

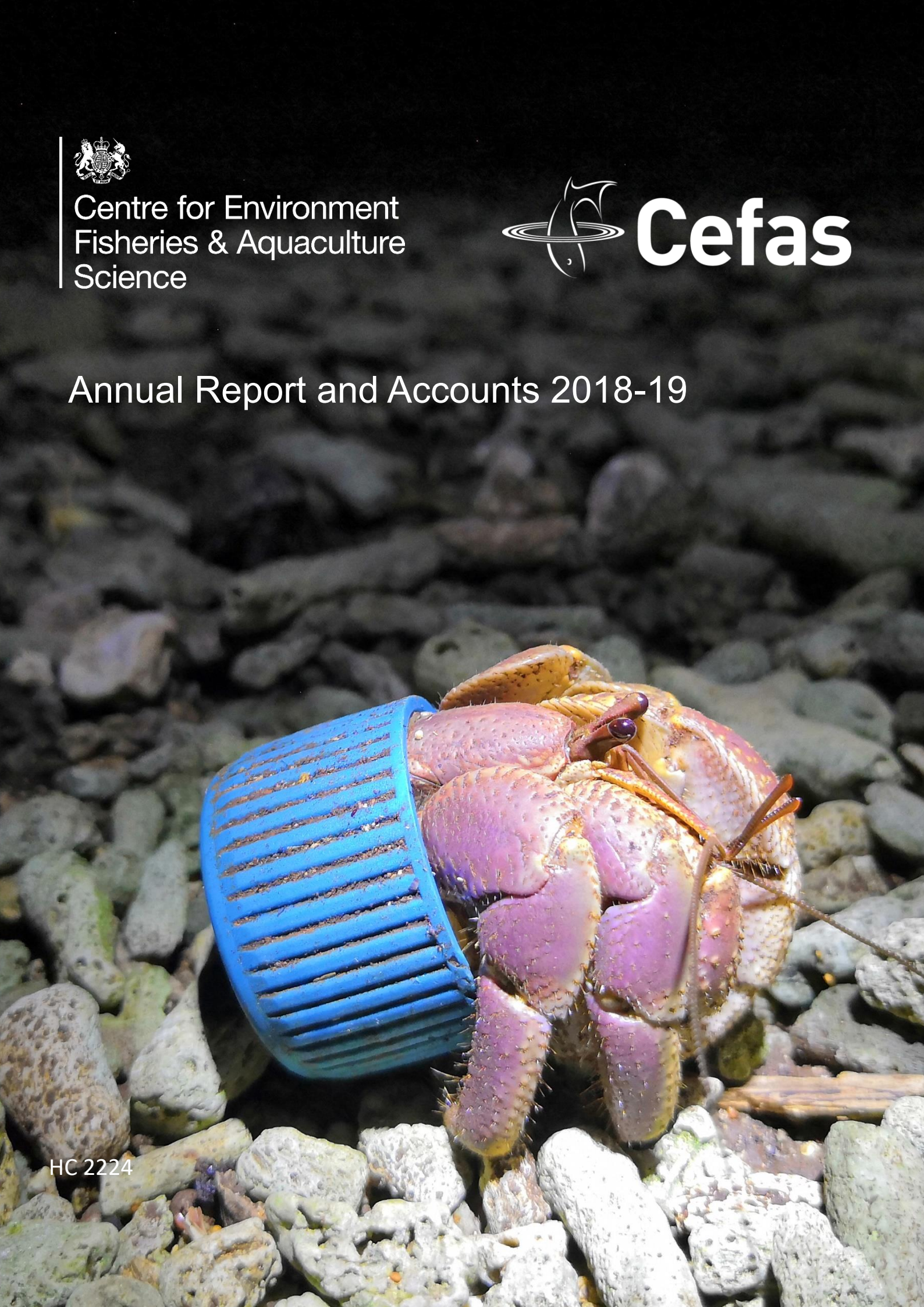


Centre for Environment
Fisheries & Aquaculture
Science



Cefas

Annual Report and Accounts 2018-19



Centre for Environment, Fisheries & Aquaculture Science

Annual Report and Accounts 2018-19

Presented to the House of Commons pursuant to Section 7 of the
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1 Performance Report



1 Performance Report

1.1 Overview

The following section will help you understand Cefas, its purpose, the key risks to the achievement of its objectives, and how it has performed during the year.

1.1.1 Chief Executive Statement

This has been an excellent year in which Cefas has delivered strong results and I am proud to report on a period that has seen us grow in size, strength and stature against a dynamic Brexit-dominated backdrop. Throughout, our goal hasn't changed - the application of our science to help keep our seas, oceans and rivers healthy and productive and our seafood safe and sustainable - and, as this report I hope makes clear, the impressive efforts of Cefas staff have met with notable success across a wide range of outputs at home and overseas.

Domestic outputs:

Our work with Defra throughout the year has made a critical contribution to many of the Government's 25 Year Environment Plan commitments: securing healthy, productive, biologically diverse seas and oceans, reducing pollution and improving water quality and helping to protect and enhance our global environment.

At the forefront of this work our integrated marine monitoring efforts have contributed to a breadth of science-based policy development and implementation to enable sustainable fisheries and good environmental status, not least in support of critical EU-exit related work, such as the first Fisheries Bill for more than three decades published in October.

Our Research Vessel, Cefas Endeavour, is central to this work and has delivered 299 survey days in this year, with dry-docking and maintenance completed in the remaining time. In addition, we continue to innovate in search of other means of collecting data and carrying out remote monitoring, such as through our smart-buoy network and deployment of our wave-glider "Lyra", which completed her first 6-week, 1700 km mission last summer collecting fisheries acoustic data in the North Sea.

The data and evidence we have gathered plays an essential role in providing impartial advice for Defra to underpin policy today and into the future. Highlights included: survey work to inform the next tranche of MCZ designations, as part of the North East Atlantic Marine Protected Area; conclusion of a five-year UK Shelf Seas Biochemistry research programme aimed at informing policy in support of the sustainable use of marine resources; the first ever UK map of underwater shipping noise; and, an analysis of 25 years of survey data which revealed recent declines in marine litter, notably plastic bags.

We have continued to strengthen our partnership working and, in November, we led the Defra Group Marine System Conference, which provided an excellent forum to identify the common and unique challenges that will require collaboration between Cefas, fellow Marine System members (Marine Maritime Organisation (MMO), Joint Nature Conservation Committee (JNCC), Environment Agency (EA), Natural England (NE)) and other Government Agencies to drive Defra's marine policy and support implementation in the UK and in the international arena.

Cefas also continues to deliver to a number of long-standing customers in the UK, including the Food Standards Agency, Food Standards Scotland and the wider energy sector.

Chief Executive Statement Cont'd

International outputs:

Cefas' transition to an internationally-facing science organisation was highlighted in the independent, quinquennial review of our science in the autumn and reflects a very positive assessment of our science.

We continue to deliver wide-ranging scientific input to the Small Island Developing States (SIDS) of the Commonwealth through the Commonwealth Marine Economies Programme whilst maintaining a strong commitment to the UK Governments' Blue Belt Programme.

Marine litter continues to dominate our environmental agenda, both at home and internationally. Work commenced in November, to launch the Commonwealth Litter Programme (CLiP), which Cefas is delivering for Defra and the Foreign & Commonwealth Office (FCO). A team of Cefas scientists were deployed to the South Pacific, with their work culminating in a conference in March attended by UK and South Pacific Government ministers, industry and Non-Governmental Organisation (NGO) representatives, and providing recommendations for future action.

Our sustained focus on needs in the Middle East, South East Asia and Caribbean regions continues to develop important opportunities for Cefas and the UK marine sector. For several years we have been working with Kuwait's Environment Protection Authority to develop a long-term vision for Kuwait's marine environment (marine environmental Management Information System for Kuwait, or eMISK marine). eMISK heralds a new chapter in the history of Kuwait's marine environment and a period of opportunity for the UK and wider industry.

In South East Asia, tackling poverty is central to our Newton Fund projects in the Philippines and Thailand, where we are working with communities, and especially women, to support sustainable seaweed and shrimp production. In Indonesia, our science is supporting efforts to tackle the trade in illegally fished sharks and to improve fisheries sustainability, whilst in Vietnam, we are helping to balance economic growth with sustainable fisheries and marine biodiversity.

In the Caribbean, combatting the impact of climate change underpins our application for Green Climate Fund (GCF) funding from the World Bank, with an important pilot project in Antigua & Barbuda, this complements our on-going Commonwealth Marine Economies and Darwin Plus overseas aid work. In Dominica, climate vulnerability (and the devastation left by Hurricane Maria) is driving our scientists work and the national government's commitment to making Dominica "the first climate resilient country in the world."

In October, at the Royal Society, our lead in enabling safe seafood and food security came into focus with the launch of two international Centres of Excellence. The International Centres of Excellence for Aquatic Animal Health and Seafood Safety, both based at our Weymouth Laboratory, have been recognised as a World Organisation for Animal Health (OIE) Collaborating Centre for Aquatic Animal Disease, and as a UN Food and Agriculture Organisation (FAO) Reference Centre for Bivalve Mollusc Sanitation, respectively.

The serious global threat to public and veterinary health of antimicrobial resistance, and our capability in this field, resulted in further international recognition with the announcement in November, by England's Chief Medical Officer, Dame Sally Davies, of the establishment of the FAO's International Reference Centre for antimicrobial resistance (AMR). The reference centre enables Cefas to partner with Defra Group agencies Animal Plant Health Agency (APHA) and Veterinary Medicines Directorate (VMD), and benefits from financial support from Defra and UK aid funding from the Department of Health and Social Care's Fleming Fund. The reference centre will bring together a cross disciplinary approach to this serious subject.

Chief Executive Statement Cont'd

Our People:

Of course, none of our leading-edge science would be possible without the commitment and expertise of our people. I am immensely privileged to work alongside such able, committed and hard-working colleagues who are not only delivering all that is called of them in the exacting and fast-paced world of EU-exit preparations, but also grasping every opportunity to project and expand Cefas' offering at home and overseas. In order to meet the broad spectrum of marine and freshwater science we have in train, we have added to our numbers and expertise over the year, with more than 600 members of staff now located at our main Lowestoft and Weymouth sites. In addition, the exciting re-development of our facilities in Lowestoft and Weymouth remains on track to provide a modern working environment for all our people, and I look forward to opening the doors of our new building at Lowestoft in autumn 2019.

Looking ahead to next year, in addition to maintaining a high level and standard of output to Defra and our other customers, I plan on ensuring that Cefas is ready to seize the opportunity presented by the forthcoming UN Decade of the Oceans. With that in mind, we have refreshed our organisational strategy and set out a number of strategic objectives to 2025. This strategy, entitled 'Cefas Next', will be rolled out from spring 2019 and seeks to focus our efforts on achieving a range of ambitious goals across Cefas science, business and people.

In conclusion, the year-end brings with it a sense of considerable achievement and quiet confidence that we are in a strong position to face the challenges ahead. I look forward with optimism to 2019-20, knowing that I am part of an organisation that prides itself on science excellence, international leadership, excellent customer service and a commitment to staff development and engagement.



Tom Karsten
Chief Executive
07 June 2019

1.1.2 Vision, Purpose and Activities

Cefas makes a real difference for society by supporting the long-term prosperity and well-being of industries, communities and individuals that enjoy and depend on the rich natural assets found in our marine and freshwater environments. Cefas priorities are directly aligned with Defra's strategic objectives and support the government's ambitions for sustainable blue growth (the sustainable growth of marine and maritime sectors) in associated marine industry sectors that contribute over £38.5 billion to the UK economy and bring broader socio-economic benefits.

We will play our full part in the successful delivery of UK government marine and aquatic priorities to:

- Ensure sustainable food supplies in the UK and internationally through the provision of advice on sustainable marine and freshwater fisheries and by advising on sustainable development of aquaculture with an emphasis on disease prevention, treatment and management;
- Ensure safe seafood supplies by assessing risks to human health from natural (biotoxins, bacteria, viruses) and chemical hazards; and
- Support the UK government to ensure sustainable use of the marine environment through development and implementation of national and international marine management obligations in the UK, the Overseas Territories, the Commonwealth and beyond.

Science Review

An important activity for 2018 was the completion of our successful quinquennial science and evidence review, aimed at providing the Cefas management board with assurance on the quality of our science and technology. The external panel were very impressed by the science they saw and reported that;

'Overall our impression was of a dynamic and vibrant research community that, over the past five years, has addressed and embraced a range of challenges, and continues to do so.'

The report provides a detailed evaluation of Cefas science and a review of progress since the 2012 review. The panel commended the way that Cefas has transformed from a national focus to an international science advisory role and saw increasing trends in the demand for Cefas science to support national policy and international policy initiatives. Above all, the panel were impressed by the people they met, and the energy and enthusiasm Cefas staff had for their science. The panel provided 28 recommendations covering a wide range of topics, and work has already begun to deliver them. The full report is available for download on our website.

Ensuring safe and sustainable seafood

A major focus of Cefas applied science is directed at meeting national targets for marine and freshwater food security and safety.

Cefas plays a key role in the scientific monitoring and assessment of exploited fish stocks in the seas around the UK. Each year the UK government uses Cefas advice to support and engage with international decisions associated with the EU's Common Fisheries Policy (CFP). Our science and advice are used to achieve environmental sustainability, while continuing to conserve fish stocks to safeguard the future livelihoods of our fishing fleets and coastal communities. In 2019, following a four-year phasing-in period, UK fisheries are now subject to a Landing Obligation for demersal and pelagic stocks. The implementation of the discard ban is being assisted by Cefas, including through advice on catch patterns, on avoiding unwanted catches and discarding exemptions based on the survivability of catches if returned to the sea.

