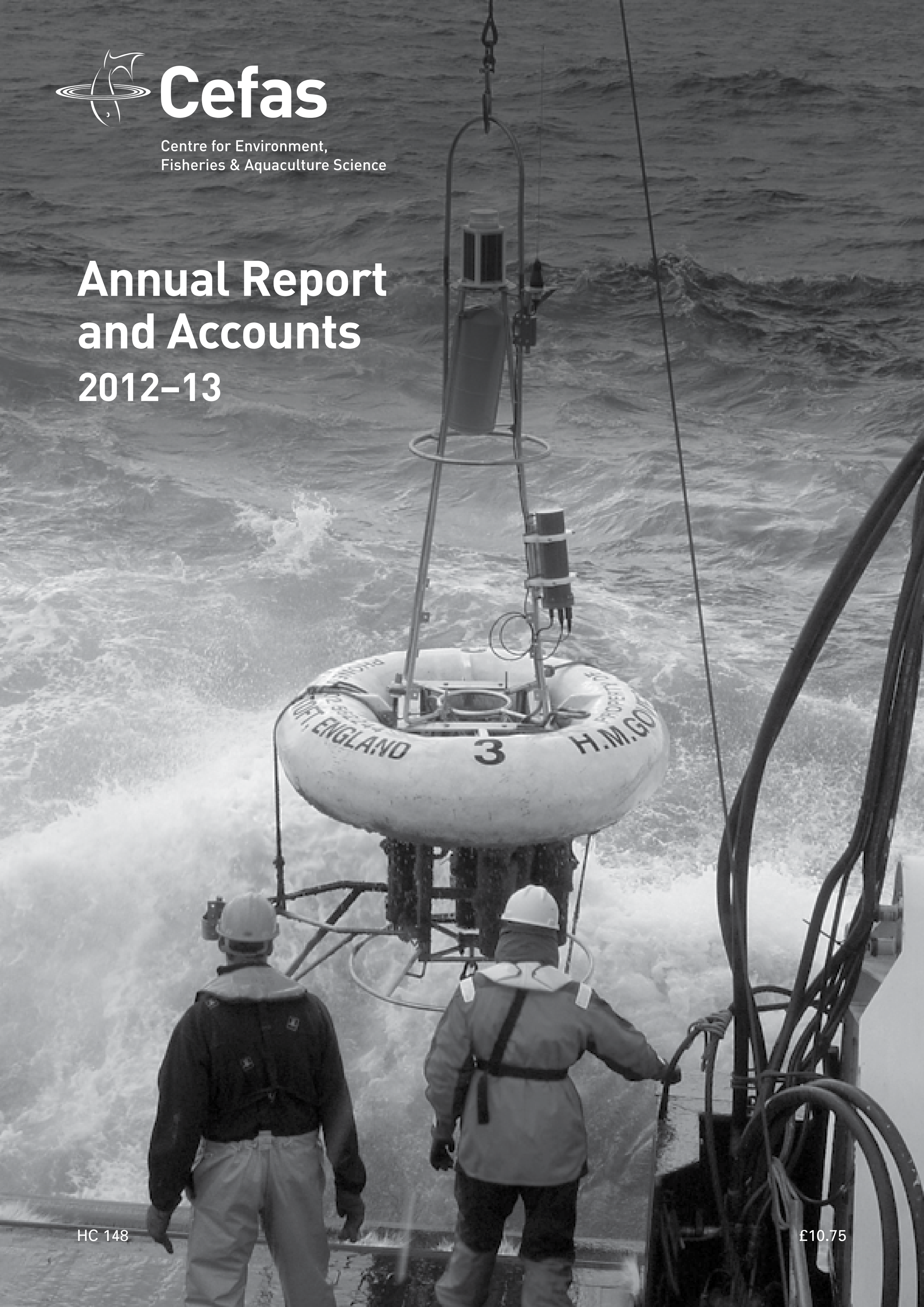
Cefas

Centre for Environment,
Fisheries & Aquaculture Science

Annual Report and Accounts
2012–13



HC 148

£10.75

Centre for Environment, Fisheries & Aquaculture Science Annual Report and Accounts 2012–13

Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 19 June 2013

HC 148 London: The Stationery Office £10.75

Design and layout: cobalt id

Photograph credits:
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p 4: © Crown copyright; photographer: Marek Walisiewicz / cobalt id
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You can also download this publication from the same website:
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ISBN: 9780102982282

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2545969 06/13

Printed on paper containing 75% recycled fibre content minimum

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01 MANAGEMENT COMMENTARY

FOREWORD

Cefas' science capability is subject to an independent review (sponsored by our owners, the Department for Environment, Food and Rural Affairs, Defra) approximately every five years. A panel of leading experts evaluates the sustainability, appropriateness, quality and impact of Cefas science. During their visit in July 2012 no stone was left unturned in examining our work.

I am delighted to report that they deemed our science to be excellent in so many areas: advice, emergency response, monitoring and self-investment. The quality and originality of our science also compares favourably with academic institutes and we continue to out-perform against challenging targets for success covered by our performance indicators. There was strong endorsement of the value of our contribution – to government, the science community and the wider public – which is a wonderful platform from which to face new challenges.

We are strengthening the evidence base for decision-making by aligning our work closely with the government's growth agenda and driving efficiency gains through partnership working. This is also helping to promote the sustainable use of the sea for future prosperity. This report provides a brief summary of some aspects of our comprehensive activities where we are actively pursuing this approach, for example:

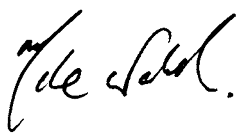
- **Advice on fisheries:** The Defra/Cefas Fisheries negotiation team won a Defra Team Award this year for their work on European Union (EU) reform of the Common Fisheries Policy (CFP) and quota and stock management arrangements. The submission cited "an increase in the UK's share of fishing opportunities for 2012 worth over £19 million. In a struggling industry, on which many UK coastal towns and villages depend, the deal safeguarded UK jobs, improved profitability and provided a longer-term future for UK fishermen by ensuring the sustainability of fish stocks on which they rely."
- **Evidence collection for proposed Marine Conservation Zones (MCZs):** We worked in partnership with others within the Defra network, also winning a Defra Team Award, mobilising survey teams for habitat-mapping and the identification of conservation features. These efforts have provided robust evidence for the recent proposals for designating MCZs.
- **Protecting consumer health:** Our work on norovirus has provided a better understanding of the risk to health and Cefas' new methodology developed for shellfish has been translated to other food stuffs, providing standard methods across European Community laboratories.

Customer demand remains high, and our long-term plans are underpinned by a strong financial performance. Diversifying our income has been key and this approach is providing insights that deliver public and customer benefits. For example, new work on renewable energy initiatives has led us to combine government- and industry-funded data to provide a more comprehensive service that benefits a wider range of interested parties: marine-based developers, flood managers and other maritime users.

On a range of key indicators we have had a very positive year:

- we returned a healthy net operating surplus of £1 million (2011–12: £2.8 million)
- staff engagement levels remain high: with an engagement score of 64%, we are among the highest-performing civil service organisations
- absence levels compare favourably across the wider civil service and incidents of ill-health or injury to staff have remained low.

Considering all that we have achieved this year, I believe we can face any future challenges with a healthy degree of confidence. We are grateful to Richard Judge, our outgoing Chief Executive, for leaving us in such a formidable position and wish him well in his new role at the Insolvency Service.



Mike Waldock
Chief Executive

OUR IMPACT

We align our work to Defra's priorities, which are about striking the right balance between economic, social and environmental goals for a sustainable future.

Our vision is to make 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. Our activities support the government's ambitions for sustainable "blue" growth and associated marine industry sectors that contribute over £35 billion to the UK economy and bring wider socio-economic benefits.

Cefas' governance arrangements and approach to business risk are covered in more detail in the Governance Statement (see pp 21–23). A five-year strategy sets the long-term direction; and a detailed annual plan is devised before the start of each year. Performance against these and performance indicators (see p 8) are reported on and reviewed quarterly by the Cefas Management Board (CMB).

The following four examples of our wider applied scientific capability demonstrate the important impact of our work, in the UK and abroad:

COLLECTING EVIDENCE FOR MCZ DESIGNATIONS

We have collaborated closely with Defra and its other relevant agencies to support the effective implementation of the proposed MCZ network, a key outcome of the Marine and Coastal Access Act 2009 (MCAA). We co-ordinated activities across the marine science community to collect physical and biological data in English and Welsh waters, and prepared technical reports for high-priority sites. Analysis of seabed acoustic data, video footage, photography and seabed biological samples have provided valuable context for use during the public consultation process, which has attracted much interest across the UK.

REFORMING FISHERIES POLICY, PROMOTING SUSTAINABILITY

Cefas has continued to work closely with Defra and stakeholders on the reform of the CFP. For example, a project with the National Federation of Fishermen's Organisations evaluated ways of achieving fully documented fisheries, a key element of results-based management under a reformed CFP. Our scientists have produced a series of assessments for crab and lobster stocks as part of the UK's evidence base to deliver national commitments under the EU's Marine Strategy Framework Directive (MSFD). Cefas led the development of a plan for the management of Atlantic salmon stocks to demonstrate what actions are being taken to implement the various resolutions, agreements and guidelines of the North Atlantic Salmon Conservation Organisation, thereby supporting the recovery of these threatened stocks. Our scientists also led on a review of European eel status to assess present-day production against levels from about 30 years ago, and to quantify the effects of human impacts.

MARINE PLANNING AND LICENSING

Following the recent requirement to make navigational dredging a licensable activity under the MCAA, we have provided significant support and advice to Defra to inform decisions about how the new licensing regime could be implemented. Of particular concern was the large number of low-risk and small-scale maintenance dredging activities in English waters that may pose an unnecessary burden on those stakeholders requiring a licence. Cefas worked with partners to generate self-assessment guidance for applicants so that they can comply with the relevant legislation. Our work in this area, which is in line with the government's Red Tape Challenge, is helping to reduce the burden on regulators and industry alike, while maintaining environmental protection.

