other deferred income	2,865	2,601	2,316
Accruals	3,257	3,670	2,668
Defra & Defra Agencies accruals	3,662	514	170
	<u>12,574</u>	<u>8,968</u>	<u>7,145</u>
<b>Amounts falling due after more than one year:</b>			
Defra payables	624	1,018	187
Other payables	12	-	7
	<u>636</u>	<u>1,018</u>	<u>194</u>

Included within accruals is the liability relating to the employee benefit provision. This was previously incorrectly included in the provision for liabilities and charges note. Comparatives for 2008/09 and 2009/10 have been restated to reflect this change (movement in 2008/09 £784k, 2009/10 £768k).

Included within Defra payables is the future liability to pay for the "right of use" assets to IBM. The current liability is £120k (2009/10 £182k restated), the non current liability is £624k (2009/10 £1.018m restated).

Cabinet Office regulations require all Government Departments to make payments to suppliers within a five day target, thus reducing the number of suppliers with whom we have credit.

## 12 Trade payables – Intra Government balances

	2010/11 £000	Restated 2009/10 £000	Restated 2008/09 £000
<b>Amounts falling due within one year:</b>			
Balances with Central Government Bodies	4,955	1,727	1,138
Balances with Local Authorities	-	-	-
Balances with Other Public Bodies	-	-	-
Balances with Public Corporations and Trading Funds	-	-	11
Balances with bodies external to Government	7,619	7,241	5,996
	<u>12,574</u>	<u>8,968</u>	<u>7,145</u>
<b>Amounts falling due after more than one year:</b>			
Defra payables	624	1,018	187
Other payables	12	-	7
	<u>636</u>	<u>1,018</u>	<u>194</u>

## 13 Provisions for liabilities and charges

### 13.1 Early departure costs

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at 1 April 2010	554	961	1,934
Provided in the year	(16)	127	419
Provisions utilised in the year	(271)	(564)	(1,423)
Unwinding of discount	21	30	31
<b>Balance at 31 March 2011</b>	<b>288</b>	<b>554</b>	<b>961</b>
	<b>2010/11 £000</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Not later than 1 year	126	302	561
Later than 1 year but not later than 5 years	138	210	380
Later than 5 years	24	42	20
<b>Balance at 31 March 2011</b>	<b>288</b>	<b>554</b>	<b>961</b>

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The provision is reversed over the period until normal retirement age has been reached.

## 14 Returns on investments and servicing of finance

	2010/11 £000	2009/10 £000
Interest received	2	1
	<b>2</b>	<b>1</b>

## 15 Financial instruments

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

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

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

**Foreign currency risk:** Fera minimises this risk by transacting in Sterling, Euros and Dollars. Regular reviews are carried out on bank balances.

**Credit risk:** the Agency does not have a significant credit risk as the majority of its activities are for Government entities. Working capital is managed to ensure that cash requirements from Defra are kept to a minimum. New commercial customers are reviewed for credit worthiness and appropriate trading terms agreed.

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

## 16 Impairments

Due to the revaluation of assets during 2010/11 Fera impaired £347k of the Right of Use Asset and £58k relating to internally generated systems. In 2009/10 Fera had no impairments.

## 17 Capital commitments

In 2010/11 under the Estates contract, Fera has capital commitments of £73k for construction of a building related asset. Capital commitments for 2009/10 were £35k, also for a building related asset.

## 18 Commitments under leases

### 18.1 Operating leases

	2010/11 £000	2009/10 £000
<b>Obligations under operating leases comprise:</b>		
Buildings:		
Not later than 1 year	247	290
Later than 1 year but not later than 5 years	350	547
Later than 5 years but not later than 10 years	197	250
Later than 10 years but not later than 15 years	12	58
Expiry thereafter	6	–
	812	1,145
Land:		
Not later than 1 year	–	–
Later than 1 year but not later than 5 years	1	1
Later than 5 years but not later than 10 years	1	1
Later than 10 years but not later than 15 years	1	1
Expiry thereafter	4	5
	7	8
Other:		
Not later than 1 year	281	5
Later than 1 year but not later than 5 years	459	–
Later than 5 years but not later than 10 years	–	–
Later than 10 years but not later than 15 years	–	–
Expiry thereafter	–	–
	740	5

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

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

## 18.2 Finance leases

	2010/11 £000	2009/10 £000
<b>Obligations under finance lease arrangements comprise:</b>		
Not later than 1 year	8	12
Later than 1 year but not later than 5 years	12	–
Later than 5 years but not later than 10 years	–	–
Later than 10 years but not later than 15 years	–	–
Expiry thereafter	–	–
	20	12

Finance leases relate to a contract for multi-functional devices.