A particular focus of our work this year has been to support the preparations for EU Exit. On leaving the EU, we will no longer be bound by the CFP or marine environmental and other directives. This raises the opportunity of developing future UK marine policy and regulation. Cefas has provided Defra with scientific evidence and advice on a range of topics to support negotiations with the EU and the design of new policy underpinning the UK's vision of clean, healthy, safe, productive and biologically diverse oceans and seas.

Vision, Purpose and Activities Cont'd

Strong progress has been made to support our long-term goal of increased public availability of healthy, safe fish and shellfish. In October, the Defra Permanent Secretary formally launched the first of two Cefas International Centres of Excellence, in Aquatic Animal Health and Seafood Safety, respectively. These two Centres build upon our previous role as European Union Reference Laboratories in these areas, by incorporating new designations, by the Food and Agriculture Organisation (FAO) of the United Nations and the World Organisation for Animal Health (OIE). In the case of the former, an FAO Reference Centre for Bivalve Sanitation will effectively transition our well-known capabilities in this area to this expanding global aquaculture and fishery sector. In the latter, a new OIE Collaborating Centre for Emerging Aquatic Animal Diseases (expected to be formerly designated in May 2019), captures significant new partnerships with other expert laboratories in this discipline in Asia, Africa, Australia, Europe and the Americas. It will position Cefas as a global leader in aquatic animal health.

In addition, 2018 saw the securing of Fleming Fund endorsement for establishment of a new Reference Centre for Antimicrobial Resistance (AMR), also under the auspices of the FAO. In collaboration with partners at APHA and VMD, the new AMR Centre will focus on the emerging threat of AMR in animal production systems, including in aquaculture. In terms of research relating to aquatic animal health, notable examples include our UK-Thailand partnership on future sustainable shrimp aquaculture, selected for the Newton Prize Chairman's Award in 2018 and, a follow-on Royal Society International Collaboration Award which will focus on further development of cutting-edge molecular platforms for field diagnosis of important aquaculture pathogens. Our joint Centre for Sustainable Aquaculture Futures at the University of Exeter continues to form a strong bridge between government and academic research in aquatic food security with a vibrant PhD programme and collaborative grant income.

Supporting sustainable blue growth

Our research in support of blue growth is increasingly targeted at defining options for the multiple sustainable use of living and non-living resources. We have begun to determine more clearly the main types of ecological, social and economic interactions and conflicts in the use of marine space. This work examines the extent to which maritime activities may or may not coexist with conservation measures and/or targets for other sectors. For example, by linking vessel activity, catch and economic data, Cefas has developed techniques that are being routinely used to provide advice to Defra on the distribution and intensity of fishing activity, catch weight and catch value in relation to proposed Marine Conservation Zones and European Marine sites.

Cefas also continues to support Defra as an active member of the Earth Observation Centre of Excellence, working with other members of the Marine System to identify how EO can support the objectives of the 25-year environment plan. New relationships with the UK Space Agency 'Space for Smarter Government Programme' will provide Cefas with opportunities to access EO data through the Disasters and Emergency Charter mechanism, to support advice both in UK waters and in those of the Commonwealth countries.

Our advice to UK Government extends further afield. Working with the Marine Management Organisation (MMO) and other partners, we have been actively supporting the delivery of a Blue Belt of Marine Protected Areas in the UK Overseas Territories. The Overseas Territories are together responsible for managing over 4 million km² of the world's oceans and those waters are home to a rich diversity of marine species. This year Cefas has advised on fishery management measures in the South Atlantic and Antarctic, worked with colleagues in the Tristan da Cunha Fisheries and Conservation Department to support the local marine protection strategy and deliver sustainable fisheries management, and supported discussions on marine protection in South Georgia and the South Sandwich Islands. An active programme of work at St Helena has seen the completion of a tagging programme for yellowfin tuna, together with an analysis of their diets and foraging ecology. This work will support the UK vision to treble internationally-agreed targets for protected areas, meaning 30 per cent of the world's seas would be safeguarded as MPAs by 2030.

We continue to provide significant evidence and advice in support of the energy sector and their development of new supply capacity. This work draws upon a broad range of our capabilities and has seen new developments applied in the fields of remote monitoring, underwater noise and modelling

Vision, Purpose and Activities Cont'd

techniques. Such work is a strong example of our science making a real physical difference to the sustainable use of our marine space.

This year we began a high-profile project to develop marine litter Action Plans for selected Commonwealth states (CLiP), starting with the deployment of a team to the Pacific to engage with local stakeholders in the Solomon Islands and Vanuatu. Our work in region will build on local knowledge and existing infrastructure to enhance local litter management strategies, focussing especially on land-based and sea-based sources, litter removal from the marine environment, education, science, and outreach. Activities in the Pacific include updates to national port-waste reception facilities plans and creation of templates to guide development of national marine litter prevention strategies. Significant effort has been devoted to education and outreach with the involvement of local school children in beach cleaning activities and workshops.

Through the Commonwealth Marine Economies Programme, our work supporting Small Island Developing States (SIDS) in the Commonwealth focusses on working with local stakeholders to build the resilience and strength of their marine dominated economies through projects including: fisheries management, water quality assessments, environmental management and climate change adaptation. Cefas was well represented at the Sustainable Blue Economy conference in Nairobi in November, where Commonwealth heads of state renewed their commitment to sustainable marine economies while also meeting Sustainable Development Goals. During the conference, Cefas contributed to an interactive session at the University of Nairobi showing how the UK is helping SIDS to meet the practical challenges of transitioning to sustainable blue economies. There was particular interest from ministers and policy leads in a UK side event describing the local applications of seabed mapping and the sustainable management of fish stocks in data-limited environments.

Animal research

Most of our work does not directly involve the use of live animals. However, in some situations the use of animals is the only reliable source of information that can help us protect wild and farmed fish, public health and the environment, and is necessary to ensure that our advice is based on sound evidence. All work carried out for a scientific purpose involving the use of live fish is regulated by the Home Office under the Animals (Scientific Procedures) Act 1986 (ASPAs).

Cefas takes its responsibilities for work with animals seriously and places great importance on ensuring compliance with ASPA in everything that we do. Following a self-reported animal welfare incident amongst stock fish in October 2018, the Establishment Licence Holder (ELH) at the Weymouth site received a letter of reprimand from the Animals in Science Research Unit of the Home Office, this is a low-level concern notice but does constitute a formal notification which remains on the ELH's record for 5 years. Internal investigations recommended improvements to process and staff training to prevent recurrence. The Home Office were content with Cefas' response and the issue was closed in March 2019.

ASPAs requires that our laboratories are licensed and have in place approved, well documented, processes that helps to promote a 'culture of care'. This obligation is managed by our Animal Welfare and Ethical Review Bodies (AWERBs) whose principle roles also include reviewing animal use, welfare and ethical justification. Cefas has an established Animal Welfare Policy, continues to play a leading role in cross-governmental work to reduce the use of animals in safety testing, are signatories of the Concordat on Openness on Animal Research in the UK, and publishes data annually on our activities (<https://www.cefas.co.uk/about-us/policies-and-plans/>).

Looking ahead

Against the backdrop of the forthcoming UN Decade of Ocean Science and UK's recent publication of an International Ocean Strategy, Cefas looks forward to making an increased contribution to the task of supporting the application of marine and freshwater science.

We will continue to develop new International Centres of Excellence, building on the successful

Vision, Purpose and Activities Cont'd

replacement of our two EU Reference Laboratories in shellfish health and crustacean diseases with new independent accreditations. Plans to build on our growing international profile in climate change adaptation are well advanced and will be coordinated with our application for membership of the UN's Green Climate Fund, which helps developing countries to build adaptation and mitigation practices to counter climate change. This year, we have also begun an initiative to establish an International Centre of Excellence in Fisheries, based on our world-leading development of assessment methods for fish stocks and data-limited fisheries.

Our university Strategic Alliances at the University of Exeter and University of East Anglia (UEA) are going from strength to strength, with this year seeing the mid-term review of progress with our UEA Collaborative Centre for the Sustainable Use of the Seas (CCSUS). The external review panel concluded that the progress of CCSUS over its first delivery period was commendable, and that the Centre has achieved good progress against its business plan and success criteria and is making a strong and positive impact for both Cefas and UEA.

The refreshed Cefas organisational strategy has shaped our Business Plan setting out clear objectives to be delivered in support of the 2025 targets. Progress against in-year objectives have been monitored and reported to the Senior Management Team and the Cefas Management Board ensuring that high priority activities remained on track. Key organisational objectives such as hosting the Defra Marine system conference, increasing exposure of our science in the media and enhancing the learning and development opportunities of our scientists were some of key the deliverables from the business plan.

We constantly strive to improve our science excellence. An important task following our science review will be a refresh of our Science and Evidence Strategy (2012-2018), which has provided a clear focus for our applied science ambitions. Representing a key element of our Cefas Next strategy it provides a framework to direct our strategic self-investment and reinforces our relevance to UK government marine policy delivery and our areas of significant international expertise.

Clear strategic direction, new business and a skilled and vibrant work-force are all essential if we are to retain our science profile through the changing demands and opportunities of EU Exit. Collaboration with Research Councils, and our Strategic Alliances with universities at Norwich and Exeter, will enable us to further maintain and strengthen our science reputation and prestige. Our network of more than 80 PhD students with Cefas supervisors, celebrated annually at Cefas Student Day, ensures ongoing Cefas relationships with over 30 higher educational establishments at any one time. We encourage Cefas staff to publish their work in respected peer-reviewed journals and, in 2018, 220 articles were published, including in a range of high impact journals.

We have completed the roll-out of Windows 10 to all staff, completing a major upgrade programme, which together with the use of skype telephony, has enabled considerably greater flexibility and application of new ways of working. Cefas has also invested in access to two high performance computers and created several virtual machines for remote-hosted software applications. We have also adopted Linux computing for specialist needs to supplement corporate Microsoft provision. This has proved to be fully effective, even for our most demanding bioinformatics users and big data analysts.

We will continue to nurture partnerships within the Defra Group Marine System and wider government, particularly to encourage a unified and value for money approach to marine monitoring, enabling a more integrated response across the sectors in which we operate. Supporting Defra in their approach to EU Exit will be a major focus of our future work. We will respond to the challenging financial environment by further diversifying revenue streams and maintaining funds for self-investment in our science capabilities, facilities and people to ensure that we sustain and develop our leadership in making a difference for society.

1.2 Performance Analysis

1.2.1 Performance Analysis

In 2018-19, Cefas delivered a core programme of work for Defra policy customers to a total allocated budget of £33.9 million (2017-18: £29.8 million). Our reported Net Operating Costs were £32.5 million (2017-18: £29.0 million). The net operating surplus generated was £1.4 million (2017-18: £0.8 million).

Key variances in this performance to that originally planned for the year include:

- Delivering 13% (£6.6 million) more customer activity;
- £1.4m of income was received from the New Anglia Local Enterprise Partnership as a capital contribution towards our Lowestoft site redevelopment project; and
- A higher investment in maintenance costs as legacy refurbishment issues were resolved during the Lowestoft site redevelopment.

Defra Group income increased to £37.2 million (2017-18: £33.8 million) due to new work to develop marine litter Action Plans for selected Commonwealth states, a further increase in our work supporting EU Exit related evidence collection and advice as well as the reassignment of around £1m of activity from our Public Sector segment to Defra funding relating to marine environmental management in the Gulf Region for the Cabinet Office. Defra Group activity includes work for bodies across the Defra Group totalling £2.6 million (2017-18: £3.5 million), most significantly for the Marine Management Organisation.

Non-Defra Group income increased to £23.6 million (2017-18: £19.5 million). £1.4 million of this increase is from the New Anglia Local Enterprise Partnership as a capital contribution towards our Lowestoft site redevelopment project. Delivery activity growth was due to increased activity for the energy sector and an increase in research vessel charter income. This work is important in continuing our long-term strategy of making a difference for society through customer diversification to replace Defra income where it reduces. This strategy predominately supports other UK government Departments and sustains our operational breadth and financial critical mass, ensuring we maintain leading applied science capabilities and assets.

Non-Defra Group income came from:

- Other UK Public Sector customers £11.4 million (2017-18: £11.3 million) and included activity for the Food Standards Agency in assuring the safety of shellfish for human consumption and environmental monitoring and the Foreign and Commonwealth Office in actively enhancing the marine economies of small island developing states from across the Commonwealth;
- Research and development activity funded by the EU Commission £1.7 million (2017-18: £1.6 million);
- Industry and other income £9.1 million (2017-18: £6.5 million) including work for the energy sector and for overseas governments; and
- A capital contribution from New Anglia Local Enterprise Partnership of £1.4 million (2017-18: nil).

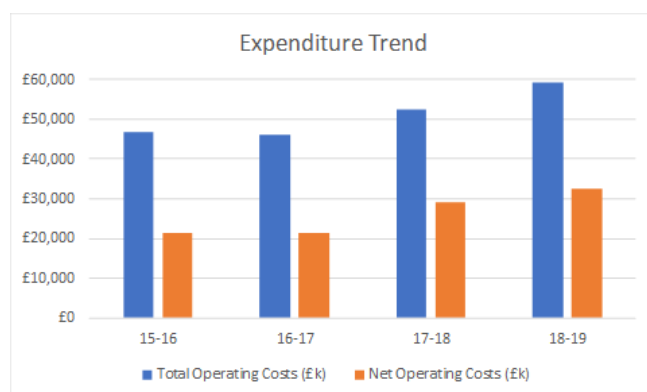
Whilst work for Non-Government customers is vital for sustaining Cefas' strength, our primary customer base continues to be firmly UK government-related. Our total work for all UK Government bodies and related EU research and development now comprises 85% of our total delivery activity (2017-18: 87%).