FOOD SECURITY AND SUSTAINABILITY

Good progress was made during the year to support our long-term goal of increased availability to the public of healthy, safe fish and shellfish. We are leading a UK-wide government partnership to successfully implement statutory controls for bivalve shellfish hygiene. This covers monitoring for biotoxins, phytoplankton, contaminants, etc;

the classification of shellfish production sites and sanitary surveys; and specialist advice – under a Service Level Agreement with the Food Standards Agency (FSA). As the EU's designated Reference Laboratory for microbial contamination in shellfish, we were also active in supporting the European Commission (EC) in managing an extensive outbreak of norovirus in Germany. The high health status of UK aquatic animals was also sustained this year. A risk-based surveillance programme, completed for all 18 notifiable aquatic animal diseases, improved the cost-effectiveness of fish and shellfish farm inspections while meeting statutory requirements. Finally, Cefas is working with a consortium to develop a pilot marine-based aquaculture project in Cornwall (with future plans for Wales) to help facilitate food security and growth in this sector.

ASSESSING AND MONITORING UK SEAS

The UK's Initial Assessment of the marine environment, a key requirement of the MSFD, went through a public consultation process in 2012. We provided extensive support to Defra to revise the final assessment and improve the description of economic implications for marine sectors before it was submitted to the EC.

The first wide-ranging Climate Change Risk Assessment was published by the UK in January 2012 and our scientists were lead authors of its marine and fisheries sector report. This highlighted areas where further knowledge was required and a number of recommendations for future research were taken forward during 2012 into the first National Adaptation Programme for England and Wales. Further work is likely to be needed to predict the distribution of species that are of conservation and fisheries importance (including non-native species) and to assess the implications for marine sectors of the increased storminess of UK seas.

FUTURE PLANS

An independent science capability review, which is conducted on behalf of Defra approximately every five years, took place in 2012. This found that our general level of science is "excellent and in several areas is leading at the European and global level". Recommendations from the review, particularly related to our refreshed evidence and ICT strategies, will form the basis of our plans for the years ahead.

We will continue to nurture partnerships within the Defra network and wider government, enabling a more integrated response across the sectors in which we operate to drive value for money.
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 key areas.

We will play our full part in the successful delivery of government marine-related priorities:

- enabling innovation in the fishing and aquaculture industries, continuing to work with Defra and the fishing industry to secure positive outcomes from CFP reform, and sustaining effective aquatic animal disease controls
- leading on the national evidence base and providing trusted advice to support sustainable development of marine and coastal environments. We will continue to inform the implementation of Marine Plans and MCZs, and prepare Defra for cost-effective implementation of the MSFD.
- improving human health and well-being by supporting food safety and sustainable food production, working with the FSA and food producers
- supporting the "blue" economy and UK energy policy through our work on offshore renewables projects and providing leadership on marine climate change adaptation.

In addition, to support a viable and vibrant future for Cefas, in the year ahead we will:

- create development opportunities for our people and invest in leadership, evolving our skills to reflect customer priorities and our own strategic needs
- continue to drive effectiveness improvements through even better project management and simpler internal processes, supporting this through increased personal responsibility and decision-making at all levels of the organisation
- actively explore options through our Cefas Connects programme to support the government's ambitions for contributing to our local communities.

“AN INDEPENDENT REVIEW ... FOUND THAT OUR GENERAL LEVEL OF SCIENCE IS ‘EXCELLENT AND IN SEVERAL AREAS IS LEADING AT THE EUROPEAN AND GLOBAL LEVEL’.”

ACHIEVEMENT AGAINST PERFORMANCE 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.

They are announced in the House of Commons and audited by Defra at the end of each financial year. A balanced scorecard approach aligns the indicators with Cefas' strategic objectives. Each indicator includes an assessment against an external metric and the outcomes of strategic actions, which aim to strengthen delivery and long-term capability. These combine into single measures, as detailed below.

MEASUREMENTS OF ACHIEVEMENT

METRIC	TREND	MEASUREMENT	WEIGHT	ACHIEVEMENT
Finance	80%, grow	The financial effectiveness of our operations and the accuracy of forecasts for our owner, and the successful diversification of our customer base	30%	**2012–13 Target achieved (84%)** 2011–12 Target achieved 2010–11 Target achieved
Customer satisfaction	80%, enhance	Post-contract surveys, together with monitoring of how we learn and take action on this feedback. Delivery of Cefas impacts	17.5%	**2012–13 Target achieved (86%)** 2011–12 Target achieved 2010–11 Target achieved
Scientific excellence	80%, sustain	Indicators including publication and media records, customer views of our science and ongoing investment in new science and capabilities	17.5%	**2012–13 Target achieved (87%)** 2011–12 Target achieved 2010–11 Target achieved
Employee engagement	80%, grow	The relative performance in the annual questionnaire to all civil service staff together with the delivery of specific actions, including absence reduction	17.5%	**2012–13 Target achieved (95%)** 2011–12 Target achieved 2010–11 Target not achieved
Social responsibility	80%, sustain	Health, Safety and Environment indicators and delivery of improvement actions; maintaining OHSAS 18001 and ISO 14001 accreditations	17.5%	**2012–13 Target achieved (88%)** 2011–12 Target achieved 2010–11 Target achieved

FINANCIAL PERFORMANCE

Cefas has delivered another strong financial performance in a challenging year for public-sector finances. We recovered the full economic cost of the services we provide during 2012–13, generating a net operating surplus of £1 million (2011–12: £2.8 million).

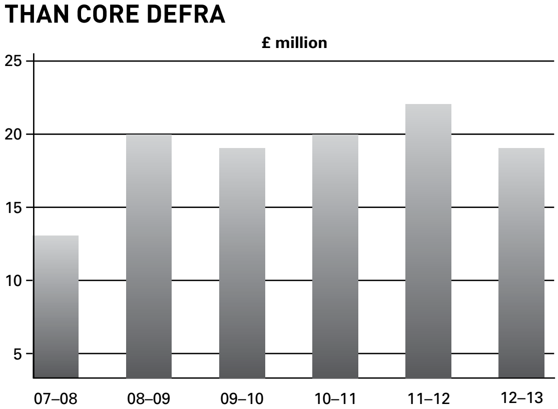
This performance was impacted by two significant items netting to a charge of £2.1 million. These were a further impairment to the carrying value of our research vessel, which resulted in a charge of £2.8 million; and the release of £0.7 million of property lease provisions, which were resolved in the year for less than previous estimates.

Turnover this year totalled £52.1 million (2011–12: £53.1 million), a £1 million decline over the previous year. This was principally due to a reduction in EU research income of £2.6 million, as several major projects concluded, offset by an increase in demand from Defra of £1.9 million. Our performance in generating a surplus of £3.1 million, before the significant items mentioned above, enabled us to maintain investment in our science, infrastructure and people to ensure a sustainable future for the agency.

Defra income increased to 64% of our total income (2011–12: 59%) or £33.1 million (2011–12: £31.3 million). Of this, approximately £27 million reflects a strategic partnership between Cefas and Defra that secures essential services required by government. The bulk of additional work this year was to provide evidence in support of designation proposals for MCZs.

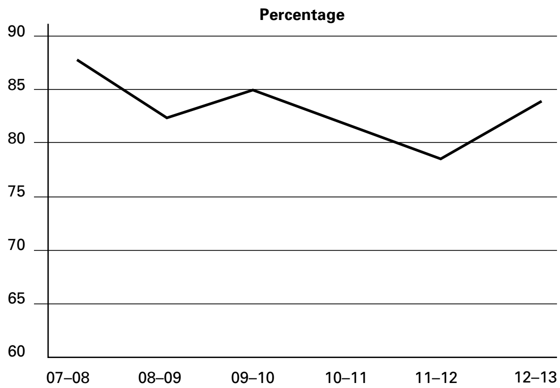
Turnover from sources other than core Defra – £19 million (2011–12: £21.8 million) – plays a critical role in supporting government through broadening our capabilities and experience, demonstrating our competitiveness and contributing significantly to our fixed costs. The reduction in income this year was principally due to the phasing of EU research project conclusions. This meant that income from this customer declined to £2.6 million (2011–12: £5.2 million).

TURNOVER FROM SOURCES OTHER THAN CORE DEFRA



Although wider-markets work is vital for sustaining Cefas' strength and critical capability, our primary customer base continues to be firmly UK government-related. Defra, its network and other UK public-sector customers comprise 84% of our work and we expect this to stay at more than two-thirds of all our work into the foreseeable future.

PERCENTAGE OF INCOME FROM ALL UK GOVERNMENT SOURCES



External cost increases were generally kept below the consumer price index inflation rate of 3.5%. Total salary costs rose as full-time equivalent (FTE) staff numbers increased to 531 (2011–12: 511 FTE), reflecting the filling of vacancies carried over from last year. Actual pay rates rose by 1%, in line with public-sector pay constraints. There were no charitable donations greater than £200 made in the year (2011–12: £NIL).

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.

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 Principal Civil Service Pension Scheme (PCSPS), which is responsible for meeting future pension obligations on behalf of Cefas, or to employees' stakeholder-based arrangements. Further details are provided in Note 2(a) to the accounts.

ASSETS

Capital investment in the business of £1 million (2011–12: £1.8 million) was principally incurred on scientific equipment to meet contractual needs – £0.5 million (2011–12: £1.1 million).

“ALTHOUGH WIDER-MARKETS WORK IS VITAL IN SUSTAINING CEFAS’ STRENGTH AND CRITICAL CAPABILITY ... MORE THAN 80% OF OUR WORK IS UK PUBLIC SECTOR AND WE EXPECT IT TO STAY AT TWO-THIRDS OF ALL OUR WORK INTO THE FUTURE.”

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 deemed to be immaterial. In 2012–13, CTL traded profitably, making an operating profit of £136,000 before tax on turnover of £474,000.

CASH MANAGEMENT

The agency generated a positive operating cash flow of £2.8 million (2011–12: £5.1 million), primarily due to a strong operational performance less increases in working capital.

Having reviewed the cash requirements of the agency with Defra, we have repaid £14 million (2011–12: £1.4 million) to them, which reduces the General Fund reserve balance. This leaves us in a sound cash position with sufficient liquid funds and customer contracts to meet all of our 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, 95% in pounds sterling and 5% in foreign currencies; and the payment of certain goods and services in foreign currencies. This risk is believed to be low, and our policy is to accept net currency conversion risk of euros and US dollars or closely linked currencies.

