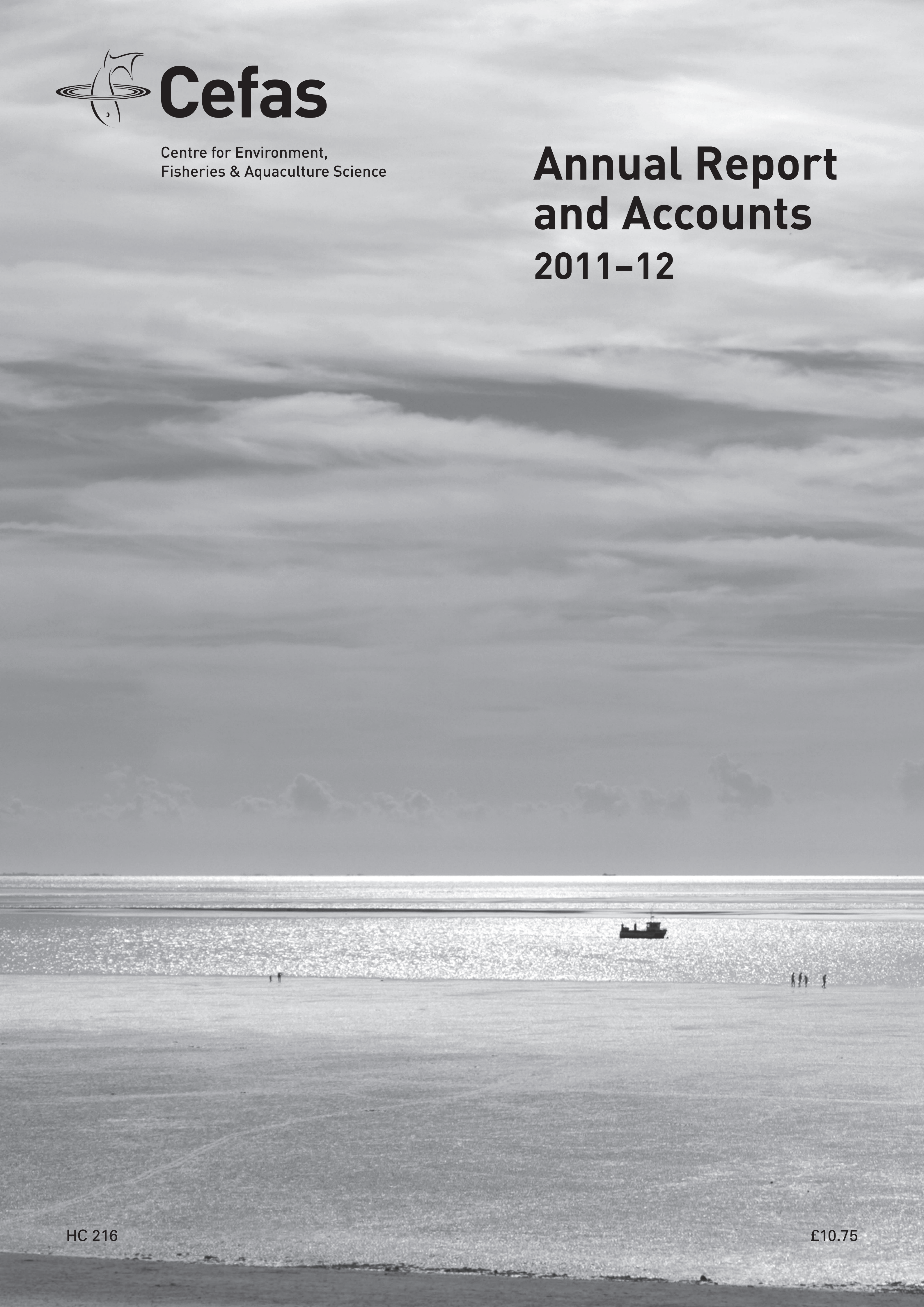

Cefas

Centre for Environment,
Fisheries & Aquaculture Science

Annual Report and Accounts

2011–12

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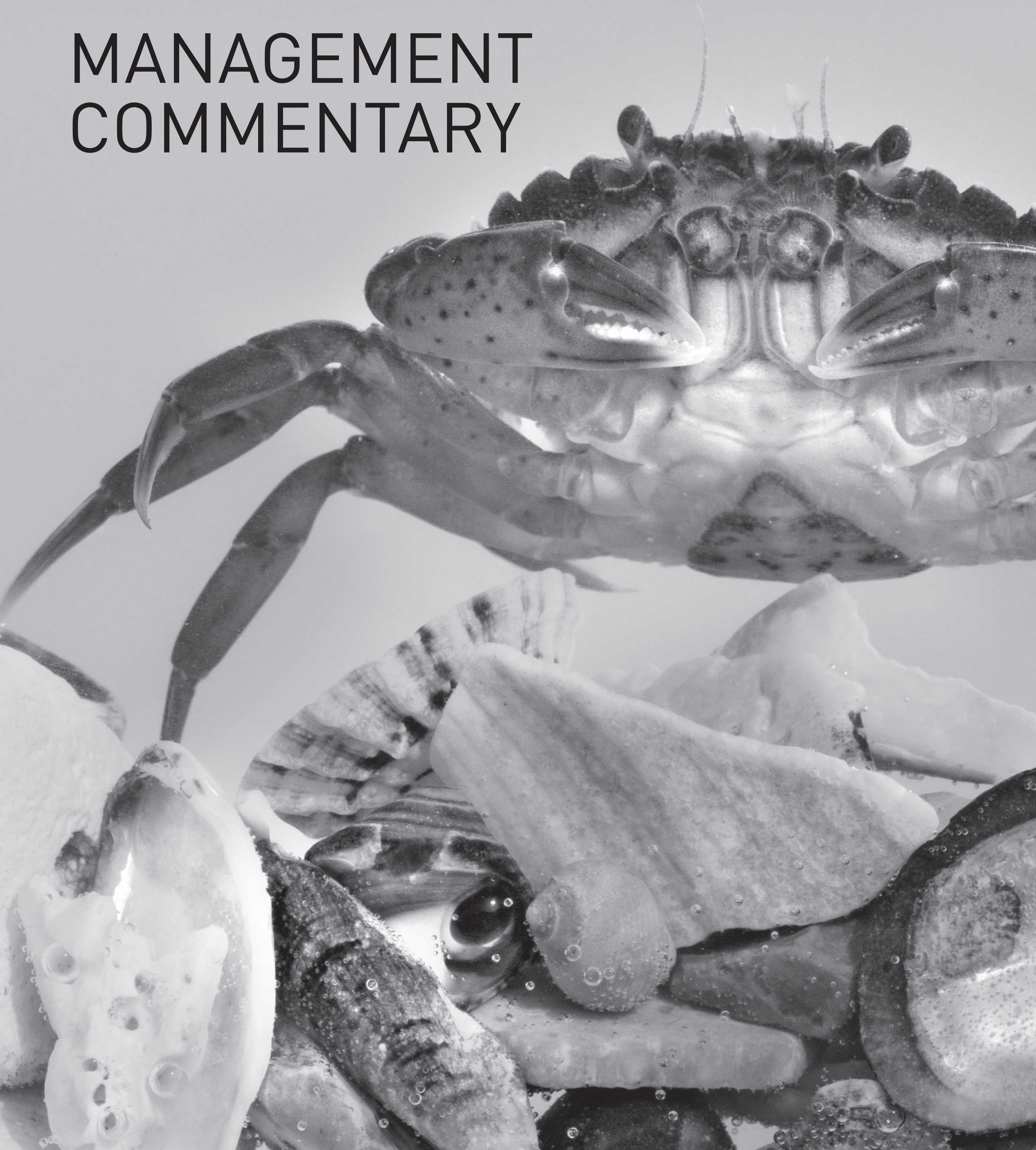
01

MANAGEMENT COMMENTARY



INTRODUCTION

It has been an excellent year for Cefas. Again, we showed ourselves able to rise to a variety of challenges, delivering high-quality work that attracted outstanding customer feedback. Our ongoing success reflects fantastic commitment, customer focus and teamwork across the breadth of Cefas.