Total salary costs increased to £28.4 million over the prior year (2017-18: £24.9 million) and average full-time equivalent (FTE) staff numbers increased to 612 (2017-18: 555 FTE). A main driver of this growth in staff numbers was the requirement to provide additional support to the Defra Group. Actual pay rates rose by an average of 1.5% per public-sector pay constraints.

External cost increases were generally in line with consumer price index inflation. There were no charitable donations made in the year (2017-18: £Nil).

Performance Analysis Cont'd

Over the last 4 years, total operating costs have increased from £46.6 million (15-16) to £59.4 million (18-19) reflecting the increased customer demand, predominantly for EU Exit evidence and advice to support Defra and an increase in work originating from other government departments such as our work on the Overseas Territories Blue Belt Programme. The increase in net operating costs reflects this same growth.



Assets

Land and buildings were formally revalued on a desktop basis as at 31 March 2019 resulting in a £0.7 million increased valuation, relating to our Weymouth site. £12.2 million of building asset under construction is held of which the majority is for our Lowestoft site redevelopment (2017-18: £1.7 million). The investment programme is progressing as planned and is expected to continue until May 2020, totalling around £15 million of capital investment. It integrates a new office building, laboratory refurbishments and a number of complementary maintenance projects to renew our headquarter site and save us £1 million per annum in operating costs as well as avoiding growing capital expenditure on the old facility.

Capital investment in scientific equipment to meet contractual commitments was £0.1 million in the year, (2017-18: £0.5 million). The level of equipment investment in 2018-19 is below our annual depreciation charge however plans are in place to strengthen this investment in 2019-20.

Cefas owns 100% of the share capital of Cefas Technology Limited (CTL). CTL provides a channel to wider markets for specific Cefas products and services. Examples include electronic data-storage tag production and fish disease testing. CTL accounts are not consolidated into Cefas' statements of accounts as they are outside the Departmental boundary. In 2018-19, CTL traded at a loss, reflecting new product investments, making an, unaudited operating loss of £133,000 before tax (2017-18: £26,000 operating loss before tax) on income of £481,000 (2017-18: £449,000).

Cash management

Cefas consumed an operating cash outflow of £24.5 million (2017-18: £22.3 million). This increase over the prior year is primarily due to the significant, £4.1 million, increase in Defra Grant in Aid funded work. Investments in property, plant and equipment have been significant in the year and account for a further outflow of £10.7 million (2017-18: £2.4 million). Having reviewed the cash requirements of the agency with Defra, we have drawn down £35.8 million (2017-18: £22.5 million). On the basis of continued support from Defra for our budget allocation, we are in a sound cash position with sufficient liquid funds and customer contracts to meet all expected obligations within the coming financial year.

Financial risk

The primary financial instrument risk that we are exposed to is the receipt of payments from customers in foreign currencies. This risk is assessed as low, particularly given that 93% of payments are received in pounds sterling and only 7% in foreign currencies. Credit risk is the risk of non-payment by customers. This risk is assessed as low as the amount of overdue debt is minimal.

Performance Analysis Cont'd

Bribery and corruption

Cefas follows the principles of The Bribery Act 2010 which underpins our Anti-Fraud Policy. Cefas requires all staff to act honestly and with integrity, and to safeguard the public resources for which they are responsible including tangible property and intangibles such as intellectual property. Fraud is an ever-present threat to these resources, and Cefas remains alert to these risks.

Cefas is committed to maintaining an honest and open culture, balanced with the commitment to eliminate any fraud involving the organisation, and to rigorously investigate any such cases. The Board wishes to encourage anyone having reasonable suspicions of fraud to report them.

Social matters and human rights

As an Executive Agency of Defra, Cefas is part of the Department's Equality Diversity and Inclusion Strategy. This recognises that we need the skills and abilities of a truly diverse workforce that represents the communities we live in and serve, providing greater innovation and creativity, greater customer insight, whilst offering a workplace where colleagues can be themselves and can use their whole range of talents. We aim to ensure that individuals and groups are treated fairly and equally. This involves taking into account the different experiences and needs of all, particularly in relation to protected characteristics. Being a diverse organisation means that we can show that action is taken on social matters where necessary and within our remit as well as providing respect for human rights in our workforce and any dealings we have with customers and stakeholders.

Future plans

Our business plans are endorsed by Defra. These reflect budget reductions in core Defra activity which will be broadly offset by increases in new evidence and advice work to support the Department's preparation for EU Exit. Commitments from other UK Government Departments and other customers mean we enter the new year with around 80% of our planned activity secured, in line with historic levels.

Cefas continues to make good progress in delivering the investment programme at the Lowestoft site which will see us start to use our new office building in the October 2019. We also plan to enhance the working environment at the Weymouth site in 2020-21 to enable similar, modern working patterns across both sites.

Events after the reporting date

The Accounting Officer authorised these financial statements for issue on the same date that the Comptroller and Auditor General signed his certificate. There were no events after the reporting date that should be reflected in the accounts, which are prepared on a going concern basis.

1.2.2 Performance against Business Plan Indicators

The Cefas business plan and associated performance indicators are reviewed each year to ensure they continue to be relevant to the agency and support broader government objectives. Progress against these is reviewed monthly by the Senior Management Team (SMT).

We have worked to design a balanced scorecard of measures which allows us to manage our risks and uncertainty. This balanced scorecard approach aligns the indicators with Cefas' strategic objectives. Each indicator includes an assessment against an external metric and supports our strategic objectives, which aim to strengthen delivery and long-term capability. These combine into single measures, as detailed below.

This Annual Report and Accounts is published in the House of Commons and audited at the end of each financial year.

Metric	Measurement	Achievement
Finance	Securing income for the following year and a net financial return from our operations for Defra	2018-19 Achieved 2017-18 Achieved 2016-17 Achieved
Scientific Excellence	Indicators include publication records and delivered ongoing investment in new science and capabilities.	2018-19 Achieved 2017-18 Achieved 2016-17 Achieved
Employee engagement	Relative performance in the annual questionnaire to all civil service staff.	2018-19 Achieved 2017-18 Achieved 2016-17 Achieved
Corporate responsibility	Health and Safety indicator performance and maintaining quality accreditations.	2018-19 Achieved 2017-18 Achieved 2016-17 Achieved

1.2.3 Sustainability Report

Cefas' sustainability data and associated financial costs presented here, are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2018-19. The information contained within this section has not been subject to audit and does not form part of the auditor's opinion on the accounts.

About our data

The data in the following tables present energy consumption, greenhouse gas (GHG) emissions, waste arising, water use figures and other target areas reported as part of the Greening Government Commitments (GGC). Cost data were sourced from accounting records for the respective periods, adjusted to reflect end of year accruals. Waste data have been provided by Defra. Energy and water data have been calculated from on-site meter readings recorded by our Facilities Management contractors.

Figures from Q4 2017-18 have been used to account for the same quarter in 2018-19. This is because Q4 data are only available after the final deadline for the Comptroller and Auditor General's review of, and subsequent parliamentary laying date for, the Annual Report and Accounts. For the same reason, 2017-18 data reported here have been updated using the finalised Q4 2017-18 figures, to provide an accurate record of performance and permit reliable future comparisons.

Note: Embedded carbon and water related to purchased items, supplier transport, waste handling and water supply, are not captured by this report, however these are mitigated through sustainability criteria stipulated in contracts for the procurement of goods and services.

Performance commentary

This report summarises progress against internal targets and GGC targets current in 2018-19. The GGC are the main driver for sustainability improvement at Cefas and the majority of our targets are set by Defra based on the GGC Framework. Further information is available at www.gov.uk/government/collections/greening-government-commitments.

Against a 2009-10 baseline (except where indicated in the text/data tables), the current GGC require us to:

- Reduce GHG emissions from buildings and UK business-related transport by 43%;
- Reduce the number of domestic business flights by at least 30%;
- Reduce the amount of waste going to landfill to less than 10%;
- Reduce the amount of waste generated;
- Increase the proportion of waste recycled;
- Reduce paper use by at least 50%;
- Further reduce water consumption; and
- Continue to buy more sustainable and efficient products and services, through engagement with suppliers to understand and reduce the impacts of the supply chain, with the aim of achieving the best long term, overall value for money for society.

In 2017, Cefas embarked upon a major redevelopment of its facilities in Lowestoft. Beginning during 2017 and continuing through 2018, decluttering of its existing premises in advance of each phase of these new developments, has resulted in unexpectedly large amounts of landfill waste being produced, as storage areas in the buildings to be refurbished or replaced have been emptied. As a result of this, the internal target on waste to landfill has not been met, however the effect of such decluttering on waste quantities will come to an end with project completion during 2019-20.

A more challenging GGC target on GHG reduction of 43% was introduced in late 2017, for the period 2018-2020, as the previous target had been met across government departments. In 2018-19 Cefas

Sustainability Report Cont'd

has passed the previous target of a 38% reduction from a 2009-10 baseline and meeting the raised GGC target by the end of 2019-20 is viewed as achievable.

In parallel with the established GGC metrics, Cefas is adopting additional internal metrics for 2019-20. For example, GGC targets on GHG include only UK domestic business travel. In recent years Cefas has begun to conduct a larger proportion of its work overseas, therefore international travel is included in these internal metrics, along with a metric covering the essential operation of the centre's research vessel Cefas Endeavour, another significant contribution to its total GHG emissions.

Governance

Cefas' sustainable operations and procurement strategy are delivered through our Directors and key performance indicators are reported to the Cefas Senior Management Team on a monthly basis, with performance against GGC criteria also reported to Defra's senior leaders on a quarterly basis.

The Director with Environmental Management Responsibility also chairs the Cefas for the Environment sustainability working group, established in summer 2018 to bring together individuals in roles key to the advancement of Cefas' environmental performance and sustainability initiatives. A number of such initiatives have been launched since its inception, promoting staff engagement and a sustainability focus, e.g. encouraging improvement in recycling rates.

Environmental management system

Cefas operates an Environmental Management System that is externally certified to the ISO 14001:2015 standard, as part of a Defra multi-site certification. Its scope with respect to Cefas, includes all operations to deliver specialist scientific and technical support, plus consultancy and advice in aquaculture, environmental protection and fisheries management.

Carbon – greenhouse gas emissions

Carbon – greenhouse gas emissions			
	Against baseline (2009-10)	2018-19 internal target	2019-20 GGC target
CO2 emissions performance ¹	41% reduction; exceeds original GGC target	Target (20% reduction) exceeded	Target (43% reduction) achievable ¹

Notes

1. GGC requirement, CO2 from buildings and domestic travel
2. Previous GGC target 38%; Defra-group target raised to 43% from 2018-19
3. Refer to text for information on how GGC target is to be met

Cefas has achieved a 41% reduction in CO₂ emissions since 2009-10, exceeding the previous GGC target of 38% and considerably surpassing the 2018-19 internal target set at 20%. Performance remains only slightly behind the current GGC target of a 43% reduction.

Meeting the internal targets has been assisted by a marked reduction in energy use, accompanying the postponement of some projects to temporarily relocate laboratories and other workplaces within our existing buildings. This effect is therefore likely to be transient as the postponed work recommences in our new facilities, with some work being relocated between Lowestoft and Weymouth sites. Milder winter weather conditions in 2018-19 will also have contributed, however meeting the GGC target is viewed as achievable during 2019-20, given planned further improvements in energy usage.

Initiatives to meet CO₂ reduction targets have been implemented from 2016-17, the shortfall having been identified as our ageing laboratory infrastructure. Investments have included a new Building Management System (BMS) at Weymouth and many other smaller improvements. A 30kW photovoltaic

Sustainability Report Cont'd

(PV) array was installed at Weymouth laboratory in Q4 2017-18, as part of the Defra Breathe initiative, under which a Combined Heat & Power (CHP) system has also been installed there in early 2019 and is expected to begin operation in Q1 2019-20, further enhancing energy efficiency. A PV panel array has also been included in the specification of a new building, currently under construction at Lowestoft.

Since 2017 a £16 million major redevelopment project, Estates 2020, has been progressing towards creating a world-class centre for applied science, through the building of a new, modern office facility and refurbishment of existing laboratories at Lowestoft; while at our Weymouth laboratory, facilities are being improved to a similarly high standard. Many further infrastructure improvements have been included, such that our new accommodation that will enable Cefas to continue to pursue its world class science for the marine and freshwater environment, in facilities updated for the 21st century and with commensurate levels of environmental performance. To underscore Cefas' intentions on sustainability, its new building has been designed with the objective of obtaining a Building Research Establishment Environmental Assessment Method (BREEAM) 'Very Good' rating.

Other ongoing initiatives fall into the following categories:

- Staff behaviour change: 94% have had environmental awareness training in 2018-19, up from 89% in 2017-18. Environmental performance and initiatives are also discussed at Directorate meetings;
- Technological solutions (refer to Green Information and communications technology (ICT) below);
- Replacement equipment chosen to be more efficient e.g. use of LED lighting in new/refurbished offices and labs;
- Continued use of improved ways of working (video/Skype for business/audio conferencing, multifunctional printing devices, centralised staff amenities);

Note: Regarding the CRC Energy Efficiency Scheme, data for this is not available within Cefas. Participation in this scheme, which concludes at the end of the 2018-19, is administered at Defra level.