FUTURE PLANS

Our future plans reflect expected income reductions from Defra, in line with the government’s Spending Review. That reduction should be offset by continued diversification from the offshore renewables sector, major marine capital projects support and, over a longer timescale, food security. Our commercial approach and customer focus enable us to face the future with confidence.

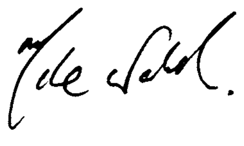
AUDITOR

Our external auditor is the Comptroller and Auditor General, whose address is:

The Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

The cost of work performed by the external auditor is £45,000 (2011–12: £45,000). No other fees were paid to the external auditor.

As far as I, the Accounting Officer, am aware, there is no relevant information of which the auditors are unaware. I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information, and to establish that the auditors are aware of that information.



Mike Waldock
Chief Executive
22 May 2013

STAFF ENGAGEMENT, AT WORK AND BEYOND

Our 92% staff-response level to the annual civil service People Survey exceeded both our local target (83%) and far exceeded the average response rate for the entire civil service (62%).

The survey is designed to measure staff engagement, and our overall engagement index was 64% (2011–12: 62%). This maintained our ranking among the highest-performing civil service organisations for the second year, placing us 18th out of 97 organisations surveyed. We achieved significant increases in scores relating to leadership, managing change and access to learning and development opportunities.

Employee involvement in our business is actively encouraged through a staff focus group, informal drop-in sessions with the Chief Executive, divisional meetings, a variety of business and science-related workshops and formal trade union meetings.

The Cefas Connects volunteering scheme supports community-based initiatives, with staff raising funds for charities, undertaking beach clean-ups and reaching out to 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.

We have made changes to our occupational health management processes and ensured that staff can achieve an acceptable work–life balance. The average number of working days lost due to sickness was 4.9 (2011–12: 4), which continues to compare favourably to the 7 average working days lost across the wider civil service.

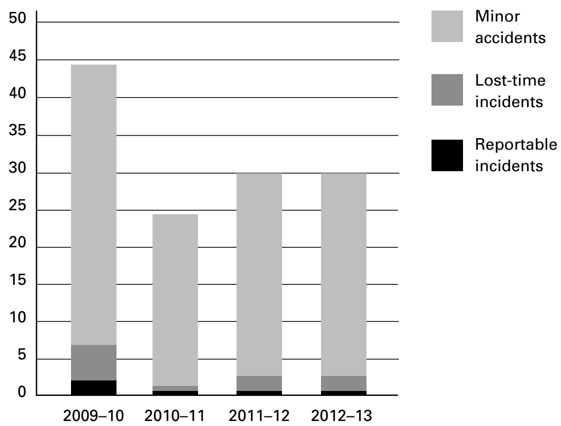
The Equality Act 2010 requires Cefas to consider the needs of all individuals in their day-to-day work, how we develop our policies, deliver our services and manage our people. The Act places additional statutory duties on public-sector organisations through the Public Sector Equality Duty, which requires us to publish equality information on our workforce. This information is freely available within the *2012 Workforce Monitoring* report, available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/181822/workforce-monitoring2012.pdf.pdf

HEALTH AND SAFETY: BECOMING SMARTER

Significant work on H&S compliance in previous years and listening to staff feedback has helped us to refine our systems, making them smarter and simpler. We have invested in new software to make H&S management systems more accessible for our staff. These help us to manage incidents, audits, training and risk assessments and will remove administrative burden. They also enable us to focus on the most important factors – identifying improvements in our control measures and reducing risk in our operations.

Reported incidents and accidents

This year the number of significant injuries to, or ill-health of, staff remained low while the number of proactive "safety alerts" (identified near-misses that have not led to injury or ill-health) has increased. This indicates a positive safety culture.



SERVICE STANDARDS

Our service standards and key policies are described on our website. This year, 92% of Freedom of Information and Environmental Information Regulation enquiries achieved our response targets. Visitors registering at our laboratories were met within 10 minutes of their arrival. There were nine complaints relevant to the Cefas Service Charter received during the report period. On investigation, eight of these were assessed as invalid complaints and the outcomes explained and accepted by the complainants. The remaining complaint (2011–12: one) was resolved to the customer's satisfaction. Lessons learnt have been built into our working arrangements.

SUSTAINABILITY REPORT

Year ending 31 March 2013

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 for 2012–13 Reporting*. 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 and graphs present the energy consumption, greenhouse gas emissions, waste arising and water use figures, reported as part of the Greening Government Commitments (GGCs). Cost data is sourced from accounting records for the respective periods.

Except for travel information, figures from Q4 2011–12 have been used to account for the same quarter in 2012–13. This is because annual 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*.

In this year's report, we have updated the 2011–12 data to include the finalised Q4 figures from that year, which became available after the publication of last year's *Annual Report*. This has been done to provide the most complete comparison data possible.

We have also made improvements in the range of business-travel data collected since last year's *Annual Report* was published. For instance, the figures in the 2011–12 report included travel data for on-contract hire, Fish Health Inspectorate lease vehicles and the "grey" fleet only.[1] For this year's report, the emission data covering business travel have been updated from 2009–10 to include public transport as well. So, in total, the business-travel emission data now reported covers road (bus, car, taxi and other vehicles), air, tube and rail.

PERFORMANCE COMMENTARY

The GGCs are the main driver for sustainability improvement and our targets are set by Defra. By 2015, against a 2009–10 baseline, Cefas aims to:

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

Further information on the GGCs is available at www.gov.uk/government/publications/greening-government-commitments

Governance

Cefas' sustainable operations and procurement strategy are delivered through our Divisional Directors; and key performance indicators are reported to the CMB on a monthly basis. Performance is also reported through Defra to the Sustainability Governance Board (Sustainable Performance Reporting programme) and reported to Defra's Management Committee on a quarterly basis.

Environmental Management System

Cefas operates an environmental management system that is externally certified to the International Standard Organisation's ISO 14001:2004. The scope includes all Cefas operations to deliver specialist scientific and technical support, plus consultancy and advice in aquaculture, environmental protection and fisheries management.

The following information addresses specific aspects of our sustainability performance.

Carbon – greenhouse gas emissions

CO_2 reduction since 2009–10	2012–13 performance
4.1%	Behind target

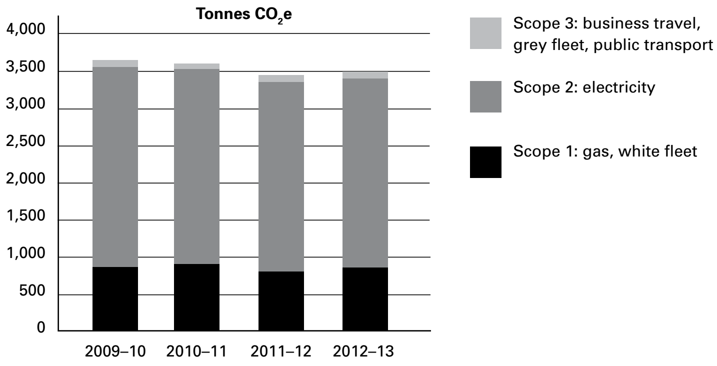
Cefas has achieved a 4.1% reduction in CO_2 emissions since 2009–10. This is behind the target set which, starting from the baseline in 2009–10, aimed to deliver a 5% reduction in greenhouse gas emissions every year until 2015. Based on that assumption, the target for 2012–13 therefore was a 15% reduction (since 2009–10).

The shortfall in performance for greenhouse gas emissions is a consequence of ageing laboratory infrastructure. There will be limited scope for further improvements unless significant capital investment for a new facility for our Lowestoft operations is forthcoming.

The performance noted below reflects the achievements we have been able to make through smaller investments and staff commitment. It should also be noted that the data offered has not been weather corrected.

[1] The term "grey fleet" refers to business mileage in employee-owned vehicles. This is in comparison to "white fleet", which refers to business mileage in Cefas-owned vehicles and lease or hire vehicles.

GREENHOUSE GAS EMISSIONS, BY SCOPE



Abbreviations used on pp 13–15

kWh: kilowatt hours
CHP: combined heat and power
LPG: liquefied petroleum gas
tCO_2e: carbon dioxide emissions, in tonnes
CRC: Carbon-Reduction Commitment Energy Efficiency Scheme

ENERGY		2012–13	2011–12	2010–11	2009–10
Non-financial indicators (kWh, '000)	**Total energy consumption**	**8,600**	**8,245**	**8,588**	**8,622**
No consumption of oil, biomass, other CHP, self-generated renewables, LPG or other	Total electricity	4,963	4,984	4,927	5,067
	Electricity: brown	3	11	56	102
	Electricity: green	4,960	4,973	4,869	4,965
	Electricity: CHP	0	0	2	0
	Gas	3,637	3,261	3,661	3,555
Financial indicators (£'000)	**Total energy costs**	**751**	**678**	**705**	**791**

GREENHOUSE GAS EMISSIONS		2012–13	2011–12	2010–11	2009–10
Non-financial indicators (tCO_2e)	**Total emissions**	**3,508**	**3,471**	**3,595**	**3,656**
	Scope 1: direct emissions from buildings	668	599	674	654
	Scope 2: indirect emissions from buildings	2,603	2,615	2,681	2,741
	Total building emissions	**3,271**	**3,214**	**3,355**	**3,395**
	Scope 1: direct emissions from business travel[1]	177	194	179	188
	Scope 3: indirect emissions from business travel[1]	60	63	61	73
	Total travel emissions	**237**	**257**	**240**	**261**
	Emissions eligible for CRC scheme	n/a	3,266	n/a	n/a
Financial indicators (£'000)	CRC[2]	n/a	39	n/a	n/a
	Expenditure on official business travel	**665**	**704**	**714**	**1,232**

We continue to identify and review opportunities for improving energy efficiency and implementing initiatives that will assist in meeting our CO_2 reduction targets (set by Defra). Initiatives fall into the following categories:

- staff behaviour change: 73% have had environmental awareness training, and there have been agency-wide notices regarding environmental performance and initiatives
- technological solutions arising from in-depth energy and water surveys that improve the energy efficiency of the laboratories (Weymouth: replacement refrigerators and boilers; Lowestoft: new time-of-day controls on all 24 point-of-use water heaters; both sites: insulation to exposed valves and heat exchangers in plant rooms)
- continued use of improved ways of working (video/WebEx/audio conferencing, multi-functional printing devices, centralised staff amenities, management of travel data)
- 19°C winter heating at both the Lowestoft and Weymouth sites, and a 24°C cooling policy (air conditioning in summer) at Weymouth.