## 18.3 Service concessions

	2010/11 £000	Restated 2009/10 £000
<b>Obligations under service concession arrangements comprise:</b>		
Not later than 1 year	120	182
Later than 1 year but not later than 5 years	441	625
Later than 5 years but not later than 10 years	183	393
Later than 10 years but not later than 15 years	–	–
Expiry thereafter	–	–
	744	1,200

Service concession arrangements relate to the Right of Use Assets. For further details see notes 1.23 and 5.1. Figures for 2009/10 have been restated due to a change in the methodology used by Defra.

## 19 Other financial commitments

	2010/11			2009/10		
	Defra Managed £000	Fera Managed £000	Total £000	Defra Managed £000	Fera Managed £000	Total £000
Not later than 1 year	4,649	241	4,890	4,380	265	4,645
Later than 1 year but not later than 5 years	17,440	287	17,727	16,794	91	16,885
Later than 5 years but not later than 10 years	16,878	2,300	19,178	17,386	2,300	19,686
Later than 10 years but not later than 15 years	8,494	–	8,494	10,654	–	10,654
Expiry thereafter	–	–	–	–	–	–
	47,461	2,828	50,289	49,214	2,656	51,870

### Defra managed contracts

These costs relate to facilities management charges associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on the Agency's Statement of Financial Position. Costs relating to the service element of the "right of use" contract are also included within financial commitments. The payments to which the Agency is committed during 2010/11 are the full contractual costs over the period of the lease. This is a change in format for 2010/11 and as such, has resulted in an increase to the total commitments for 2009/10.

The estimated value of non-specialised freehold property owned by Defra but occupied by the Agency at 31 March 2011 is £300k (2009/10 £305k). There are no rental costs on Defra freehold properties.

### Fera managed contracts

The Agency has entered into non-cancellable contracts (which are not leases or PFI contracts), for nursery and daycare, catering, photocopiers, service provision, software and systems support. The payments to which the Agency is committed during 2010/11 are the full contractual costs over the period of the lease.

## 20 Contingent liabilities disclosed under IAS 37

Fera currently has 16 equal pay cases at Employment Tribunal. These have been ongoing for over two years pending the outcome of a number of other relevant cases. Current legal advice is that these cases may finally reach tribunal later in 2011. Potential liability estimates in such cases are very difficult to make.

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

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

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

## 21 Losses and special payments

Fera wrote off losses of £15k relating to bad debts during 2010/11. No special payments were made in this period.

During 2009/10 Fera wrote off losses of £4k relating to theft and £15k relating to bad debt write offs. There were no special payments during 2009/10.

## 22 Related-party transactions

During the year Fera had dealings with Defra and its sponsored bodies, notably the Veterinary Laboratory Agency and Veterinary Medicines Directorate. None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with Fera.

Angus Hearmon holds the position of Director of External Affairs of Fera and represents Fera's interests on the Board of Forsite Diagnostics Ltd (FDL) as a non-executive role. Angus received no financial recompense for this position during 2010/11.

During the 2010/11 financial year transactions between Fera and FDL totalled income of £75k (2009/10 £191k) and expenditure of £106k (2009/10 £173k). The income related to administrative expense, IT and Health and Safety support. Expenditure related to consumables and contractor costs. The outstanding receivables at the year end totalled £296k and have been provided for in full. There were no outstanding payables and all transactions were conducted at arm's length.

During the year Fera entered into a number of transactions with Natural England (a Non Departmental Public body sponsored by Defra) where Adrian Belton, Chief Executive, has a related party interest. The transactions for the year ending March 2011 totalled £103k (2009/10 £63k). The specific related parties are not involved in contractual negotiations between the organisations.

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

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

Fera sub-contracted a related party of Tony Harrington to provide health and well-being demonstrations. The cost of this sub-contract was less than £1,000. Tony was not involved in any negotiations.

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

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

## 23 Third party assets

Fera holds third party assets in its capacity as Project Co-ordinator on EU and other Grant funded project collaborations. These are not Agency assets and are not included in the accounts. The assets held

at the financial statement date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit. They are set out in the table immediately below.

	<b>Restated 31 March 2010 £000</b>	<b>Gross inflows £000</b>	<b>Gross outflows £000</b>	<b>31 March 2011 £000</b>
Third party bank balances – Euros	1,324	3,928	(2,748)	2,504
Third party bank balances – GBP	1,409	2,285	(2,555)	1,139
	<b>2,733</b>	<b>6,213</b>	<b>(5,303)</b>	<b>3,643</b>

The figures for 2009/10 have been re-presented to reflect amounts incorrectly disclosed as 3rd party cash (£82k).

## 24 Events after the reporting period

There are no events after the reporting period to disclose.

The Accounts were authorised for issue on 5 July 2011



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