ENERGY		2018-2019	¹ 2017-2018 (Restated)	2016-2017	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (kWh, '000) No WDHS, consumption of biomass, LPG or 'Other'; Weymouth CHP due on line during Q1 2019-20.	Total Energy Consumption	7,842	7,805	8,157	9,037	8,922	8,622
	Total Electricity	3,993	4,088	4,595	4,700	4,847	5,067
	Electricity: Brown	-	1	1	1	6	102
	Electricity: Green	3,953	4,087	4,594	4,699	4,841	4,965
	Electricity: CHP	-	-	-	-	-	-
	Electricity: PV	40	-	-	-	-	-
	Gas	3,849	3,717	3,562	4,337	4,064	3,555
Oil	-	-	-	-	-	11	-
Financial indicators (£'000)	Total Energy Costs	651	618	751	741	726	791

GREEN HOUSE GAS EMISSIONS (GGC)		2018-2019	¹ 2017-2018 (Restated)	2016-2017	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (tCO2e)	Total GHG Emissions reportable under GGC ³	2,137	2,561	3,102	3,342	3,617	3,643
	Scope 1: Direct Emissions from Buildings	682	708	719	758	755	654
	Scope 2: Indirect Emissions from Buildings	1,249	1,588	2,133	2,344	2,606	2,700
	Total Buildings Emissions	1,931	2,296	2,852	3,102	3,361	3,354
	Scope 1: Direct Emissions from Business Travel	127	153	169	163	173	188
	Scope 3: Emissions from Business Travel	79	112	81	77	83	101
	Travel Emissions reportable under GGC ²	206	265	250	240	256	289
Financial indicators (£'000)	Expenditure on official business travel ³	1,431	1,150	959	784	759	1,232

Note

1. 2017-18 updated with actual Q4 data (Q4 estimated in 2017-18 report)
2. GGC travel emissions data do not include international travel
3. Includes overseas travel

Sustainability Report Cont'd

Waste

WASTE			
	Against baseline (2009-10)	2018-19 internal target	2019-20 GGC target
Waste Total	51% reduction	Target (47%) exceeded	On target to meet (50% reduction)
Waste to landfill	20% reduction ³ (30% to landfill)	Target (12% to landfill) not met ²	Behind target (10% to landfill) ¹
Waste reused, recycled, composted	No significant change ² (43% recycled)	Target (50%) not met ²	Continue to increase

Note

1. Refer to text for information on how GGC target is to be met
2. Unexpectedly high landfill waste in 2018-19 (please refer to text)
3. Waste reduction through reuse, recycling and composting/anaerobic digestion

A 51% reduction in waste generated has been achieved since 2009-10, exceeding the 2018-19 internal target of 47%. Owing to our Estates 2020 programme, as described in the performance commentary above, waste to landfill at 30% is currently well above our 2018-19 internal target of 12% and the GGC target of 10%. Waste reused, recycled or composted at 43%, remains below our 2018-19 internal target of 50%, however this level is viewed as achievable in 2019-20.

Standardised recycling facilities (colour-coded bins and labelling) make it easier for staff to identify the most appropriate recycling bin and help them to contribute to sustainability in a responsible way. These facilities are therefore to be improved as part of the Estates 2020 project during 2019-20, by introducing better bins and clearer signage, both with respect to our redeveloped Lowestoft site and at Weymouth, so that the best possible practices can be put in place.

Cefas has an ongoing initiative to reduce and as far as is feasible eliminate single-use, disposable items by promoting reusable alternatives (e.g. drinks cups), particularly where disposable items include plastic materials and especially those that are non-recyclable. For example, the use of reusable beverage cups and bottles is being actively encouraged, which should reduce disposables waste overall and plastics in particular.

A significant initiative has been the issuing to all Cefas staff of reusable drinking-water bottles that can be refilled at the water fountains provided; the cost of these bottles being offset by a saving in the purchase of single-use plastic cups. Recyclable or biodegradable cups have continued to be provided for the benefit of visitors, however by the end of 2018-19, disposable coffee cups will cease to be available on all sites.

WASTE		² 2018-2019	¹ 2017-2018 (Restated)	2016-2017	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (tonnes)	Hazardous Waste	14	25	29	17	9	14
	Total Waste (excluding hazardous waste)	143	158	142	124	128	295
	Reused, recycled, composted ³	62	81	59	40	47	131
	Incinerated with energy recovery	36	40	60	66	50	53
	Incinerated without energy recovery	2	2	1	4	2	-
	Landfill	43	35	22	14	29	111
	% to Landfill	30	22	15	11	23	38
% Reused, recycled, composted	43	51	42	32	37	44	
Financial indicators (£'000)	Total Disposal Costs	These are part of a central Defra contract and not available at Cefas level					

Note

1. 2017-18 updated with actual Q4 data (Q4 estimated in 2017-18 report)
2. 2018-19 uses 2017-18 Q4 data (2018-19 Q4 data not available at time of reporting)
3. Composted includes food waste sent to anaerobic digestion

Sustainability Report Cont'd

Water

WATER			
	Against baseline (2009-10)	Internal target 2018-19	2019-20 GGC target
Water consumption¹	16% reduction	Within (70k cu. metres) target²	Continue to reduce

Note

1. Water consumption directly linked to Cefas workload, e.g. large aquarium operations
2. Note; some work using large amounts of water temporarily suspended (refer to text)

The GGC require a continual reduction in water consumption. At Cefas, substantial quantities of water are needed to operate large aquarium facilities and conduct other laboratory processes, which would not be required in entirely office or workshop establishments. Water usage trends at Cefas, therefore must reflect the changing pattern of the scientific work Cefas is contracted to undertake and thus is intrinsically linked to its ongoing success as a centre for aquatic science.

During 2018-19 water consumption has reduced considerably (by 16% against the original 2009-10 baseline). This has been assisted by the temporary suspension of some operations that use large volumes, to enable changes to facilities required by the Estates 2020 project. Water usage in 2018-19, has therefore been well within the internal and GGC targets. However, there is likely to be a consequent rise in water use in the next year, as suspended work becomes re-established, e.g. all large aquarium operations are transferring from Lowestoft to Weymouth at the end of 2018-19.

WATER		² 2018-2019	¹ 2017-2018 (Restated)	2016-2017	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (m³)	Total Water Consumption²	49,976	68,546	69,069	68,434	71,872	59,723
Financial indicators (£'000)	Water Supply Costs	182	192	419	385	369	183

Note

1. 2017-18 updated with actual Q4 data (Q4 estimated in 2017-18 report)
2. Mains water; abstracted water (e.g. seawater) not reportable under GGC

Other target areas

OTHER TARGET AREAS			
	Against baseline year	2018-19 internal target	2019-20 GGC target
Domestic flights	8% reduction since 2014-15	Target (20% reduction) not met	Behind target (30% reduction)
Paper use	63% increase¹ since 2009-10	Target met	Behind target (50% reduction)^{1,2}

Note

1. Paper usage has reduced by 35% since 2014-15
2. Refer to text for information on how GGC target is to be met

Sustainability Report Cont'd

There has been a 35% decrease in paper use since 2014-15. An apparent increase in paper use since 2009-10 (by 63%) may be owing to under-reporting originally, at a time when a larger number of local printers and local stocks of paper were present. The introduction of networked multifunctional devices (MFD) at centralised locations, with paper restocked from a common supply, together with the encouragement of paperless office working have assisted with paper-use reduction, e.g. using two screens, so that documents can be readily compared and reviewed without the need for printing. Printing reduction, with a consequent decrease in paper usage, will be a key campaign across Cefas in 2019-20.

OTHER TARGET AREAS		2018-2019	¹ 2017-2018 (Restated)	2016-2017	2015-2016	2014-2015	² 2009-2010 (Baseline)
Non financial indicators	Number of domestic flights	216	199	218	162	236	N/A
	Paper use (Reams)	1,630	1,568	1,957	1,893	2,510	1,000

Note

1. 2017-18 updated with actual Q4 data (Q4 estimated in 2017-18 report)
2. Baseline paper usage in 2009-10 may have been under-reported (please refer to text)

Sustainable procurement

A large proportion of our contracts are awarded through Crown Commercial Service frameworks or Defra network contracts and these are actively preferred. These include, for example, the procurement of stationery, vehicles, payroll services, multifunctional printing devices, travel booking service providers, specific ICT services (disaster recovery and firewall) and facilities management, including catering. We have continued to work with Defra to enhance supplier information to enable the monitoring and increase of our proportion of small and medium-sized enterprises spend.

Recent changes to the management of chemicals, consumables and services sustaining the work of our laboratories, with regard to their requisition, delivery and storage, will enable sustainability criteria to be applied more effectively. Cefas works closely with its suppliers, to ensure that in each case the most sustainable and cost-effective solutions are selected.

Green ICT

Cefas continues to align with the government's Greening Government strategy. This includes acknowledging the extent to which Green ICT best practice has been adopted so far and, in the longer term, embedding Green ICT into our management practice and processes. Improvements in the last year include:

- Continuing to implement the UK Government's Cloud First programme by expanding Cefas' use of Microsoft's Office 365 and Azure hosting, as well as implementing and rolling out cloud-based telephony services to optimise local ICT infrastructure and enabling and supporting more flexible and mobile working practices;
- Migrating to Office 365 has increased availability and usage of web-based messaging, audio and video conferencing and increased collaboration facilities, enabling staff to share and collaborate on documents with other staff, partners and customers; reducing face-to-face meetings and their travel related emissions; and
- Continuing assessment and optimisation of PC and server assets to reduce ICT assets and Cefas' carbon footprint, in particular rolling out lighter and more energy efficient laptops.

Where possible ICT hardware continues to be re-used within Cefas, or collected by a contractor who arranges re-use, recycling and eventual disposal.

Sustainability Report Cont'd

People

The Cefas Connects volunteering scheme and our approach to our Health and Safety systems are described on page 35. In 2018-19, we continued our well-being strategy, which included providing a health kiosk in our laboratories for a limited period so that staff could observe, record and monitor a range of vital health parameters (e.g. blood pressure, weight, body mass index etc.). We have also promoted the Employee Assistance Programme. This is an independent, confidential service offering staff positive and proactive support for, and advice about, a variety of health, lifestyle and financial issues.

Building assurance

Cefas maintain certifications to ISO 9001 (Quality), ISO 14001 (Environmental) and OHSAS 18001 (Health & Safety), laboratory accreditation to ISO 17025 and approvals for Good Laboratory Practice and Good Manufacturing Practice. These standards provide a strong platform to ensure our processes remain robust and our outputs are highly reliable.

Biodiversity

Surveys have not been undertaken at our sites, as they are not deemed significant to/for the business in which we engage. An unavoidable loss of 18 trees to make way for the Estates 2020 redevelopment of the Lowestoft site, has been mitigated by the planting of 40 broadleaved, native-species trees in the UK National Forest. The subsequent replanting of landscaped areas on the redeveloped site, will feature indigenous species suited to local climate and a sea-cliff location.

Adaptation to climate change

Cefas sites are included in the Defra Group Estates' climate change adaptation plan. Climate change adaptation surveys have been undertaken to inform decisions on current and future developments.

Sustainable construction

Construction works being undertaken for the new-build office and major refurbishment of laboratory facilities at Lowestoft, have been planned and the contractor appointed with due attention to sustainability in the fabric and function of the buildings, both during the works and after completion. Tendering for the construction was conducted under Suffolk County Council's 2015 Construction Framework Contract, which includes requirements on sustainability in accordance with current central Government guidance and standards.

Future strategy

Cefas aims to keep sustainability at the heart of its business delivery and operations and Defra-group strategy puts environmental improvement as its first objective. This means that it strives to operate in the most sustainable and environmentally responsible manner: improving the way we use our work spaces; reducing energy and water use; reducing the amount of waste generated; making strategic energy and waste savings from IT services; and assessing the products and services that are purchased to support all operational activities.

Our commitment to the sustainability of our own operations is captured in the Defra group sustainability strategy.



Tom Karsten
Chief Executive
07 June 2019

2 Accountability Report



2 Accountability Report

2.1 Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives. The Governance Statement sets out how we have managed and controlled our resources during the year. It provides assurance on how we have carried out our corporate governance, how we have managed significant organisational risks and how we have addressed control issues. The requirements of the Accountability Report are based on the matters required to be dealt with in a Directors' Report.

The Remuneration and Staff Report provides information on people in Cefas and sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors.

2.1.1 Directors' Report

Cefas Board Members

Non-Executive Board Members

Non-Executive Board Member	Role
Jane Smallman	Non-Executive Director
Andrew Watkinson	Non-Executive Director
Anne MacColl	Non-Executive Director
Ian Selby	Non-Executive Director
Shirley Trundle	Defra Board Member

Executive Directors

Director	Role
Tom Karsten	Chief Executive
Tim Green	Deputy Chief Executive and Finance Director
Stuart Rogers	Chief Scientist
Steve Addison	Commercial Director
Karin Rundle	Director of Human Resources and Organisational Development
Steve Millward	Operations Director
David Righton	Strategy Director

Conflicts of Interest

A system is in place to record and manage conflicts of interest of Board Members and a register is maintained. Details of any potential conflicts of interest are set out in Note 14.

Personal data related incidents

There have been no incidents of data loss involving personal information over the reporting period that required formal reporting to the Information Commissioner's Office.

2.1.2 Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Cefas to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Cefas and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

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

The Accounting Officer of Defra has designated the Chief Executive of Cefas as Accounting Officer of Cefas. The Accounting Officer confirms the following:

- As far as he is aware, there is no relevant audit information of which the entity's auditors are unaware;
- He has taken all the steps that he ought to have taken to make himself aware of any relevant information and to establish that the entity's auditors are aware of that information;
- The annual report and accounts as a whole is fair, balanced and understandable; and
- That he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

2.1.3 Governance Statement

This statement sets out the governance arrangements and performance of the Centre for Environment, Fisheries & Aquaculture Science (Cefas) in 2018-19. Cefas is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and as such it is fully accountable to Parliament through ministers.

Governance arrangements are formalised in a Framework Document, which is available to download from <https://www.gov.uk/government/organisations/centre-for-environment-fisheries-and-aquaculture-science/about/our-governance>.

Ministers nominate a member of the Defra Executive Committee (ExCo) to act on their behalf in all ownership matters and to be line manager for the Chief Executive. During 2018-19 this role was fulfilled by Defra's Director General for Environment, Rural and Marine. Their responsibilities include providing oversight of Cefas and assurance to the Defra Executive Committee that appropriate governance arrangements are in place for the agency. Regular performance reports, risk assessments and other management information flows from Cefas to Defra, which are appropriately reported to ExCo. There are numerous other informal links with the Department, including between non-executive directors (NEDs) and in functional areas such as science, finance and human resources.