Despite the above initiatives, our ageing infrastructure will continue to contribute in a detrimental way. Therefore, it is unlikely that Cefas' CO_2 reduction target will be met by 2014–15.

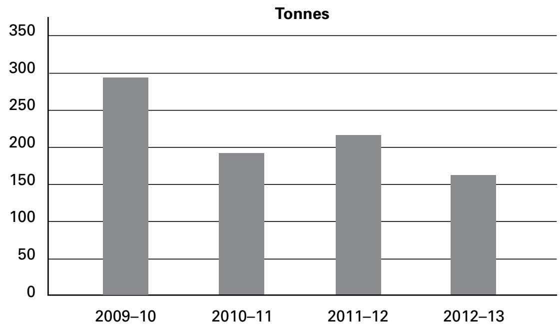
[1] Travel emission data does not include international travel, as per GGC reporting requirements.
[2] The first CRC payment was made in 2011–12 by Defra, on behalf of Cefas. Payment for 2012–13 has not yet been made.

Waste

Waste reduction since 2009–10	2012–13 performance
42.7%	Exceeding target

To reach an overall target of 25% waste reduction by 2015, the annual targets set assume a 5% reduction in waste every year starting from the 2009–10 baseline. The above indicates that we have significantly exceeded our target for 2012–13, by nearly 28%.

TOTAL WASTE ARISINGS



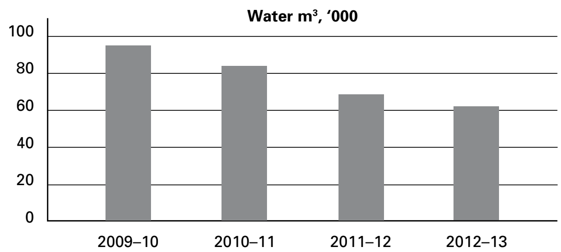
All of our waste is managed according to the waste hierarchy – prevention, preparing for re-use, recycling, other recovery and disposal. Standardised recycling facilities across Cefas – new colour-coded bins and labelling – make it easier for staff to identify the most appropriate waste or recycling bin, helping them to contribute in a responsible way.

WASTE		2012–13	2011–12	2010–11	2009–10
Non-financial indicators (tonnes)	**Total waste**	**169**	**222**	**189**	**295**
	Hazardous waste	8	12	33	14
	Re-used, recycled, composted	89	96	95	131
	Incinerated with energy recovery	37	71	17	53
	Incinerated without energy recovery	8	21	5	0
	Landfill	27	22	39	97
Financial indicators (£'000)	**Total disposal costs**	**These are part of a central Defra contract and not available at Cefas level**			

Water

Water reduction since 2009–10 (using three-year rolling average)	Overall performance to date
33%	Exceeding target

WATER USE, MOVING AVERAGE (m³)



Using a three-year rolling average, we reduced water consumption by 33%, from the 2009–10 baseline. This far exceeds the projected three-year rolling average target for water-use reduction of 12% by 2012–13.

However, the specific annual data for 2012–13 shows that we increased our water consumption by 5.7% this year (against the 2009–10 baseline). This reflects the changing pattern of the scientific work that we are contracted to undertake, where the need for water supporting our aquatic tanks and laboratory facilities can significantly change the overall performance of any one year.

WATER		2012–13	2011–12	2010–11	2009–10
Non-financial indicators (m³)	**Total water consumption[1]**	**63,130**	**61,313**	**65,703**	**59,723**
	Supplied (office estate)	23	23	15	1
	Supplied (non-office estate)	63,107	61,290	65,688	59,722
Financial indicators (£'000)	**Water supply costs**	**267**	**145**	**220**	**183**

Sustainable procurement
A large proportion of our contracts are awarded through Government Procurement Service (GPS) frameworks or Defra network contracts. These include, for example, the procurement of stationery, vehicles, payroll, multifunctional devices, specific ICT services (disaster recovery and firewall) and facilities management. We are currently trialling a GPS travel-booking service provider. Also this year, we have been working with Defra to enhance supplier information to enable the monitoring and an increase of our proportion of small and medium-sized enterprises spend.

Green ICT
Cefas continues to take forward the government's Greening Government strategy. This includes acknowledging the extent that 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:

- optimising the use of paper by printing only when necessary and then only on multi-functional devices
- increasing web-based conference facilities, from 50 to 75 licences. This enables staff to share documents and what is shown on their PC desktop with participants located off-site.
- migrating to cloud-based online services to optimise local ICT infrastructure.

In addition, ICT hardware is re-used within Cefas or collected by a contractor who arranges re-use, recycling and eventual disposal.

People
The Cefas Connects volunteering scheme and changes to our occupational health management processes are already described on p 11.

In January 2013 we launched a new wellbeing 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, hydration, etc). We 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.

Biodiversity
Surveys have not been undertaken at our sites as they are not deemed significant to/for the business in which we engage.

Adaptation to climate change
Climate change adaptation surveys have been undertaken and will be used to inform decisions on rationalisations and office relocation.

FUTURE STRATEGY
We are currently reviewing options for renewing our Lowestoft facilities. The outcomes of that review will necessarily inform any further energy and water-reduction measures at that site.

[1] The inclusion of abstracted data is under review with Defra.

REMUNERATION REPORT

The Cabinet Office, subject to HM Treasury remits as well as the Chief Executive, sets the remuneration of CMB's executive directors. Up to 15% of their remuneration is performance-related and is reviewed by Defra against the achievement of ministerial and personal targets.

Karin Rundle, Director of Human Resources and Organisational Development, joined the CMB on 2 April 2012. Richard Judge, Chief Executive, left Cefas at the end of July 2012 and Mike Waldock was appointed as Chief Executive with effect from 30 July 2012. Stuart Rogers took on the role of Chief Scientist from Mike Waldock on 6 August 2012.

Mike Waldock; Tim Green, Finance and Corporate Services Director; and Reg Eayrs, Operations Director, are senior civil servants under permanent contracts of employment with Defra. Karin Rundle and Stuart Rogers 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.

Ulrike Hotopp, Defra's Chief Economist and Director of Analysis, joined the CMB on 30 January 2013 as a non-executive director and resigned on 3 April 2013. Martin Nesbit, Defra's Director for EU and International, joined the CMB as a non-executive director on 24 April 2013. Defra assumes all the costs of their attendance at the Board.

All other non-executive members are contracted by Cefas and have notice periods of three months, from either Cefas or the individual.

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

The figures in the tables and notes below have been audited.

REMUNERATION OF CEFAS DIRECTORS

	Salary for period		Performance bonus		Total remuneration	
CMB executive directors	**2012–13 £'000**	**2011–12 £'000**	**2012–13 £'000**	**2011–12 £'000**	**2012–13 £'000**	**2011–12 £'000**
Chief Executive						
Mike Waldock (from 30 July 2012)[1]	55–60	0	0	0	55–60	0
Richard Judge (to 30 July 2012)[2]	40–45	120–125	10–15	10–15	50–55	130–135
Chief Scientist						
Mike Waldock (to 5 August 2012)[3]	20–25	65–70	5–10	5–10	25–30	70–75
Stuart Rogers (from 6 August 2012)[4]	40–45	0	0	0	40–45	0
Finance and Corporate Services Director						
Tim Green	70–75	70–75	0	5–10	70–75	75–80
Operations Director						
Reg Eayrs	70–75	70–75	0	0–5	70–75	70–75
HR and Organisational Development Director						
Karin Rundle	60–65	0	5–10	0	65–70	0

REMUNERATION MEDIAN AND RATIOS

	2012–13	2011–12
Band of highest-paid director's total annualised remuneration (£'000)	130–135	130–135
Median total remuneration	28,658	28,163
Ratio	4.7	4.8

The above individual was an executive director during the year. Salaries include gross salaries, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private-office allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance bonus payments were capped in 2012–13 and 2011–12.

No CMB executive directors were in receipt of any benefits in kind (2011–12: £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.

	Fee band		Performance bonus		Total remuneration	
CMB non-executive directors	**2012–13 £'000**	**2011–12 £'000**	**2012–13 £'000**	**2011–12 £'000**	**2012–13 £'000**	**2011–12 £'000**
Joe Horwood[5]	0	5–10	0	0	0	5–10
Andrew Field	10–15	10–15	0	0	10–15	10–15
Michael Gates	10–15	10–15	0	0	10–15	10–15
Sue Sharland	10–15	10–15	0	0	10–15	10–15
Nicholas Owens[6]	10–15	0–5	0	0	10–15	0–5
Ulrike Hotopp[7]	0	0	0	0	0	0

Notes to tables on pp 16–18

[1] Mike Waldock's salary as Chief Executive is shown from 30 July 2012. The FTE is in the band £80,000–85,000.
[2] Richard Judge's salary for 2012–13 is up to 30 July 2012. His full-year salary was in the band £120,000–125,000.
[3] Mike Waldock's salary as Chief Scientist is shown up to 5 August 2012 only. The FTE is in the band £65,000–70,000.
[4] Stuart Rogers' salary as Chief Scientist is shown from 6 August 2012 only. The FTE is in the band £60,000–65,000.
[5] Joe Horwood stood down as a non-executive director on 31 December 2011.
[6] Nicholas Owens joined the CMB as a non-executive director on 1 January 2012.
[7] Ulrike Hotopp joined the CMB as a non-executive director on 30 January 2013 and resigned on 3 April 2013.
[8] CETV: cash equivalent transfer value
[9] The figures in this column may be different from the closing figures in last year's accounts. This is because CETV factors have been updated, to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
[10] Mike Waldock's pension entitlements are shown for the full year.

PENSION ENTITLEMENTS OF CEFAS DIRECTORS

CMB executive directors	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension and related lump sum at age 60 £'000	CETV[8] at 31 March 2013 £'000	CETV[9] at 31 March 2012 £'000	Real increase in CETV £'000
Chief Executive					
Mike Waldock (from 30 July 2012)[10]	5–7.5 plus 15–17.5 lump sum	32.5–35 plus 100–102.5 lump sum	758	608	114
Richard Judge (to 30 July 2012)	2.5–5 plus 0 lump sum	47.5–50 plus 0 lump sum	714	669	40
Chief Scientist					
Stuart Rogers (from 6 August 2012)	0–2.5 plus 0–2.5 lump sum	20–22.5 plus 62.5–65 lump sum	401	389	5
Finance and Corporate Services Director					
Tim Green	0–2.5 plus 0 lump sum	7.5–10 plus 0 lump sum	124	99	15
Operations Director					
Reg Eayrs	0–2.5 plus 0 lump sum	2.5–5 plus 0 lump sum	36	18	13
HR and Organisational Development Director					
Karin Rundle	0–2.5 plus 0 lump sum	5–7.5 plus 0 lump sum	60	41	12

Details of the presiding pension schemes are detailed in Note 2(a) to the accounts.

Mike Waldock
Chief Executive
22 May 2013

02

STATEMENTS, CERTIFICATE AND REPORT

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 operating income, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Statement of 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 asset out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the agency will continue in operation.

The Accounting Officer of Defra has designated the Chief Executive of Cefas as Accounting Officer for the agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Cefas' assets, are set out in *Managing Public Money*, published by HM Treasury.

GOVERNANCE STATEMENT

This statement sets out the governance arrangements and performance of the Centre for Environment, Fisheries & Aquaculture Science (Cefas) in 2012–13. 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.

1. GOVERNANCE ARRANGEMENTS

Governance arrangements are formalised in a Framework Document, which is available to download from www.cefas.defra.gov.uk

Ministers nominate a member of the Defra Supervisory Board to act on their behalf in all ownership matters and to be line manager for the Chief Executive. Throughout 2012–13 this role was fulfilled by Defra's Chief Operating Officer. His responsibilities include providing oversight of Cefas and assurance to the Defra Supervisory Board that appropriate governance arrangements are in place for the agency.

Quarterly performance reports, risk assessments and other management information flows from Cefas to Defra, and are appropriately reported to the Defra Supervisory Board. There are also numerous informal links, including between non-executive directors (NEDs), and in functional areas such as finance, human resources and science.

The Chief Executive and 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. On 30 July 2012 the Chief Executive and Accounting Officer changed: Richard Judge left Cefas and Mike Waldock assumed the post, appointed on an interim basis. Appropriate hand over of Accounting Officer assurances were conducted in July 2012. In delivering this role, the Chief Executive is supported and challenged by the CMB.

The CMB 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.

The CMB 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 and NEDs provides the appropriate skills, experience, independence and knowledge to enable the CMB to discharge its duties and responsibilities. One NED is appointed as a "lead NED". This individual provides a sounding board for the Chief Executive and serves as an intermediary for other NEDs, when necessary. From January 2013, the lead NED took on the chairing of CMB meetings from the Chief Executive.

The Board has three committees. These have a wholly external membership and are chaired by NEDs. The committees routinely report to the CMB:

- **Audit Committee (AC):** monitors the corporate governance and control systems and advises on internal and external audit matters, risk and governance in the organisation. Key subjects of focus in the year have been the delivery of the annual audit programme, performance of the facilities management contractor, project management and a review of fraud.
- **Science Advisory Committee:** provides independent scrutiny and advice to the CMB on the quality and relevance of the agency's science strategy and operations. The main focus this year has been the independent review of Cefas' science capabilities and responding to the recommendations made.
- **People Committee:** gives independent scrutiny and advice to the CMB on the quality and relevance of the agency's leadership development, succession planning, reward strategies and employee relations. This year the key subjects of focus were an assessment of pay levels, improving diversity and action responses to the 2012 civil service People Survey.

Conflicts of interest declared by CMB members are noted for any subsequent necessary separation of the topic and the individual. During the year no material conflicts have been reported. Attendance at CMB and its committees' meetings has ensured quoracy requirements have been met throughout 2012–13 (for details visit the Cefas website).

Cefas complies with relevant principles and protocols outlined in *Corporate Governance in Central Government Departments: Code of good practice 2011*, published by HM Treasury, with no known exceptions.

2. 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, jointly led by the lead NED and Chief Executive. The performance evaluation for the year 2012–13 was based on the Cabinet Office template and was conducted in January 2013, which concluded that the CMB operates effectively. Enhancement actions were agreed and included seeking greater clarity from Defra on Cefas' future, strengthening change management across the agency and enhancing managed risk-taking.

The CMB 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.

Cefas has performed well through the year, achieving all its performance indicators and continuing to deliver on its plans with notable successes being:

Making a difference through:

- supporting reform of the Common Fisheries Policy
- supplying evidence to enable the designation of proposed Marine Conservation Zones
- supporting the assessment of UK seas in implementing the Marine Strategy Framework Directive
- enabling growth through marine planning and licensing advice
- advising policy development for controlling norovirus impacts from contaminated shellfish.

The positive outcome of a Defra-led independent science review, the main conclusions of which were:

- recognition of the excellence, relevance, sustainability, quality and impact of Cefas' science outputs
- a number of recommendations for both Cefas and Defra to further strengthen Cefas science. These covered partnership working, data handling and access, increasing the number of scientific publications, maintaining reasearch and development (R&D) and emergency-response funding, and improving facilities and pay.

Performance issues identified in the year included:

- the performance of the facilities management contractor, which continues to require significant management oversight to ensure acceptable service is maintained. There were improvements in routine services, however the contractor's project work remains unacceptable. Additionally, performance reporting control weaknesses continue to exist, and concern about these has been escalated within Defra, as the contract principal. Work to confirm the value for money from the overall contract remains ongoing.

Resolved performance issues previously reported were:

- £36,000 lost in a fraudulent incident in 2010, which was fully recovered. Criminal action is progressing.

3. 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 retain and grow its customer base. All work is conducted through a significant number of contracts varying in size and duration. Contracts may be short-term or can extend for up to three or more years. Whereas resources to deliver contracts to meet customer requirements are broadly within Cefas' control, increased government constraints on pay and resources increase these risks. While some 84% of sales are for UK government, the longer term trend sees an increasing proportion of private-sector and other customers offsetting reductions in government expenditure. This allows critical capability and capacity to be maintained but means that the organisation's commercial risks increase.

Other significant risk priorities identified during the year included:

- an inability to attract certain appropriate lead scientific and business development recruits
- the capacity to effectively process and manage our data assets
- performance of the facilities management contractor
- securing funding to enable the replacement of laboratory facilities that are near the end of their acceptable life.

Risk management overview

The CMB 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 annual plan. The CMB is responsible for ensuring sound corporate governance, risk management and internal control systems.

The Audit Committee (AC) provides the primary assurance mechanism. This operates in accordance with the *Audit Committee Handbook*, published by HM Treasury. The AC is supported by an internal audit subcontractor, operating to an agreed annual risk-based plan delivered to government internal audit standards. The annual opinion from the Head of Internal Audit provided ***positive*** assurance over the controls reviewed in the year.

Further external assurance is gained through the application of a range of accredited management systems including ISO 9001 (Quality), ISO 18001 (Health and Safety), ISO 14001 (Environmental) and ISO 17025 (Laboratory Testing and Calibration Competence). Assurance is also taken from the work of external audit.

Cefas operates several scientific models, used to advise critical government decision-making regarding fish stocks and environmental status. All of these models are subject to appropriate quality assurance procedures and no significant issues were identified in the year.

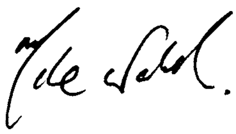
There were no significant lapses of protective security and no ministerial directions received in the year.

4. SIGNIFICANT ISSUES

Good progress continued against our long-term strategic plans in 2012–13 and no significant issues arose during the year.

5. 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.



Mike Waldock
Chief Executive
22 May 2013

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

I certify that I have audited the financial statements of the Centre for Environment, Fisheries and Aquaculture Science (Cefas) for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

In addition, I read all the financial and non-financial information in the *Annual Report* to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

OPINION ON REGULARITY

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

OPINION ON FINANCIAL STATEMENTS
In my opinion:

- the financial statements give a true and fair view of the state of Cefas' affairs as at 31 March 2013 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS
In my opinion:

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

MATTERS ON WHICH I REPORT BY EXCEPTION
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

REPORT
I have no observations to make on these financial statements.

Amyas C E Morse 29 May 2013
Comptroller and Auditor General

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

03

FINANCIAL STATEMENTS OF ACCOUNTS

STATEMENT OF COMPREHENSIVE NET INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2012–13	2011–12
		£'000	£'000
Staff costs	2	20,972	20,042
Other administration costs	4	30,206	30,254
Operating income	5	(52,144)	(53,089)
Net operating income		**(966)**	**(2,793)**
Other comprehensive income			
Net (gain)/loss on revaluation of property, plant and equipment	7	(1,064)	4,299
Net (gain) on revaluation of intangibles	8	0	(137)
		(1,064)	**4,162**
Total comprehensive income for the year ended 31 March 2013		**(2,030)**	**1,369**

All income and expenditure relates to continuing operations.