The Chief Executive, Tom Karsten, as Accounting Officer, has personal responsibility and accountability to Parliament for the organisation and quality of management within Cefas, including its use and stewardship of public assets. In delivering this role, the Chief Executive is supported and challenged by the Cefas Management Board (the Board). The Board provides strategic leadership for Cefas within a framework of prudent and effective controls, which enables risk to be assessed and managed. It is collectively responsible for the long-term success of the agency.

Governance Statement Cont'd

The Board operates within the strategic context and authorities set by Defra. Its remit includes setting strategic aims, objectives and risk appetite; ensuring that necessary leadership and resources are in place to deliver its aims; challenging and supporting management performance; providing assurance on effective controls and risk management. A balance of executives, NEDs and a Defra senior official provides the appropriate skills, experience, independence and knowledge to enable the Board to discharge its duties and responsibilities. One NED is appointed as a "lead NED" and is Chair of the Board, this role was fulfilled by Jane Smallman throughout the year. The lead NED provides a sounding board for the Chief Executive and serves as an intermediary for other NEDs, when necessary. A record of Board attendance is published at:

<https://www.gov.uk/government/organisations/centre-for-environment-fisheries-and-aquaculture-science/about/our-governance#meetings>

The Board has three committees routinely reporting to it with individual terms of reference that are approved by the Board. Each of these committees have a wholly external membership and are chaired by NEDs. Appropriate Cefas Executive and external representatives attend the committees as required:

- **Audit and Risk Assurance Committee (ARAC):** meets at least 4 times per year. This committee monitors corporate governance and control systems and advises on internal and external audit matters, risk and governance in the organisation, including health and safety. Key subjects of focus in the year have been the delivery of the annual audit programme, management of cyber security, GDPR implementation and compliance, and the major redevelopment of the Lowestoft site.
- **Science Advisory Committee:** meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's science strategy and operations. The main focus this year has been completion of a science review to advise on research quality, partnership working, support for new technologies and the science required to support food security and the blue economy.
- **People Development Committee:** meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's people strategy to ensure it is meeting business needs. The focus is on employee engagement, improvements to reward and implementation of the science review recommendations.

Conflicts of interest declared by Board members are managed by the Chair of the Board to ensure any necessary separation of the topic and the individual. During the year, no material conflicts have been reported. Two new Non-Executive Directors were appointed in May 2018 which has meant that the Board and the ARAC have been fully quorate during the year.

The Board's assessment of the Corporate Governance in Central Government Departments: Code of good practice 2017, published by HM Treasury, confirms that Cefas complies with relevant principles and protocols in so far as it applies to an Executive Agency, with no known exceptions.

Effectiveness of Cefas Management Board performance

The Board conducts an annual review of its terms of reference and an evaluation of its own performance and effectiveness. The performance evaluation approach for the year 2018-19 took place in January 2019. Enhancement actions were agreed which include: executives to make specific requests, by topic, for assurances from NEDs, an increased exposure to scientific project delivery, a focus on a leadership development programme and an increase of staff observers at meetings.

The Board routinely reviews performance data using a balanced scorecard approach that aligns operational indicators with Cefas strategic objectives. The Board considered this data to be of an appropriate quality and is content that all relevant matters are appropriately reported for Board assessment. This judgement is further assured through management statements on compliance performance, NEDs' personal engagement with operating Directorates, rotational presentations from operational teams to the Board across the year and formal reports from Board sub-committees.

Governance Statement Cont'd

Cefas has performed well through the year, achieving all performance indicators, and continuing to deliver on its plans with notable successes being reflected in Section 1, Performance Report.

As well as challenge and assurance of Cefas' operational performance the other significant items the Board addressed in the year included: delivery to Defra with a particular focus on EU Exit activity; oversight of a strategic 5-year transformation programme with related actions, significant new UK and international government opportunity development and the Lowestoft site redevelopment project.

No new significant performance issues were identified in the year. The control weakness reported in the previous financial year in the management of the facilities management contract, whilst making delivery improvements, continues as a 'significant issue' (see below).

Risk appetite

Cefas' principal managed risk would be the delivery of poor scientific evidence or advice resulting in reputational damage. Cefas depends on its reputation for scientific excellence to support all customer delivery. All work is conducted through around 500 projects varying in size and duration. Projects may be short-term or can extend for up to three or more years. Whereas resources to deliver projects to meet customer requirements are broadly within Cefas' control, increased government constraints on pay and resources increase these risks. 85% (Year to date (YTD)) of all our activity is for UK Government bodies and related EU research and development programmes (2017-18: 87%). Within this there is a requirement to diversify our activity beyond Defra which contributes to the UK Government's ability to maintain access to world class capability but requires Cefas to manage additional business complexity from cross-Department agreements, international government to government projects and wider market contracts.

Other significant risk priorities managed during the year included:

- Loss of major government customer opportunities and renewals beyond Defra to maintain operational and financial critical mass;
- International delivery for both the UK Government and international government to government customers with a focus in year on building the relationship with the Kuwait Environmental Protection Agency. Risks include health and safety, security, currency and political; and
- Delivery of significant estates infrastructure refurbishment and new building development and the related business continuity impacts.

In managing Cefas risks there are also opportunities which are actively pursued, these include the significant scientific evidence and advisory requirements to support EU Exit preparedness and new UK policy development and our own carefully managed self-investment in research and development. Such investments help to create the new methods, services and intellectual property which will be required by customers in the future.

Risk management overview

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives, taking account of the wider Defra context. This is shared with Defra through the approval process for the Five Year and respective Annual Plans. The Board is responsible for ensuring sound corporate governance, risk management and internal control systems.

The ARAC provides the primary assurance mechanism. This operates in accordance with the Audit Committee Handbook, published by HM Treasury. For 2018-19, the ARAC has been supported by the Government Internal Audit Agency (GIAA) which is led by a Defra Head of Internal Audit and supported by an internal audit subcontractor. An agreed annual risk-based plan operating to government internal audit standards, has been delivered and the annual opinion from the Head of Internal Audit provided substantial assurance over the controls reviewed in the year.

Governance Statement Cont'd

Responses to agreed actions have been satisfactorily completed. Assurance reviews conducted in year include operational delivery of science, overseas operations, estates redevelopment, financial controls, performance metrics and cyber security. Defra provide assurance over the facilities management contract, this was not sufficiently evidence assured during the year, resulting in the continued reporting of a significant issue.

Further external assurance is gained through the application of a range of accredited management systems, covering laboratory and ship operations, these include; ISO 9001 (Quality), OHSAS 18001 (Occupational Health and Safety), ISO 14001 (Environmental) and ISO 17025 (Laboratory Testing and Calibration Competence). Cefas operates several scientific models, used to advise critical government decision-making regarding fish stocks and environmental status. All these models are subject to appropriate quality assurance procedures as described in the UK government AQuA principles and no significant issues were identified in the year.

A whistleblowing policy is in place and operated throughout the organisation. The ARAC reviewed the performance of this policy during the year and in the year to March 2019 agreed that it was effective in providing a clear route to raise concerns regarding Cefas' operations. One official incident was reported and reviewed in the year, in addition several concerns were resolved at management level, in line with the policy. There were no significant lapses of corporate or personal protected data and no ministerial directions received in the year. Regular training and internal communications continue to provide an effective way of maintaining awareness amongst staff of obligations and reporting arrangements for dealing with potential fraud, bribery, information security and whistleblowing matters.

Significant issues and risks

Good progress continued against our long-term strategic plans in 2018-19. Significant additional work has been undertaken during the year to develop and provide new evidence and advice required to support Defra in preparing for EU Exit, particularly with respect to fisheries management. This has secured additional funding for agreed work programmes which have been delivered in 2018-19. Significant progress has been made on the redevelopment of our Lowestoft facilities; three of the five floors of the laboratory building have been successfully refurbished and construction of the new office building continues to a programme of completion in Autumn 2019, with remaining landscaping and ancillary buildings completing in mid-2020. Close management has been required throughout the year on the design, cost and contractor management.

An historic issue requiring continued management through the year was Defra's oversight of our facilities management contract. The performance of the contractor was acceptable during the year, however financial assurance remains insufficient to confirm satisfactory receipt of services. Cefas and Defra have identified the need to clarify the roles and responsibilities for assurance in this area. Cefas has actions in hand with Interserve directly to address these concerns. Whilst this is an identified control weakness there was no evidence of material concerns over the financial performance of the contract.

Other Parliamentary Disclosures

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

As part of our developing relationships to work for the Kuwait Environmental Protection Authority, on their proposed eMISK contract, a Parliamentary Minute was laid before the House of Commons in May 2019 to request approval to enter into liabilities outside the normal course of business. The contract is planned for signature within the 2019-20 financial year.

Governance Statement Cont'd

Conclusion

The governance arrangements set out in this statement continue to support Cefas' aims as evidenced through high levels of customer satisfaction, highly regarded scientific capability, sustainable finances and highly engaged staff. Accordingly, the Board look to the future with confidence.

2.2 Remuneration and Staff

2.2.1 Remuneration Report

The Cabinet Office, subject to HM Treasury remits, together with the Chief Executive sets the remuneration of the Cefas Management Board's (CMB's) executive directors. Up to 10% of their remuneration is performance-related and is reviewed by Defra against the achievement of ministerial and personal targets. The remuneration of the senior civil service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises the Department in March or April each year of the government's response to the SSRB recommendations and produces guidance for departments to follow.

Tom Karsten, Chief Executive; Tim Green, Deputy Chief Executive and Finance Director; and Steve Addison, Commercial Director are senior civil servants under permanent contracts of employment with Defra. Karin Rundle, Stuart Rogers, Steve Millward and David Righton are civil servants under permanent contracts of employment with Cefas. The agency bears the cost of each set of executive directors' employment.

There is a maximum notice period of six months from Defra and a minimum of three months from the employee. The length of service, salary and age of the employee determine any termination payments payable.

All non-executive directors are contracted by Cefas and have notice periods of three months, from either Cefas or the individual. Defra assumes all the costs of their attendance at the board.

No awards for early termination were made to existing or former directors in the year.

No benefits in kind were paid to directors in the year.

The following tables - Remuneration of Cefas Directors, Remuneration Median and Ratios, Remuneration of Cefas Non-Executive Directors, Pension Entitlement of Cefas Directors, Composition of staff and Staff costs have been is subject to audit.

Remuneration of Cefas Directors

CMB executive directors	Note	Salary		Performance pay		Pension benefits		Total	
		2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000
Chief Executive Tom Karsten		125-130	125-130	-	-	41	49	165-170	175-180
Deputy Chief Executive and Finance Director Tim Green		75-80	75-80	5-10	0-5	31	25	115-120	100-105
Chief Scientific Advisor Stuart Rogers		70-75	70-75	0-5	0-5	12	6	85-90	80-85
Commercial Director Steve Addison		70-75	70-75	-	-	29	29	100-105	100-105
Director of Human Resources and Organisational Development Karin Rundle		60-65	60-65	5-10	0-5	29	30	95-100	90-95
Operations Director Steve Millward		70-75	70-75	0-5	0-5	27	24	100-105	95-100
Director of Strategy, Transformation and Partnerships Sian Limpenny (from 1 October 2016 to 30 June 2017)	1	-	15-20	-	-	-	7	0-0	20-25
David Righton (from 1 July 2017)	2	50-55	40-45	0-5	0-5	24	8	75-80	50-55

2.1 Remuneration Report cont'd

Notes

1. Sian Limpenny commenced as Director of Strategy, Transformation and Partnerships on 1 October 2016 and finished the role on 30 June 2017. The full year salary equivalent was in the band £70,000-£75,000.

2. David Righton commenced as Strategy Director on 1 July 2017. The full year salary equivalent was in the band £55,000-£60,000.

Remuneration Median and Ratios

	2018-19	2017-18
	£'000	£'000
Band of highest paid employee total remuneration excluding pension benefits	125-130	125-130
Median Total Remuneration (£)	31,752	30,918
Ratio	4.02	4.12

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid executive directors, as disclosed in the Remuneration of Cefas Directors report, for the financial year 2018-19 was £125,000-£130,000 (2017-18: £125,000-£130,000). This was 4.02 (2017-18: 4.12) times the median remuneration of the workforce, which was £31,752 (2017-18: £30,918). In 2018-19, nil (2017-18, nil) employees received remuneration in excess of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the lowest paid employees for the financial year 2018-19 was £15,000-£20,000 (2017-18: £15,000-£20,000). Cefas gender pay comparative is reported alongside the Defra group at:

<https://www.gov.uk/government/publications/defra-gender-pay-gap-report-and-data-2018>

No CMB executive directors were in receipt of any benefits in kind (2017-18: Nil); nor did they hold any company directorships or other significant interests that may have conflicted with their management responsibilities. All salary or fee-related payments to CMB executive and non-executive directors are made through the PAYE system.

The individuals in the **Remuneration of Cefas Directors Table** (page 31) were executive directors during the year. Salaries include gross salaries, performance pay, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance payments were capped in 2018-19 and 2017-18.