The Notes on pp 31–50 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

		31 March 2013		31 March 2012
		£'000	£'000	£'000
	Note			
Non-current assets				
Property, plant and equipment	**7**		29,779	33,646
Intangible assets	**8**		91	270
Investments	**10**		150	150
Total non-current assets			**30,020**	**34,066**
Current assets				
Trade receivables	**12**	3,882		1,974
Other current assets	**12**	5,027		6,526
Cash and cash equivalents	**13**	5,545		17,900
Total current assets			**14,454**	**26,400**
Total assets			**44,474**	**60,466**
Current liabilities				
Trade payables	**14**	(60)		(336)
Other current liabilities	**14**	(9,563)		(11,327)
Provisions	**15**	(670)		(1,298)
Total current liabilities			**(10,293)**	**(12,961)**
Non-current assets plus net current assets			**34,181**	**47,505**
Non-current liabilities				
Provisions	**15**		(1,703)	(3,012)
Other payables	**14**		(93)	(186)
Assets less liabilities			**32,385**	**44,307**
Taxpayers' equity				
General Fund			25,215	38,204
Revaluation Reserve			7,170	6,103
Total taxpayers' equity			**32,385**	**44,307**

Mike Waldock
Chief Executive and Agency Accounting Officer
22 May 2013

The Notes on pp 31–50 form part of these accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	2012–13		2011–12	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net operating income		966		2,793
Adjustments for non-cash transactions				
Depreciation charges	2,820		3,140	
Amortisation	183		178	
Impairment	2,807		1,791	
Notional charges	45		45	
Loss on disposal	304		8	
		6,159		5,162
(Increase) in receivables	(409)		(741)	
(Decrease) in payables	(2,013)		(1,094)	
(Decrease) in provisions	(1,937)		(1,018)	
		(4,359)		(2,853)
Net cash inflow from operating activities		**2,766**		**5,102**
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,132)		(1,166)	
Purchase of intangible assets	0		0	
Proceeds of disposal of property, plant and equipment	11		4	
Net cash flow from investing activities		**(1,121)**		**(1,162)**
Cash flows from financing activities				
Excess cash funding repaid to Defra	(14,000)		(1,400)	
		(14,000)		**(1,400)**
Net financing				
Net increase/(decrease) in cash and cash equivalents in the period		**(12,355)**		**2,540**
Cash and cash equivalents at the beginning of the year		17,900		15,360
Cash and cash equivalents at the end of the year		**5,545**		**17,900**

The Notes on pp 31–50 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	General Fund	Revaluation Reserve	Total
	£'000	**£'000**	**£'000**
Balance at 31 March 2011	36,766	10,257	47,023
Comprehensive income			
Non-cash adjustments			
Notional charges			
Auditor's remuneration	45	0	45
Movements in reserves			
Net operating income	2,793	0	2,793
Recognised in Statement of Comprehensive Net Expenditure revaluation	0	(4,154)	(4,154)
Total recognised income and expense for 2011–12	2,838	(4,154)	(1,316)
Excess cash funding repayable to Defra	(1,400)	0	(1,400)
Balance at 31 March 2012	**38,204**	**6,103**	**44,307**
Comprehensive income			
Non-cash adjustments			
Notional charges			
Auditor's remuneration	45	0	45
Movements in reserves			
Net operating income	966	0	966
Recognised in Statement of Comprehensive Net Income revaluation	0	1,067	1,067
Total recognised income and expense for 2012–13	**1,011**	**1,067**	**2,078**
Excess cash funding repayable to Defra	(14,000)	0	(14,000)
Balance at 31 March 2013	**25,215**	**7,170**	**32,385**

The Notes on pp 31–50 form part of these accounts.

NOTES TO THE ACCOUNTS

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012–13 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. 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 accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

1.3 Scheme costs and grants

European Union (EU) income is accrued where the related expenditure has been incurred prior to the income being received. The income is deferred where the related expenditure has not yet been incurred and the income has been received in advance.

1.4 Property, plant and equipment

1.4.1 Freehold land and buildings

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 at existing use value, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The last revaluation took place in 2010.

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

With effect from 1 April 2011 as agreed with Defra, the minimum level of capitalisation in Cefas is £10,000. Subsequent expenditure is capitalised if the criteria for initial capitalisation are met, that is if it is probable that economic benefits will flow to Cefas, and that the cost of the expenditure can be reliably measured.

1.4.2 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 assets "held for sale", freehold land and assets under the course of construction.

Lives are normally in the following ranges:

Freehold buildings	4–60 years
Property on historic lease	remaining life of lease
Scientific equipment	5–15 years
ICT hardware	3–6 years
Furniture and fittings	3–30 years
Vehicles, plant and machinery	4–25 years
Office equipment	5–11 years
Vessels	15–30 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.

1.4.3 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases immediately on the classification of the assets as surplus. They are stated at the lower of their carrying amount and fair value less costs to sell. They are recorded in the "current" section of Cefas' Statement of Financial Position.

1.5 Intangible non-current assets

These comprise software licences and internally developed ICT software, including construction in progress (CIP).

In addition, Cefas holds various software licences, which were capitalised at purchase cost where this exceeds capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value. They are reviewed annually for any impairment, to ensure they are not carried in the Statement of Financial Position above their recoverable amounts.

Internally generated assets are recognised as CIP, and not amortised or revalued until the completed asset is brought into service. The costs are classified as relating to either research or development phases. Cefas' expenditure on research activities is written off to the Statement of Comprehensive Net Income (SoCNI) as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development costs is contingent on fulfilment of the criteria noted in International Accounting Standard 38 (IAS 38: intangible assets).

1.6 Amortisation

Intangible assets are amortised at rates calculated to write off the value of software on a straight-line basis over the estimated useful life of the asset and charged in the month of disposal but not in the month of purchase. Assets under development or during the implementation phase are not subject to amortisation.

Lives are normally in the following ranges:

ICT software	2–12 years
Software licences	5–20 years

1.7 Impairment

The carrying amounts of Cefas' tangible and finite-life intangible assets are reviewed at each reporting date and the estimated recoverable amount of the assets is compared to their carrying amounts. If the carrying amounts exceed the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value less costs to sell, and the value in use. The value in use is an estimate of the future cash-flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time-value of money and the risks specific to the asset. Any impairments arising from the consumption of economic benefits are recognised directly in the SoCNI. The impairment is first met by a reduction from the Revaluation Reserve for that asset and charged through other comprehensive expenditure. Once the Revaluation Reserve for that asset is exhausted then such further amount is charged to other administration costs.

1.8 Investments

Investments are reported at market value or at cost where market value cannot be readily ascertained. In accordance with the FReM, the fixed-asset investment has not been consolidated as it is immaterial to Cefas' statements of accounts. Additional disclosure of the net assets and results of the investment are provided in Note 10.

1.9 Research and development (R&D)

Expenditure on R&D (seedcorn projects) is treated as an operating cost in the year in which it is incurred and taken to the income and expenditure account. Assets acquired for use in R&D are depreciated over their useful economic life.

1.10 Operating income (turnover)

Operating income (turnover) is shown net of value-added tax (VAT) and comprises fees and charges for services provided to core Defra, external customers, other government agencies and public-sector repayment work receipts from the EU.

Turnover is recognised over the term of the individual contract in line with work done.

1.11 Financial instruments

1.11.1 Financial assets

Cefas holds receivables and available-for-sale assets in this category.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are carried in the Statement of Financial Position at cost less appropriate provisions for specific doubtful receivables.

Available-for-sale assets are non-derivative financial assets that are classed as available for sale on initial recognition, or are not categorised in line with any other financial asset classification. They include cash and cash equivalents, and the entire share capital of Cefas Technology Limited (CTL). All unrealised gains or losses are set against equity reserves, with gains or losses on disposal recognised in the SoCNI.

1.11.2 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.

1.12 Employee benefits

1.12.1 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (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.

1.12.2 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.

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.

1.12.3 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.

Further information is provided in Note 15.

1.13 Judgments
Property, plant and equipment are valued using Modified Historic Cost accounting. In the process of applying Cefas' accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

1.13.1 Indexation of non-current assets
Cefas restates the non-current tangible and intangible assets using the Modified Historic Cost Adjustment each year. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgment.

1.13.2 Employee benefit accrual
Cefas recognises a liability and expense for unused annual leave which is accrued to individual staff members at the reporting date in accordance with IAS 19 (employee benefits). This requires the use of estimation and judgment.

1.13.3 Deferred and accrued income from contracts
Cefas calculates the balance of deferred income on contracts where income has been received prior to contracts being fully complete. A balance of accrued income is also calculated from contracts where contracts have been completed in advance of income being received.

1.14 Provisions
Cefas provides for obligations arising from past events where it has a present obligation at the reporting date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where material, the future costs have been discounted using the rate of 2.2%, as directed by HM Treasury. This does not include early-departure costs, which are discounted at a rate of 2.8%.

The short-term commitments relating to expected spending within one year are presented under current liabilities.

1.15 Leases
A finance lease is one that transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. 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. Cefas evaluates contractual arrangements in accordance with the above criteria.

Both the asset value and liability to pay future rentals under a finance lease are discounted at the interest rate implicit in the lease to derive the present value. Assets obtained under a finance lease are revalued and depreciated. Cefas does not have material finance lease commitments.

All payments under operating leases are charged to the SoCNI as they are incurred.

1.16 Taxation
No taxation is payable on the surplus generated by Cefas.

1.16.1 Value-added tax (VAT)
Most of Cefas' activities are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Some recoveries of input tax do take place under the contracted-out services provisions applicable to government departments. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT.

NOTES TO THE ACCOUNTS

1.17 Contingent liabilities
In addition to contingent liabilities 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 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, which are required to be disclosed under IAS 37, are stated at discounted amounts (discount rate 2.2%) and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Further information is provided in Note 18.

1.18 Notional charges
Notional costs are amounts charged against the SoCNI by virtue of an interdepartment adjustment via the General Fund. Costs incured from shared services are made by cash transfer in accordance with other supplier invoices. The audit fee is the only notional charge.

1.19 Insurance
Cefas, in common with other government bodies, does not insure the majority of its assets. Losses and compensations are charged to the income and expenditure account.

1.20 Doubtful debt provision
A provision is held against specific debtor balances.

1.21 Impending application of newly issued accounting standards not yet effective
Cefas has reviewed the IFRSs in issue but not yet effective to determine if it needs to make any disclosures in respect of those that are or will be applicable. It has been determined that IFRS 9 (financial instruments) and IAS 19 (employee benefits) are relevant to Cefas but that they will have no significant impact on the financial statements.

NOTE 2. STAFF-RELATED EXPENDITURE

(a) Staff costs

	Permanently employed staff £'000	Temporarily employed staff £'000	2012–13 Total £'000	2011–12 Total £'000
Wages and salaries	16,794	91	16,885	16,232
Social Security costs	1,220	0	1,220	1,107
Superannuation	2,915	0	2,915	2,765
Early-departure and related costs	(48)	0	(48)	(62)
Total staff expenditure	**20,881**	**91**	**20,972**	**20,042**

Included in the permanently employed staff costs for 2012–13 is an accrual for untaken leave and leave-in-lieu of £958,000 (2011–12: £1,040,000).

The salary and pension entitlements of Cefas' senior managers and an explanation of pension benefits are included in the Remuneration Report.

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 2007. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012–13, employers' contributions of £2,915,000 were payable to the PCSPS (2011–12: £2,765,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2011–12 were between 16.7% and 24.3%).

The scheme's actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2012–13 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 £1,000 (2011–12: £1,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are aggregated and range from 3% to 12.5% of pensionable pay. Cefas also matches employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the reporting date were £NIL (2011–12: £NIL) and contributions pre-paid at that date were £NIL (2011–12: £NIL).

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

(b) The average number of persons employed by Cefas during the year

	Employed staff	Others	2012–13 Total	2011–12 Total
Staff resource	529	2	531	511
Total	**529**	**2**	**531**	**511**

NOTES TO THE ACCOUNTS

NOTE 3. REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

Comparative data shown (in brackets) for previous year.

	2012–13	
	Other exits Numbers	**Total Numbers**
< £10,000	0 (0)	0 (0)
£10,000 – £25,000	0 (0)	0 (0)
£25,000 – £50,000	0 (1)	0 (1)
£100,000 – £150,000	0 (0)	0 (0)
£150,000 – £200,000	0 (0)	0 (0)
	0 (1)	**0 (1)**
Total cost £'000		**0 (30)**

Redundancy and other departure costs (including for senior staff) have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

There were no compulsory redundancies in 2012–13 and 2011–12.

Where Cefas has agreed early retirements, the additional costs are met by the agency and not by the PCSPS. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The differences between the total costs shown above of £NIL (2011–12: £30,000) and the early-departure and related costs shown in Note 2(a) relate to movements in provisions.

NOTE 4. OTHER ADMINISTRATION COSTS

	Note	2012–13 £'000	2011–12 £'000
Direct subcontracting costs			
Technical services		8,291	10,203
Facilities management			
Accommodation		131	109
Charters		384	269
Facilities management		4,460	3,513
Vessel management		4,693	4,801
		9,668	**8,692**
Others			
Consultancy		59	82
Defra management overhead		17	19
Doubtful debts		(45)	(40)
Effect of exchange movement		146	170
IT and communications		1,079	1,074
Laboratory consumables		3,051	2,012
Library purchases		169	219
Other expenditure		42	57
Postage		283	243
Recruitment and training		293	298
Relocation and severance		21	13
Stationery and printing		153	175
Telecommunications		132	164
Travel and subsistence		1,532	1,369
		6,932	**5,855**
Provisions	**15**	(907)	271
Other audits		63	71
Charges related to the consumption of assets			
Amortisation	**8**	183	178
Asset disposal		304	8
Depreciation	**7**	2,820	3,140
Impairment of assets	**9**	2,807	1,791
Total for charges related to the consumption of assets		**6,114**	**5,117**
Total for non-pay costs		**30,161**	**30,209**
External audit remuneration*		**45**	**45**
Total for other administrative costs		**30,206**	**30,254**

* No payments have been made to the external auditors for non-audit work.

NOTES TO THE ACCOUNTS

NOTE 5. INCOME

	2012–13 £'000	2011–12 £'000
Advice, evidence and research	49,546	47,883
European Union income for:		
Expenditure met by Cefas	1,690	2,455
Cefas as agent for the European Union	908	2,751
	52,144	**53,089**
European Union outsourced work	(908)	(2,751)

NOTE 6. SEGMENTAL REPORT

Income was earned from the following business segments:

	2012–13 £'000	2011–12 £'000
Operating income		
Core Defra	33,143	31,245
Defra network	3,062	3,310
Public sector	7,503	6,845
European Union	2,598	5,206
Industry and other	5,838	6,483
Total	**52,144**	**53,089**
Contribution towards indirect overheads		
Core Defra	3,399	2,971
Defra network	1,192	887
Public sector	2,289	2,679
European Union	(77)	344
Industry and other	1,632	1,800
	8,435	**8,682**
Indirect overheads	(7,469)	(5,889)
Net operating surplus	**966**	**2,793**

NOTES TO THE ACCOUNTS

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vessel
Cost or valuation	**£'000**	**£'000**	**£'000**
At 1 April 2012	783	28,930	24,953
Indexation	0	0	0
Revaluation	(40)	1,019	0
Additions	0	289	0
Transfers	0	124	0
Disposals	0	(385)	0
Disposals (zero net book value)	0	0	0
At 31 March 2013	**743**	**29,977**	**24,953**
Depreciation			
At 1 April 2012	0	(15,411)	(10,453)
Indexation	0	0	0
Revaluation	0	0	0
Provided in year	0	(942)	(693)
Impairment	0	0	(2,807)
Disposals	0	141	0
Disposals (zero net book value)	0	0	0
At 31 March 2013	**0**	**(16,212)**	**(13,953)**
Net book value			
At 31 March 2013	**743**	**13,765**	**11,000**
At 31 March 2012	**783**	**13,519**	**14,500**
Owned	**743**	**13,765**	**11,000**

	Land	Buildings	Vessel
Cost or valuation			
At 1 April 2011	780	29,175	28,893
Indexation	0	0	198
Revaluation	3	(825)	(4,138)
Additions	0	469	0
Transfers	0	117	0
Disposals	0	0	0
Disposals (zero net book value)*	0	(6)	0
At 31 March 2012	**783**	**28,930**	**24,953**
Depreciation			
At 1 April 2011	0	(14,466)	(7,632)
Indexation	0	0	(58)
Revaluation	0	0	(1)
Provided in year	0	(951)	(971)
Impairment	0	0	(1,791)
Disposals	0	0	0
Disposals (zero net book value)*	0	6	0
At 31 March 2012	**0**	**(15,411)**	**(10,453)**
Net book value			
At 31 March 2012	**783**	**13,519**	**14,500**
At 31 March 2011	**780**	**14,709**	**21,261**
Owned	**783**	**13,519**	**14,500**

Land and buildings were revalued on a "depreciated replacement cost" basis with effect from 31 March 2011 by DTZ Debenham Tie Leung Limited, 125 Old Broad Street, London EC2N 2BQ. The research vessel was revalued on a "market value" basis with effect from 31 March 2013 by Burness Corlett Three Quays, 19–21 Great Tower Street, London EC3R 5AR. There has been an impairment of value as explained in Note 9. These valuations and, where applicable, management judgments of impairment have been used in preparing the accounts up to 31 March 2013.

Information technology £'000	Scientific equipment £'000	General equipment £'000	Assets in course of construction £'000	Total £'000
897	8,400	302	124	64,389
121	84	14	0	219
0	0	0	0	979
0	536	0	188	1,013
0	0	0	(124)	0
(13)	(263)	0	0	(661)
(12)	(825)	(20)	0	(857)
993	**7,932**	**296**	**188**	**65,082**
(466)	(4,275)	(138)	0	(30,743)
(80)	(48)	(6)	0	(134)
0	0	0	0	0
(140)	(1,011)	(34)	0	(2,820)
0	0	0	0	(2,807)
10	193	0	0	344
12	825	20	0	857
(664)	**(4,316)**	**(158)**	**0**	**(35,303)**
329	**3,616**	**138**	**188**	**29,779**
431	**4,125**	**164**	**124**	**33,646**
329	**3,616**	**138**	**188**	**29,779**
2,104	12,082	422	142	73,598
32	86	3	0	319
51	362	36	0	(4,511)
56	1,107	0	124	1,756
0	25	0	(142)	0
(48)	(289)	0	0	(337)
(1,298)	(4,973)	(159)	0	(6,436)
897	**8,400**	**302**	**124**	**64,389**
(1,647)	(8,436)	(285)	0	(32,466)
(19)	(51)	(2)	0	(130)
14	(17)	27	0	23
(159)	(1,022)	(37)	0	(3,140)
0	0	0	0	(1,791)
47	278	0	0	325
1,298	4,973	159	0	6,436
(466)	**(4,275)**	**(138)**	**0**	**(30,743)**
431	**4,125**	**164**	**124**	**33,646**
457	**3,646**	**137**	**142**	**41,132**
431	**4,125**	**164**	**124**	**33,646**

* This reflects a detailed review of fully written-down assets undertaken in 2011–12 in compliance with IAS 16 (property, plant and equipment). This resulted in assets being revalued to the value of £470,000.

NOTES TO THE ACCOUNTS

NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise software licences.

	Information technology £'000
Cost or valuation	
At 1 April 2012	632
Indexation	8
Revaluation	0
Additions	0
Transfers	0
Disposals (zero net book value)	(30)
At 31 March 2013	**610**
Amortisation	
At 1 April 2012	(362)
Indexation	(7)
Revaluation	0
Provided in year	(183)
Impairment	0
Transfers	0
Disposals (zero net book value)	33
At 31 March 2013	**(519)**
Net book value	
At 31 March 2013	**91**
At 31 March 2012	**270**
Owned	**91**
Cost or valuation	
At 1 April 2011	1,066
Indexation	21
Revaluation	137
Additions	0
Disposals*	(592)
At 31 March 2012	**632**
Amortisation	
At 1 April 2011	(764)
Indexation	(12)
Revaluation	0
Provided in year	(178)
Impairment	0
Disposals*	592
At 31 March 2012	**(362)**
Net book value	
At 31 March 2012	**270**
At 31 March 2011	**302**
Owned	**270**

* This reflects a detailed review of fully written-down assets undertaken in 2011-12 in compliance with IAS 16 (property, plant and equipment). This resulted in assets being revalued to the value of £137,000.

NOTE 9. IMPAIRMENTS

Property, plant and equipment	2012–13[1] £'000	2011–12[2] £'000
Research vessel		
Impairment charge to operating costs within the SoCNI	2,807	1,791
Impairment taken via the Revaluation Reserve	0	4,138
	2,807	**5,929**

[1] Reflects changes in market valuation.
[2] Reflects an expected reduction in future returns attributable to the asset.

NOTE 10. FIXED-ASSET INVESTMENTS

Cost	**£'000**
At 1 April 2012	150
Additions	0
Disposals	0
At 31 March 2013	**150**
Provisions	
At 1 April 2012	0
Movement	0
At 31 March 2013	**0**
Net book value	
At 31 March 2013	**150**
At 1 April 2012	**150**

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

The CMB 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.

In accordance with the FReM, the fixed-asset investment has not been consolidated as it is immaterial to Cefas' statements of accounts.