Remuneration of Cefas Non-Executive Directors

CMB non-executive directors	Fee band		Performance pay		Pension benefits		Total	
	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000
Jane Smallman (from 1 October 2014)	10-15	10 - 15	-	-	4	-	15-20	10 - 15
Andrew Watkinson (from 1 July 2015)	10-15	10 - 15	-	-	-	-	10-15	10 - 15
Anne MacColl (from 1 April 2016 - 31 August 2017 and from 7 May 2018)	5-10	0-5	-	-	4	-	5-10	0-5
Ian Selby (from 7 May 2018)	5-10	0-0	-	-	3	-	5-10	-

2.2.1 Remuneration Report cont'd

Pension Entitlement of Cefas Directors

CMB executive directors	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60	CETV at 31 March 2019 (cash equivalent transfer value)	CETV at 31 March 2018 (cash equivalent transfer value)	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive Tom Karsten	0-2.5	10-15	142	96	26
Deputy Chief Executive and Finance Director Tim Green	0-2.5	20-25	312	256	17
Chief Scientist Stuart Rogers	0-2.5 plus 0-2.5 lump sum	30-35 plus 90-95 lump sum	742	666	13
Commercial Director Steve Addison	0-2.5	5-10	128	91	21
Director of Human Resources and Organisational Development Karin Rundle	0-2.5	15-20	269	218	16
Operations Director Steve Millward	0-2.5	20-25	345	288	15
Director of Strategy, Transformation and Partnerships Sian Limpenny (from 1 October 2016 to 30 June 2017)	-	-	-	232	-
David Righton	0-2.5	20-25	316	262	12

2.2.1 Remuneration Report cont'd

Composition of staff – The average number of persons (FTEs) employed by Cefas during the year was:

	2018-19			2017-18		
	Male	Female	Total Numbers	Male	Female	Total Numbers
Directors - SCS 2	1	-	1	1	-	1
Directors - SCS 1	2	-	2	2	-	2
Directors - Other	3	1	4	3	1	4
Other Permanently employed staff	331	274	605	307	241	548
Total	337	275	612	313	242	555

All of the Cefas's permanently employed staff are public servants. This includes two staff on outward secondments to other government departments and three staff on inwards secondments.

2.2.2 Staff Report

Staff costs

	Permanently Employed Staff £'000	Temporarily Employed Staff £'000	Total 2018-19 £'000	Total 2017-18 £'000
Wages and Salaries	22,160	-	22,160	19,398
Social Security Costs	2,179	-	2,179	1,897
Superannuation	4,089	-	4,089	3,629
Total staff expenditure	28,428	-	28,428	24,924

The average number of working days lost due to sickness was 2.6 days (2017-18: 3.5 days). Included in the permanently employed staff costs for 2018-19 is an accrual for untaken leave and Leave in lieu of £1,400,000 (2017-18: £1,400,000).

No off-payroll arrangements, no consultancy and no temporary staff costs were incurred during the year (2017-18 Nil).

Cefas is a "Disability Confident leader" enabling us to display the disability confident Level 3 symbol in recruitment and employment. This is a commitment recognising Cefas as a champion for Disability Confident enabling us to benefit from being able to draw from the widest possible pool of talent and secure, retain and develop disabled staff who are skilled, loyal and hard-working. Cefas offer a guarantee interview to any candidate who has disclosed a disability, as defined under the Equality Act 2010 and meets the minimum (essential eligibility) criteria for the post. Comprehensive guidance on making reasonable adjustments at work and supporting disabled employees is provided to managers. All line managers are required to complete unconscious bias training which was introduced in September 2013. All other employment policies are adopted where employment law or Civil Service Employment Policy dictate.

2.2.2 Staff Report Cont'd

The PCSPS is an unfunded multi-employer defined benefit scheme but Cefas is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2018-19, employers' contributions of £4,100,000 were payable to the PCSPS (2017-18: £3,600,000) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands (the rates in 2017-18 were between 20% and 24.5%).

The contribution rates are set to meet the cost of the benefits accruing during 2018-19 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, a stakeholder pension with an employer contribution. Employer's contributions of £35,000 (2017-18: £28,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are aggregated and range from 8% to 14.75% of pensionable pay (the rates in 2017-18 were between 8% and 14.75%). Cefas also matches employee contributions up to 3% of pensionable pay. Contributions due to the partnership pension providers at the reporting date were £3,000 (2017-18 £3,000).

No individuals retired early on ill-health grounds during the year and therefore no additional pension liabilities have been accrued for this purpose.

Pension liabilities and entitlements

Pension liabilities arising from early retirement or other enhancements are accrued in total in the year in which the liability arises. These charges are paid either to the PCSPS, which is responsible for meeting future pension obligations on behalf of Cefas, or to employees' stakeholder-based.

Reporting of Civil Service and Other Compensation Schemes Exit Packages

There were no redundancies and other departure costs paid in 2018-19 and 2017-18.

Our People

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

We achieved a 100% staff response rate to the annual Civil Service People Survey. The average response rate for the entire civil service is 66.4%. The survey is designed to measure staff engagement, and our overall engagement index increased to 66% (2017-18 65%).

Employee involvement in our business is actively encouraged through a staff focus group, informal drop-in sessions with the Chief Executive, directorate meetings and a variety of business and science-related workshops and roadshows. There are formal trade union meetings carried out in association with a Facilities Time agreement in accordance with Cabinet Office guidance.

The 'Cefas Connects' volunteering scheme supports community-based initiatives, with staff raising funds for charities, and undertaking beach clean-ups and outreach activities with local schools. We use the 'Cefas Suggests' initiative to encourage the generation of staff ideas to improve our ways of working and deliver a "keep it simple" approach to the way we do things.

The Equality Act 2010 requires Cefas to consider the needs of all individuals in their day-to-day work, how we develop our policies, deliver our services and manage our people. The Act places additional statutory duties on public-sector organisations through the Public-Sector Equality Duty, which requires us to publish equality information on our workforce.

Staff Report cont'd

This information is freely available within the 2017 Workforce Monitoring report, available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604702/defra-workforce-monitoring-2016.pdf

Our People

Cefas adopts all Defra policies as defined by Civil Service Employment Policy. We use Civil Service Resourcing to attract people which is based on the Civil Service competency framework, when in post all staff are managed in a performance management framework that is aligned to the competency framework.

Leading in Health and Safety

Our Systems and Compliance

Certification was maintained to the health, safety, environmental and quality standards (ISO 9001, 17025, 14001 and OHSAS 18001) during the last financial year with the associated certification body also approving the Cefas transition to the new ISO 9001:2015 standard.

Leading on Culture Change in Health and Safety

Senior management conduct regular health and safety walkabouts during the year with a rotating focus on targeted themes. A series of reviews of key health and safety management systems in relation to changes in business and risk profile were successfully undertaken to identify and enable improvements of processes.

Incidents and accidents

Incident figure trends have continued to improve, showing an overall reduction over the previous 3 years and proactive reporting remaining strong with a ratio of 75:1 against the 2 Lost Time/Medical Treatment cases for the year.

The Trade Union (Facility Time Publication Requirements) Regulations 2017

This was is a new requirement for 2017-18 (effective 1 April 2017) that requires relevant public-sector organisations to report on trade union facility time in their organisations. Facility time is paid time spent by union representatives to carry out trade union activities.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
13	13

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1-50%	12
51%-99%	-
100%	-

The Trade Union (Facility Time Publication Requirements) Regulations 2017 cont'd**Percentage of pay bill spent on facility time**

	£000
Provide the total cost of facility time	20
Provide the total pay bill	28,428
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.1%

Paid trade union activities

<i>Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:</i> <i>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	100%
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2.3 Parliamentary Accountability & Audit Report**2.3.1 Parliamentary Accountability Report**

The information in this section has been subject to audit.

Regularity of Expenditure - Cefas has considered all of its activities during the year and confirm they are in accordance with the legislation authorising them.

Cefas incurred no losses, special payments or gifts totalling more than £300,000 in the year.

Contingencies and Liabilities - none to disclose under IAS 37.

Long term expenditure trends - refer to the performance analysis section of our Performance Report for details of our performance to date.



Tom Karsten
Chief Executive
07 June 2019

This signature covers the Accountability Report

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Centre for Environment, Fisheries and Aquaculture Science for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity/Movement in Reserves; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Centre for Environment, Fisheries and Aquaculture Science's affairs as at 31 March 2019 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Centre for Environment, Fisheries and Aquaculture Science in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

We are required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre for Environment, Fisheries and Aquaculture Science's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre for Environment, Fisheries and Aquaculture Science's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and Accountability Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
13 June 2019
Comptroller and Auditor General

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

3 Financial Statements



Statement of comprehensive net expenditure For the year ending 31 March 2019

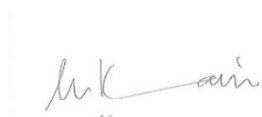
	Note	<u>2018-19</u> <u>£000</u>	<u>2017-18</u> <u>£000</u>
Revenue from contracts with customers		(23,808)	(23,447)
Other operating income		(3,086)	-
Total income	3	<u>(26,894)</u>	<u>(23,447)</u>
Staff Costs		28,428	24,924
Other Costs		25,009	20,530
Non Cash items		5,948	7,035
Total operating costs	2	<u>59,385</u>	<u>52,489</u>
Net operating costs		<u>32,491</u>	<u>29,042</u>
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs			
Net (gain)/loss on			
Revaluation of Property, plant and equipment	4	(919)	(378)
Total comprehensive net expenditure for the year		<u>31,572</u>	<u>28,664</u>

All income and expenditure relates to continuing operations.

The Notes on pages 46-62 form part of these accounts.

Statement of Financial Position As at 31 March 2019

	Note	<u>31st March 2019</u> £000	<u>31st March 2018</u> £000
Non-current assets			
Property, plant and equipment	4	28,695	19,056
Financial assets	6	150	150
Total non-current assets		28,845	19,206
Current assets			
Trade, other receivables and contract assets	7	8,390	9,383
Cash and cash equivalents	8	6,820	6,066
Total current assets		15,210	15,449
Total assets		44,055	34,655
Current liabilities			
Trade, other payables and contract liabilities	9	(11,155)	(11,038)
Provisions	10	(1,299)	(2,248)
Total current liabilities		(12,454)	(13,286)
Non-current assets plus/less net current assets/liabilities		31,601	21,369
Non-current liabilities			
Provisions	10	(384)	(451)
Total non-current liabilities		(384)	(451)
Assets less liabilities		31,217	20,918
Taxpayers' equity and other reserves			
General fund		27,964	18,584
Revaluation reserve		3,253	2,334
Total equity		31,217	20,918



Tom Karsten
Chief Executive
07 June 2019

The Notes on pages 46-62 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2019

	2018-19	2017-18
	£000	£000
Cash flows from operating activities		
Net operating expenditure	(32,491)	(29,042)
Adjustments for non-cash transactions	7,685	7,859
(Increase)/Decrease in trade and other receivables	993	(2,781)
Increase/(Decrease) in trade payables	117	2,308
less movements in payables relating to items not passing through the Operating cost statement	37	(26)
Use of provisions	(838)	(598)
Net cash outflow from operating activities	(24,497)	(22,280)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,694)	(2,377)
Proceeds of disposal of property, plant and equipment	94	-
Net cash outflow from investing activities	(10,600)	(2,377)
Cash flows from financing activities		
Agency funding	35,851	22,500
Net financing	35,851	22,500
Net increase/(decrease) in cash in the period before adjustment for CFERs	754	(2,157)
Increase/(decrease) in cash	754	(2,157)
Cash and cash equivalents at the beginning of the year	6,066	8,223
Cash and cash equivalents at the end of the year	6,820	6,066

The Notes on pages 46-62 form part of these accounts.

Statement of Changes in Taxpayers' Equity/Movement in Reserves For the year ending 31 March 2019

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2018		18,584	2,334	20,918
Funding received		35,851	-	35,851
Net Operating Costs for the year	CSCNE	(32,491)	-	(32,491)
Non-cash adjustments				
Non-cash charges - auditors' remuneration	2	45	-	45
Non-cash charges - other	2	4,238	-	4,238
Movement in reserves				
Recognised in Other Comprehensive Expenditure:				
Other revaluation of Property, plant and equipment	4	-	919	919
Defra Estates Recharges		1,737	-	1,737
Balance at 31 March 2019		27,964	3,253	31,217
		General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2017		20,433	1,956	22,389
Funding received		22,500	-	22,500
Net Operating Costs for the year	CSCNE	(29,042)	-	(29,042)
Non-cash adjustments				
Non-cash charges - auditors' remuneration	2	45	-	45
Non-cash charges - other		3,824	-	3,824
Movements in reserves				
Recognised in Other Comprehensive Expenditure:				
Other revaluation of Property, plant and equipment		-	378	378
Defra Estates Recharges		824	-	824
Balance at 31 March 2018		18,584	2,334	20,918

There has been no impact to the above statement from IFRS15.

The Notes on pages 46-62 form part of these accounts.

Notes to the Accounts

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2018–19 Government Financial Reporting Manual (FReM) issued by HM Treasury under the Government Resources and Accounts Act 2000 (GRAA 2000). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Cefas for the purpose of giving a true and fair view has been selected. The particular policies adopted by Cefas are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting convention

These financial statements have been prepared on the accruals basis under the historical cost convention, modified where material to account for the revaluation of property, plant and equipment. The accruals basis of accounting means reporting income and expenditure when it is incurred rather than when it is received or paid. These financial statements are based on the going concern principle.

1.3 Significant Judgements and Estimation Uncertainty

In the preparation of financial statements Cefas is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures 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.

The following areas represent significant judgments that Cefas has made in applying the accounting policies:

- The useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (reported in notes 1.4 and 4);
- The valuation and impairment of property, plant and equipment (reported in note 5); and
- Within receivables and payables there are contract assets and liabilities. These balances represent the differences between the amount invoiced to the customer and the latest milestone achieved.

1.4 Property, plant and equipment

Recognition and Valuation

Due to the specialised nature of the laboratory premises used by Cefas, freehold land and buildings are stated at their depreciated replacement cost and are professionally revalued at least every five years, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The last revaluation took place on 31st March 2015 which was last updated on 31st March 2019 on a desktop basis. Valuations performed by Eleanor Cook, MRICS and signed off by Gary Howes, BSc MRICS, partner at Montagu Evans.