Cefas' pre-audited share of the net assets and results of the above investment are as follows:

	2012–13 £'000 Draft	2011–12 £'000 Audited
Non-current assets	45	45
Current assets	1,348	1,269
Liabilities	(169)	(226)
Net assets at 31 March	**1,224**	**1,088**
Turnover	474	528
Profit (before tax) for the year	136	235

NOTE 11. FINANCIAL INSTRUMENTS

As the majority of Cefas' cash requirements are met through the Defra high-level agreement, financial instruments play a more limited role in creating and managing risk than would apply to a non-public-sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Cefas' expected purchase and usage requirements. Cefas is therefore exposed to little credit, liquidity or market risk.

	Receivables £'000	Other financial liabilities £'000
Balance at 31 March 2013		
Cash and cash equivalents	5,545	0
Trade and other receivables	5,343	0
Trade and other payables	0	(1,212)
	10,888	**(1,212)**
Balance at 31 March 2012		
Cash and cash equivalents	17,900	0
Trade and other receivables	5,514	0
Trade and other payables	0	(1,512)
	23,414	**(1,512)**

Cash Represents money with government and UK commercial banks, the majority being held with government to minimise risk.

Trade and other receivables Represents contracts for monies or services due. Less than 30% of this total is a non-government credit risk. This amount is net of a doubtful debt provision of £90,000 (2011–12: £135,000) representing specific debts.

Foreign-exchange risk Around 5% of receipts from customers are in foreign currencies, and certain goods and services are purchased in foreign currencies. This is believed to be a low-level risk, and the policy is to accept the net conversion risk of euros and US dollars, or closely linked currencies. Cefas manages its own collections risk and reduces its exposure to foreign currencies by netting receipts and payments in the same currencies before translating any remaining funds to pounds sterling.

11.1 Prompt-payment policy

Cefas pays suppliers to meet the HM Treasury five-day payment policy. During the year, the percentage of invoices that met that policy was 100% (2011–12: 100%).

No interest was paid in respect of late payment of commercial debt (2011–12: £NIL).

The trade payable outstanding at 31 March 2013 as a proportion of our total purchases from suppliers during the year was equivalent to one day's trading (2011–12: one day).

11.2 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.

Exchange differences comprise:

	2012–13 Gain/(loss) £'000	2011–12 Gain/(loss) £'000
Resulting from translation	3	(200)
Arising at a transactional level	(149)	30

NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

	2012–13 £'000	2011–12 £'000
Amounts falling due within one year		
Trade receivables	**3,882**	**1,974**
Other receivables		
Defra	1,461	3,540
Accrued income – EU	1,614	1,451
Pre-payments and accrued income	1,947	1,529
Sundry receivables	5	6
	5,027	**6,526**

There are no receivables due after more than one year.

Intra-government receivable balances as at 31 March 2013 with the following bodies were: other central government bodies £4,762,000 (2011–12: £5,044,000), local authorities £NIL (2011–12: £NIL), bodies external to government £4,147,000 (2011–12: £3,456,000).

NOTES TO THE ACCOUNTS

NOTE 13. CASH AND CASH EQUIVALENTS

	2012–13 £'000	2011–12 £'000
Balance at 1 April	17,900	15,360
Net change in cash and cash equivalent balances	(12,355)	2,540
Balance at 31 March	**5,545**	**17,900**

The following balances at 31 March were held at:

Government banking services	5,325	16,238
Commercial banks and cash in hand	220	1,662
Balance at 31 March	**5,545**	**17,900**

NOTE 14. TRADE PAYABLES AND OTHER CURRENT PAYABLES

	2012–13 £'000	2011–12 £'000
Amounts falling due within one year		
Trade payables	60	336
Other taxation and Social Security	412	378
Accruals	6,252	6,919
VAT	441	526
Other payables	299	272
Deferred income	1,949	2,411
Deferred income – Defra	210	821
Total under-one-year creditors	**9,563**	**11,327**
Amounts falling due after more than one year		
Other payables, accruals and deferred income	**93**	**186**

Other payables include employee pension contributions at 31 March 2013 totalling £297,000 (2011–12: £271,000).

Intra-government payable balances as at 31 March 2013 with the following bodies were: other central government bodies £2,961,000 (2011–12: £5,429,000), local authorities £NIL (2011–12: £NIL), public corporations and trading funds £NIL (2011–12: £NIL), bodies external to government £6,755,000 (2011–12: £6,420,000).

NOTE 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Early retirement £'000	Facility £'000	Contract provisions/ losses £'000	Legal claims £'000	Total £'000
Balance at 1 April 2012	555	2,159	1,165	431	4,310
Provided in the year	0	0	263	0	263
Provisions not required written back	(155)	(680)	(300)	(35)	(1,170)
Provisions utilised in the year	(331)	(90)	(594)	(15)	(1,030)
Unwinding of discount	0	0	0	0	0
Balance at 31 March 2013	**69**	**1,389**	**534**	**381**	**2,373**
Analysis of expected timings of discounted flows					
Not later than one year	0	0	534	136	670
Later than one year and not later than five years	69	1,389	0	245	1,703
Later than five years	0	0	0	0	0
Balance at 31 March 2013	**69**	**1,389**	**534**	**381**	**2,373**

NOTES TO THE ACCOUNTS

15.1 Early-departure costs
Cefas meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Cefas provides for this in full when the early-retirement programme becomes binding by establishing a provision for the estimated payments.

15.2 Facilities
This relates to existing leases on properties that include terms that require Cefas to make good the respective sites into the state in which the leases were entered into. The provision is based on estimates as to the potential cost of making good the premises at the end of the lease. The significant release of £680,000 relates to the termination of a property lease that was resolved in the year for less than previous estimates.

Further amounts are also provided to maintain the suitability of the research vessel and the Lowestoft site, and to prepare for the decommissioning of that site prior to relocation.

15.3 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.

15.4 Legal and other claims
This represents legal claims reasonably likely to be incurred against Cefas and the expected liabilities arising, the timing and outcome of which are uncertain. The amount provided reflects an estimate of the potential settlements that Cefas may incur, including costs of defending the case.

No reimbursement is expected in relation to any of the amounts provided for.

NOTE 16. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2013 not otherwise included in these accounts.	**2012–13 £'000**	**2011–12 £'000**
Property, plant and equipment	39	71

NOTE 17. COMMITMENTS UNDER LEASES

17.1 Operating leases

Total future minimum lease payments under operating leases:

Obligations under operating leases comprise	2012–13 £'000	2011–12 £'000
Land		
Not later than one year	1	5
Later than one year and not later than five years	2	3
Later than five years	4	6
Total	**7**	**14**
Buildings		
Not later than one year	58	107
Later than one year and not later than five years	31	59
Later than five years	9	2
Total	**98**	**168**
Other		
Not later than one year	65	20
Later than one year and not later than five years	15	106
Later than five years	0	0
Total	**80**	**126**

17.2 Other financial commitments

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

Other financial commitments	2012–13 £'000	2011–12 £'000
Not later than one year	2,553	2,170
Later than one year and not later than five years	10,214	8,496
Later than five years	15,321	14,868
Total	**28,088**	**25,534**

NOTE 18. CONTINGENT LIABILITIES

Management consider specific risks exist relating to potential claims. The range of these contingent liabilities is currently believed to be between no claim and £150,000 (2011–12: a range between no claim and £150,000).

NOTES TO THE ACCOUNTS

NOTE 19. 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. One of Cefas' non-executive directors is employed by Defra.

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, the Animal Health and Veterinary Laboratories Agency, and the Food and Environment Research Agency.

Turnover of £33,143,000 was derived from core Defra (2011–12: £31,245,000) and £17,000 costs were payable to core Defra (2011–12: £19,000). At 31 March 2013, £1,461,000 was due from core Defra (2011–12: £3,540,000) and £210,000 was owed to core Defra (2011–12: £821,000).

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, CTL or other related parties during the year other than reimbursement for travel and subsistence in the normal course of business are detailed below:

- Non-executive director Nicholas Owens was director of the Sir Alister Hardy Foundation for Ocean Science (SAHFOS) throughout the year. Transactions between Cefas and SAHFOS totalled £188 for the year and Nicholas Owens took no part in relation to this work for Cefas or SAHFOS.
- Non-executive director Sue Sharland worked for HR Wallingford Group Ltd as a non-executive director throughout the year. Turnover of £2,280 was derived from HR Wallingford (2011–12: £1,029) and £12,171 costs were payable to HR Wallingford (2011–12: £47,230). At 31 March 2013, £NIL was due from HR Wallingford (2011–12: £1,010) and £NIL was owed to HR Wallingford (2011–12: £NIL).

CTL is a fixed-asset investment (see Note 10). The shares are held by Mike Waldock as nominee of the trustees for Cefas. Turnover of £122,000 was derived from CTL (2011–12: £122,000) and costs of £170,000 were payable to CTL (2011–12: £232,000). At 31 March 2013, £148,000 was due from CTL (2011–12: £134,000) and £10,000 was owed to CTL (2011–12: £67,000).

NOTE 20. 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 Mike Waldock as Accounting Officer. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are no events to report.

NOTE 21. LOSSES AND SPECIAL PAYMENTS

Losses statement
There were no losses totalling more than £250,000 in the year.

Special payments
There were no special payments totalling more than £250,000 in the year.

ABBREVIATIONS

AC	Audit Committee
Cefas	Centre for Environment, Fisheries & Aquaculture Science
CETV	cash equivalent transfer value
CFP	Common Fisheries Policy
CIP	construction in progress
CMB	Cefas Management Board
CTL	Cefas Technology Ltd
Defra	Department for Environment, Food and Rural Affairs
EC	European Commission
EU	European Union
FReM	*Government Financial Reporting Manual*
FSA	Food Standards Agency
FTE	full-time equivalent
GGCs	Greening Government Commitments
GPS	Government Procurement Service
H&S	health and safety
IAS	International Accounting Standard
ICT	information and communication technologies
IFRS	International Financial Reporting Standard
ISO	International Standards Organisation
MCAA	Marine and Coastal Access Act 2009
MCZ	Marine Conservation Zone
MSFD	Marine Strategy Framework Directive
NDPB	non-departmental public body
NED	non-executive director
OHSAS	Occupational Health & Safety Advisory Service
PCSPS	Principal Civil Service Pension Scheme
Q	quarter
R&D	research and development
SAHFOS	Sir Alister Hardy Foundation for Ocean Science
SoCNI	Statement of Comprehensive Net Income
VAT	value-added tax

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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.defra.gov.uk

Cefas is an executive agency of Defra

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ISBN 978-0-10-298228-2