Specialised properties are updated annually by adopting the Building Cost Information Service All-in Tender Price Index supplied by the Royal Institute of Chartered Surveyors.

Non-specialised properties are revised annually by means of a desk-top review, undertaken by the Valuation Office, where every valuation is reviewed having regard to local and national indices and local knowledge.

Non-property assets have been stated at fair value using appropriate indices provided by the Office of National Statistics.

Notes to the Accounts

Asset Type	Measurement Basis
Buildings	Depreciated replacement cost
Vessel	Fair value
Information Technology	Fair value
Scientific equipment	Fair value
General equipment	Fair value

The minimum level of capitalisation in Cefas is £10,000. Subsequent expenditure is capitalised if the criteria for initial capitalisation are met if it is probable that economic benefits will flow to Cefas, and that the cost of the expenditure can be reliably measured.

Depreciation

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other items of property, plant and equipment on a straight-line basis over the estimated useful life of the asset, and is charged in the month of disposal but not in the month of purchase. Depreciation is not charged on freehold land and assets under construction.

Assets are depreciated over the following timescales:

Asset Type	Useful Economic Life
Buildings	1–60 years
Vessel	30 years
Information Technology	3–6 years
Scientific equipment	5–15 years
General equipment	3–30 years

Where Cefas purchases a capital item specifically to fulfil a customer contract, and the asset is not expected to have operational life beyond servicing that contract, the useful economic life is determined by the length of the contract.

Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount. A review is carried out on an annual basis for any indicators of impairment.

Any permanent diminution in the value of an asset, due to clear consumption of economic benefit or service potential, is recognised in full as an impairment loss in the SoCNE. An amount up to the value of the impairment is transferred from the Revaluation Reserve (to the extent that a balance exists) to the General Fund for the individual asset concerned.

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

Assets Under Construction

Assets under construction are shown at accumulated cost with depreciation commencing when the asset is completed and brought into service.

Notes to the Accounts

1.5 Investments

Investments are reported at market value or at cost where market value cannot be readily ascertained. In accordance with the FReM, the non-current asset investment in Cefas Technologies Limited (CTL) has not been consolidated as it is not listed within the Department boundary issued by the Office of National Statistics. The Cefas Management Board has considered the value of the investment and has recorded the investment at cost. This will be reviewed on a regular basis and provision made for any impairment in value. Additional disclosure of the net assets and results of the investment are reported in note 6. IFRS 9 – Financial Instruments is applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 2018-19. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting. The valuation method for the CTL investment does not change under the new standard as there has been no change in the business model for the asset.

1.6 Research and development (R&D)

Expenditure on R&D is treated as an operating cost in the year in which it is incurred and taken to the statement of comprehensive net income. Assets acquired for use in R&D are depreciated over their useful economic life.

1.7 Operating income

Operating income relates directly to the operating activities of the agency. Cefas operates using funding received from Defra and external income relating to services provided by Cefas to wider government and commercial entities.

Gross Agency Accounting

As of the 1st April 2016, the way we are funded by Core Defra changed with the aim of improving accountability and transparency of the funding. Instead of the funding being recorded as Income within the Income Statement and inflating the income figure, it is now treated via our Equity under Parliamentary funding.

The Statement of Changes in Taxpayers Equity states the funding element and brings us into line with other Government Departments regarding the treatment of funding.

As a Gross Accounting Agency, activity for Defra is not invoiced or reported as income, but an authority to spend is delegated to the Agency along with delivery objectives. These are objectives detailed within Service Level Agreements and performance is tracked by Defra Policy Customers.

Operating income is shown net of value-added tax (VAT) and comprises contractually entitled income for services provided to other government bodies and wider-market customers and is recognised over the term of the individual contract, in line with work delivered.

External Income

Historically, under 'IAS18 Revenue', Cefas had an accrued and deferred income policy to ensure the revenue recognition was in line with delivery.

On the Statement of Financial Position, the balance of deferred income on contracts, where income has been received prior to contracts being fully complete, is held within payables and the balance of accrued income is also calculated where contracts have been completed in advance of income being received, is held within receivables. This process was also applied to European Union (EU) income.

IFRS 15 Revenue from Contracts with Customers is applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 2018-19. IFRS 15 introduces a new five stage model for the recognition of revenue from contracts with customers replacing the previous IAS 18 Revenue.

Notes to the Accounts

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of services to customers in a way that reflects the consideration to which the entity expects to be entitled to in exchange for services.

All of Cefas' work is managed as projects. Each project, or group of projects for the same customer, has a signed customer contract. Three main types of contract are identified:

- Fixed Price
- Time and Material
- Call off Agreements

When a contract contains a termination clause which allows Cefas to be paid for all of the work delivered and costs incurred should the contract be terminated, revenue will be recognised based on the amount of staff time/non pay costs which have been incurred on each project within the year.

Where a contract does not contain a termination clause, revenue is recognised for the performance obligations which have been achieved in year in the Statement of Comprehensive Net Expenditure. For both 'Fixed Price' and 'Time and Materials' contracts this would include planning, fieldwork and reporting and revenue will be recognised at the contracted value for each phase, which is primarily based upon costs to deliver each phase. Call off agreements exist with customers with a pre-defined set of terms and conditions but no specific deliverables. Individual service level agreements will be set up when the customer requests works to be completed, which is carried out on a 'Time and Materials' basis.

No warranties or refunds are provided. A different pattern of invoicing may also take place to the performance obligations resulting in either a contract asset or contract liability, which is based upon an invoice plan, determined at the beginning of the project. Expenditure is aligned to the relevant year based upon timing of income recognition.

Within the Statement of Financial Position a contract asset and contract liability have been recognised:

Contract asset – the difference between the amount invoiced to the customer and the latest milestone achieved. An accompanying receivable will be recognised if they customer has yet to pay the invoice. This balance will also include recognition of a receivable for costs which have been incurred to support milestones that have not yet been fully achieved. Any impairment relating to this balance will be measured, presented and disclosed in relation to IFRS 9.

Contract liability – the difference between the invoiced income and the latest achieved contracted milestone. An accompanying receivable will be recognised if they customer has yet to pay the invoice.

This approach has been followed for European Union (EU) income.

Transition from IAS 18 to IFRS 15

HM Treasury have mandated that the public sector retrospectively apply IFRS 15 with the cumulative effect being recognised as an adjustment to the opening general fund within taxpayers equity. In using this transition approach, Cefas has adjusted the opening position for all contracts which were not completed at 1st April 2018. Contract assets and liabilities (as defined above) have been recognised in replacement for accrued and deferred income.

1.8 Revenue Grants

Government grant income is recognised when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Notes to the Accounts

The grant is recognised as income over the period necessary to match it with the related costs, for which the grant is intended to compensate. On the Statement of Financial Position, the balance of deferred income on grants, where income has been received prior to contracts being fully complete, is held within payables and the balance of accrued income, is also calculated from contracts where work has been completed in advance of income being received, is held within receivables. This process was also applied to European Union (EU) income.

1.9 Capital Grants

Cefas received a one-off capital grant from the New Anglia Local Enterprise Partnership in the year towards the site re-development at Lowestoft. Under IAS 20, the funding element is required to be recognised as income in the Statement of Comprehensive Expenditure in the year of receipt as 'Other Income'. Should such a situation arise where the terms of the grant are anticipated to be breached, a liability will be recognised on the Statement of Financial Position for the full amount of the grant.

1.10 Financial instruments

Financial assets

These comprise of receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently held at amortised cost after an appropriate provision for expected credit loss.

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.

1.11 Employee benefits

Pensions

Past and present employees are covered by the PCSPS. The defined-benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Cefas recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of the defined contribution schemes, Cefas recognises the contributions payable for the year.

Other employee benefits

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

Early retirement costs

Cefas is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Cefas provides in full for this cost when the early-retirement programme has been announced and is binding on the agency. Cefas may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

Termination benefits are recognised as a liability when Cefas 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 (reported in note 10).

Notes to the Accounts

1.12 Provisions

Cefas provides for obligations arising from past events where there is a present obligation at the date of the Statement of financial position, if it is probable that Cefas will be required to settle the obligation and a reliable estimate can be made, in line with the requirements of IAS 37 (reported in note 10).

1.13 Leases

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

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

Operating leases and the rentals thereon are charged to the Statement of comprehensive net expenditure on a straight line basis over the term of the lease.

1.14 Taxation

Corporation Tax

No corporation tax is payable on the surplus generated by Cefas as it is an Executive Agency of Defra and not subject to UK corporation tax.

Value-added tax (VAT)

Where Cefas' activities are outside the scope of VAT and output tax does not apply, input tax on purchases is not recoverable. An element of recovery of input tax does take place under the contracted-out services provisions applicable to government departments and through a 'business/non-business' apportionment agreed with HMRC.

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT

1.15 Contingent liabilities

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

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

1.16 Notional charges

Notional costs are amounts charged against the SOCNE by virtue of an interdepartmental adjustment via the General Fund. Costs incurred from shared services are made by cash transfer in accordance with other supplier invoices. See SOCTE for further details on the notional charges.

Notes to the Accounts

1.17 Insurance

Cefas, in common with other government bodies, does not insure the majority of its assets with the exception of the Cefas Endeavour. Losses and compensations are charged to the SOCNE.

1.18 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the average exchange rate set for the year ruling or a rate agreed for a specific project. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the Statement of Financial Position (reported in note 2).

1.19 Reserves

General Fund

The General Fund is the account which summarises the revenue costs of providing services within the year and funding received to support delivery of services in year.

Revaluation Reserve

The Revaluation Reserve is the accounts which records the surpluses created when assets are revalued.

1.20 Impending application of newly issued accounting standards not yet effective

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to Cefas are outlined below. Cefas has not adopted any new IFRS standards early.

IFRS 16 – Leases. This standard is effective from 1 January 2019 but will not be adopted by the FReM until 1 January 2020. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.

Cefas will apply the standards upon formal adoption in the FReM. For IFRS 16 it is not anticipated that material adjustments to the financial statements will be required following the introduction of these standards.

Note 2 Expenditure

	<u>2018-19</u>	Re-presented
	<u>£000</u>	2017-18
		<u>£000</u>
Staff Costs		
Wages and Salaries	22,160	19,398
Social Security Costs	2,179	1,897
Other Pension Costs	4,089	3,629
	<u>28,428</u>	<u>24,924</u>
Other Costs		
Rentals under operating leases	146	72
Travel, subsistence and hospitality	2,855	2,371
Consumables	3,741	2,356
Vessels	6,592	6,282
IT service costs	1,823	1,779
Technical services	3,229	2,309
Estate management	3,249	2,191
Hired and contracted services	1,416	1,571
Training	340	307
Publicity, marketing & promotion	34	53
Stationery & printing	147	75
Office services	891	610
Exchange rate (gains)/losses - Realised	73	96
Exchange rate (gains)/losses - Unrealised	(66)	(66)
Internal audit fees	104	92
Fees & commissions	38	32
Credit Losses	(79)	54
Other	476	346
Non-cash items		
Depreciation	1,887	2,135
(Profit) on the disposal of Property, Plant and Equipment	(94)	-
Loss on the disposal of Property, Plant and Equipment	-	135
Impairment on non financial assets	50	81
NAO Auditors' remuneration	45	45
Non-pension provisions provided for in year/(written back)	(178)	815
Defra notional charge	4,238	3,824
Total	<u>59,385</u>	<u>52,489</u>

No payments have been made directly to the external auditors for non-audit work. During the year the Government Internal Audit Agency commissioned Moore Stephens (now BDO) to carry out an audit of the payroll provider CGI. Cefas contributed £1,608 to this review.

EU expenditure is £1,662,000 (2017-18 £1,636,000)

Included within Consumables is a VAT refund of £Nil (2107-18 £841,000)

Defra notional charges are for facilities management £3,974,000 (2017-18 £3,577,000) and Defra management overheads £264,000 (2017-18 £247,000)

For more detailed disclosures regarding staff costs see the Staff Report.

Note 3 Income Analysis

In accordance with IFRS 8, Cefas is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Financial information is required to be reported on the same basis as is used internally by the Chief Operating Decision Makers (CODMs). For Cefas, the CODMs are the Board and Executive Directors' team and they evaluate performance regularly using operating segments.

Cefas summarises its activities into 5 main segments as set out below:

	2018-19	2017-18
	£000	£000
Operating Income		
Competed Defra	667	496
Defra Group Bodies	2,629	3,469
Public Sector	11,405	11,348
European Union	1,662	1,636
Industry and other	9,131	6,498
Capital grant	1,400	-
Total	26,894	23,447
Contribution towards indirect overheads		
Competed Defra	(30,266)	(27,324)
Defra Group Bodies	468	810
Public Sector	965	2,411
European Union	595	399
Industry and other	1,756	1,753
Capital grant	1,400	-
	(25,082)	(21,951)
Indirect Overheads	(7,409)	(7,091)
Net Operating cost	(32,491)	(29,042)
Defra funding	33,908	29,796
Net Operating surplus	1,417	754

There are no significant transactions between the segments and where costs relate to more than one segment they are apportioned appropriately with reference to the underlying substance of the transaction.

There are two significant customers that each amount to greater than 10% of annual income. Further disclosures in respect of these contracts are not considered appropriate for confidentiality reasons.

Income from Defra in relation to our core activities is recognised as Grant in Aid through the statement of change in taxpayers equity/movement in reserves.

The impact of applying IFRS15 is that income is now shown in two categories on the Statement of comprehensive net expenditure – Revenue from contracts with customers and Other operating income. In 2018-19, Other operating income includes government grants and capital grants. There is no change from IFRS15 to the value of income recognised in each accounting period.

Note 4 Property, Plant and Equipment

	<u>Land</u> <u>£000</u>	<u>Buildings</u> <u>excluding</u> <u>Dwellings</u> <u>£000</u>	<u>IT</u> <u>£000</u>	<u>Scientific</u> <u>equipment</u> <u>£000</u>	<u>Vessel</u> <u>£000</u>	<u>Vehicles</u> <u>£000</u>	<u>Assets</u> <u>under</u> <u>Constructi</u> <u>on</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost or valuation								
At 1 April 2018	863	28,514	169	5,701	23,233	-	1,652	60,132
Additions	-	-	-	98	-	-	10,559	10,657
Disposals	-	-	-	(277)	-	-	-	(277)
Impairment	-	-	-	(86)	-	-	-	(86)
Revaluation	21	689	1	341	-	-	-	1,052
At 31 March 2019	884	29,203	170	5,777	23,233	-	12,211	71,478
Depreciation								
At 1 April 2018	-	21,396	136	2,703	16,841	-	-	41,076
Charges in year	-	695	14	749	429	-	-	1,887
Disposals	-	-	-	(277)	-	-	-	(277)
Impairment	-	-	-	(36)	-	-	-	(36)
Revaluation	-	-	1	132	-	-	-	133
At 31 March 2019	-	22,091	151	3,271	17,270	-	-	42,783
Net book value 31 March 2019	884	7,112	19	2,506	5,963	-	12,211	28,695
Net book value 31 March 2018	863	7,118	33	2,998	6,392	-	1,652	19,056
Assets financing								
Owned	884	7,112	19	2,506	5,963	-	12,211	28,695
Net book value 31 March 2019	884	7,112	19	2,506	5,963	-	12,211	28,695

Notes

- Increase of £772,000 in buildings relates to our Weymouth site and decrease of £83,000 Lowestoft site

Note 4 Property, Plant and Equipment cont'd

	<u>Land</u> <u>£000</u>	<u>Buildings excluding Dwellings</u> <u>£000</u>	<u>IT</u> <u>£000</u>	<u>Scientific equipment</u> <u>£000</u>	<u>Vessel</u> <u>£000</u>	<u>Vehicles</u> <u>£000</u>	<u>Assets under Constructi on</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost or valuation								
At 1 April 2017	832	27,755	235	5,921	23,233	18	500	58,494
Additions	-	276	-	475	-	-	1,652	2,403
Transfers	-	-	-	500	-	-	(500)	-
Disposals	-	-	(70)	(687)	-	(19)	-	(776)
Impairment	-	-	-	(81)	-	-	-	(81)
Revaluation	31	483	4	(427)	-	1	-	92
At 31 March 2018	863	28,514	169	5,701	23,233	-	1,652	60,132
Depreciation								
At 1 April 2017	-	20,433	182	2,826	16,412	15	-	39,868
Charges in year	-	963	22	719	429	2	-	2,135
Disposals	-	-	(71)	(552)	-	(18)	-	(641)
Revaluation	-	-	3	(290)	-	1	-	(286)
At 31 March 2018	-	21,396	136	2,703	16,841	-	-	41,076
Net book value 31 March 2018	863	7,118	33	2,998	6,392	-	1,652	19,056
Net book value 31 March 2017	832	7,322	53	3,095	6,821	3	500	18,626
Assets financing								
Owned	863	7,118	33	2,998	6,392	-	1,652	19,056
Net book value 31 March 2018	863	7,118	33	2,998	6,392	-	1,652	19,056

Notes

2. Increase of £285,000 in buildings relates to our Lowestoft site and £198,000 Weymouth site

Note 5 Impairments

	Note	<u>2018-19</u> <u>£000</u>	<u>2017-18</u> <u>£000</u>
Property, Plant & Equipment		50	81
Total impairment charge for the year	4	<u>50</u>	<u>81</u>

Note 6 Non-Current Assets Investments

	<u>£000</u>
Cost and net book value	<u>150</u>

In 2001, Cefas purchased the entire share capital of Cefas Technology Limited (CTL) for £150,000.

In accordance with the Government Financial Reporting Manual, the non-current asset investment has not been consolidated as it is outside the departmental boundary.

Cefas' share of the net assets and results of the above investment are as follows (2018-19: unaudited):

	<u>2018-19</u> <u>£000</u>	<u>2017-18</u> <u>£000</u>
Non-current assets	200	254
Other current assets	271	445
Cash and cash equivalents	926	1,047
Liabilities	(78)	(244)
Net assets at 31 March 2019	<u>1,319</u>	<u>1,502</u>
Turnover	481	448
Profit/(Loss) before tax for the year	(183)	41

Within the Profit/Loss before tax for the year is an operating loss of £133,000 (2017-18: £26,000 loss) and an unrealised loss on investments of £50,000 (gain 2017-18: £67,000).

Note 7 Trade Receivables and Other Current Assets

	<u>31st March</u> <u>2019</u> <u>£000</u>	<u>31st March</u> <u>2018</u> <u>£000</u>
Amounts falling due within one year		
Trade receivables	3,523	4,617
VAT	144	-
Prepayments and accrued income	1,199	4,876
Contract Assets	3,555	-
Less Expected Credit Loss for receivables and contract assets	(31)	-
Less bad debts impairment	-	(110)
Trade and other receivables	<u>8,390</u>	<u>9,383</u>

Accrued income and contract assets relating to EU funding £635,000 (2017-18 £966,000).

Intra-government receivable balances as at 31 March 2019 with the following bodies were: other central government bodies £3,243,000 (2017-18: £4,374,000), local authorities £Nil (2017-18: £Nil) public corporations and trading funds, £Nil (2017-18: £98,000), bodies external to government £5,147,000 (2017-18: £4,911,000).

Note 7 Trade Receivables and Other Current Assets cont'd

IFRS 15 impact on Trade and other receivables

	<u>As Reported</u> <u>£000</u>	<u>Adjustments</u> <u>£000</u>	<u>Balances</u> <u>without</u> <u>adoption</u> <u>of IFRS 15</u> <u>£000</u>
Amounts falling due within one year			
Trade receivables	3,523	-	3,523
VAT	144	-	144
Prepayments and accrued income	1,199	3,555	4,754
Contract Assets	3,555	(3,555)	-
Less Expected Credit Loss for receivables and contract assets	(31)	-	(31)
Trade and other receivables	<u>8,390</u>	<u>-</u>	<u>8,390</u>

If the prior year was restated £3,259,000 would have been moved from accrued income to contract assets. In the year the full opening balance has been transferred to trade receivables. New contract assets of £3,555,000 were recognised in the year.

Included within prepayments and accrued income is £624,000 (2017-18 £651,000) of accrued income relating to government grants which is not accounted for under IFRS15.

Note 8 Cash and Cash equivalents

	<u>2018-19</u> <u>£000</u>	<u>2017-18</u> <u>£000</u>
Balance at 1 April	6,066	8,223
Net change in cash and cash equivalent balances	754	(2,157)
Balance at 31 March	<u>6,820</u>	<u>6,066</u>
The following balances at 31 March are held at:		
Government Banking Services	6,820	6,066
Balance at 31 March	<u>6,820</u>	<u>6,066</u>

Note 9 Trade Payables and Other payables

	<u>31st March</u> <u>2019</u> <u>£000</u>	<u>31st March</u> <u>2018</u> <u>£000</u>
Amounts falling due within one year		
VAT	-	758
Other taxation & social security	550	493
Trade payables	1,312	859
Other payables:		
Other	446	395
Accruals and deferred income	6,543	8,533
Contract liabilities	2,304	-
Trade and other payables	<u>11,155</u>	<u>11,038</u>

Note 9 Trade Payables and Other payables cont'd

Other payables include employee pension contributions at 31 December 2018 totalling £447,000 (2017-18: £401,000)

Intra-government payable balances as at 31 March 2019 with the following bodies were: other central government bodies £1,504,000 (2017-18: £2,327,000), public corporations and trading funds £29,000 (2017-18: £Nil), bodies external to government £9,622,000 (2017-18: £8,711,000).

IFRS 15 impact on Trade and other payables

	<u>As Reported</u>	<u>Adjustments</u>	<u>Balances without adoption of IFRS 15</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due within one year			
Other taxation & social security	550	-	550
Trade payables	1,312	-	1,312
Other payables:			-
Other	446	-	446
Accruals and deferred income	6,543	2,304	8,847
Contract liabilities	2,304	(2,304)	-
Trade and other payables	<u>11,155</u>	<u>-</u>	<u>11,155</u>

If prior year was restated £2,618,000 would have been moved from deferred income to contract liabilities. In the year £2,297,000 of the opening contract liability has been recognised as revenue. The closing contract liability comprises of £1,983,000 income received in the current period and £321,000 income received in a prior period.

Included within accruals and deferred income is £491,000 (2017-18 £871,000) of deferred income relating to government grants which is not accounted for under IFRS15.

Note 10 Provisions

	<u>Facilities</u> <u>£000</u>	<u>Contract Provisions/ losses</u> <u>£000</u>	<u>Legal claims</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Balance at 1st April prior year	1,454	983	262	2,699
Provided in the year	32	31	19	82
Provisions not required written back	-	(254)	(6)	(260)
Provisions Utilised in the year	(115)	(629)	(94)	(838)
Balance at 31st March current year	<u>1,371</u>	<u>131</u>	<u>181</u>	<u>1,683</u>

Analysis of expected timings of discounted flows

Not later than one year	1,168	131	-	1,299
Later than one year and not later than five years	203	-	181	384
Balance at 31st March current year	<u>1,371</u>	<u>131</u>	<u>181</u>	<u>1,683</u>

Facilities

Provision values relate to property commitments that require Cefas to make good respective sites to the original condition. These provisions are based on professional estimates and management judgements.

Contract provisions/losses

This relates to provisions for losses that are reasonably likely to be incurred in respect of ongoing contracts. The provision is based on an assessment of the cost of the effort required to make good the delivery in excess of any benefit due under the terms of the contract to Cefas.

Legal claims and other items

This balance constitutes three key areas – liabilities for early retirement and known Health and Safety cases. The amount provided reflects an estimate of the potential settlements that Cefas may incur. No reimbursement is expected in relation to any of the amounts provided for.

Note 11 Capital Commitments

	<u>31st March</u> <u>2019</u> <u>£000</u>	<u>31st March</u> <u>2018</u> <u>£000</u>
Contracted capital commitments at 31 March for which no provision has been made:		
Property, plant and equipment	2,000	2,427
	<u>2,000</u>	<u>2,427</u>

The balance relates to the commitments for the Lowestoft site redevelopment.

Note 12 Commitments under Leases

Operating Leases

Total future minimum lease payments under operating leases:

	31st March	31st March
	2019	2018
	£000	£000
Land		
Land operating leases - not later than one year	3	4
Land operating leases - over five years	7	-
Total of land operating leases	10	4
Buildings		
Buildings operating leases - not later than one yr	97	95
Buildings operating leases - one to five years	107	184
Total of buildings operating leases	204	279
Other		
Other operating leases - not later than one year	97	106
Other operating leases - one to five years	45	117
Total of other operating leases	142	223

Note 13 Other Financial Commitments

Commitments relating to facilities management in buildings owned or leased by Defra.

	31st March	31st March
	2019	2018
	£000	£000
Not later than one year	2,503	2,274
Later than one year and not later than five years	10,011	9,098
Later than five years	14	2,287
	12,528	13,659

Note 14 Related Party Transactions

Cefas is an executive agency of Defra and is sponsored by it. Defra is regarded as a related party. Cefas has dealings with Defra and its sponsored bodies. Three of Cefas' board members are employed by Defra. All transactions have been undertaken on an arm's length basis.

During the year, Cefas has had significant transactions with Defra, a number of its agencies and NDPBs, including the Marine Management Organisation, Natural England, the Joint Nature Conservation Committee, the Environment Agency and the Food and Environment Research Agency.

Income from Defra of £34,575,000 was received as, Funding of £33,908,000 (Core Defra), and £667,000 (invoiced Defra) (2017-18: £30,292,000). At 31 March 2019, £Nil was due from Defra (2017-18: £Nil) and £Nil was owed to Defra (2017-18: £Nil).

Cefas has transacted with various other central government bodies, and most of these transactions have been with the Food Standards Agency. Cefas has also transacted with local authorities.

Board members, key managerial staff or other related parties that have undertaken any material transactions with Cefas, Cefas Technology Limited or other related parties during the year other than reimbursement for travel and subsistence in the normal course of business are detailed below: -

Cefas Technology Limited is a non-current asset investment (see Note 6). The shares are held by Tom Karsten as nominee of the trustees for Cefas. Income of £289,000 was derived from CTL (2017-18: £260,000) and costs of £232,000 were payable to CTL (2017-18: £313,000). At 31st March 2019, £56,000 was due from CTL (contract asset) (2017-18: £98,000) and £3,000 was owed to CTL (contract liabilities) (2017-18: £Nil).

Tim Green, Steve Millward and Steve Addison are Executive Directors of CTL and Cefas.

Note 15 Events after the Reporting Date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue by Tom Karsten as Accounting Officer. The Accounting Officer authorised these financial statements for issue on the date the Comptroller and Auditor General issued his Audit Certificate.

There are no events to report.

Abbreviations

AMR	Reference Centre for Antimicrobial Resistance
ARAC	Audit and Risk Committee
CFP	Common Fisheries Policy
CMB	Cefas Management Board
CTL	Cefas Technology Limited
DEFRA	Department for Environment Food & Rural Affairs
EU	European Union
ExCO	Executive Committee
FAO	Food and Agriculture Organisation
GGC	Greening Government Commitments
ICT	Information and communications technology
MMO	Marine Management Organisation
NED	Non-Executive Director
OIE	World Organisation for Animal Health
PCSPS	Principal Civil Service Pension Scheme
UN	United Nations



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Further information about Cefas, our activities and services, and news of recent developments can be found on our website: www.cefas.co.uk

Cefas is an executive agency of Defra

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