I am particularly proud of the way in which we have embraced partnerships and innovation to such good effect in "making a difference" on topics of great relevance to society:

- **Marine conservation:** We delivered a £3.9 million marine survey programme, integrating resources and capabilities across the public and private sectors. In the final quarter alone, we collected baseline acoustic data and approximately 1,000 biological and sediment samples, 600 video tows and 2,000 still images of the seabed to enable robust designation of Marine Conservation Zones.
- **Seafood safety:** We successfully embedded innovative chemical techniques to test for naturally occurring toxins in shellfish. The UK is the first major shellfish-producing country to implement these methods within government programmes, completely replacing the use of live animals for routine testing while sustaining the reliability of the tests to defend human health.
- **Sustainable fisheries:** The EU Commission's draft proposals for reform of the Common Fisheries Policy incorporate many of the ideas developed by Cefas in collaboration with the UK fishing industry, and supported by Defra. These aim to achieve a thriving and sustainable fishing industry and improved predictability of reform impacts.
- **Energy:** We support development of both nuclear and offshore renewables with expert advice and marine data. In 2011, EDF Energy applied to the Infrastructure Planning Commission for a Development Consent Order for Hinkley Point C – a major milestone. The accompanying Environmental Statement relied upon Cefas' marine assessments, which drew on integrated marine studies we have led over several years.

The outlook for Cefas remains positive. We are making excellent progress against strategic objectives, and seeing further improvements in associated indicators, by:

- continuing to diversify our income, growing turnover beyond Defra by a further £1.9 million (10% annual growth). This has supported substantial self-investment in people, science and facilities.
- increasing the average impact factor of our 156 peer-reviewed scientific publications, achieving a score of 2.79 this year (up 17.7% on 2010–11).
- growing our employee engagement index score to 62%. For the first time Cefas is rated a Civil Service High Performer, being in the upper quartile of all organisations that took part in the survey.
- sustaining a very strong health and safety (H&S) performance, embedding recently accredited systems.

Demand for our expertise continues to grow. Innovation, collaboration and a passion for our work keeps us competitive and responsive to the increasingly dynamic market sectors we operate in.

Finally, I am leaving Cefas to undertake another role in the civil service. So I want to add a personal note of gratitude to all the people I have had the privilege of leading over the past five years. Their energy, expertise and enthusiasm made it a wonderful place to work. I am confident of Cefas' sustained future success and I wish them well.

Richard Judge

Richard Judge
Chief Executive

OUR IMPACT

We align our work to the Department for Environment, Food and Rural Affairs' (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 a sustainable Green Economy and industry sectors that contribute over £35 billion to the UK economy and bring wider socio-economic benefits.

Cefas' governance arrangements, approach to business risk and internal control framework are covered in more detail in the Governance Statement (see pp 19–21). A five-year strategy and a detailed annual budget are set before the start of each year. Performance against these and performance indicators (see p 11) is reported to and reviewed quarterly by the Cefas Management Board.

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

REFORMING FISHERIES POLICY, PROMOTING ALTERNATIVES

Cefas has worked closely with Defra on the reform of the Common Fisheries Policy, with the positive outcome that the European Commission's (EC) draft proposals incorporate many UK contributions. Our scientists supported Defra in very successful EU Fisheries Council negotiations and participated in the international review of cod recovery plans, leading towards their revision.

We made good progress in initiating a larger-scale discard-ban trial, and worked extensively with fishermen in a regional pilot study to develop more selective fishing gears in southwest England. In addition, our scientists have been involved in projects that monitor total fishing catches, not just the fish landed; and encourage consumers to eat a wider range of fish. These projects have showcased positive UK government action and industry innovation, both in the media and at EU level.

MARINE PLANNING AND LICENSING

We have worked closely with the Marine Management Organisation (MMO) to ensure that specific licensing issues related to dredging and marine aggregate extraction are resolved, while minimising the regulatory burden on developers. This has allowed good progress to be made with the development of co-ordinated marine plans.

Cefas staff continue to collect data and evidence from the dredge-spoil disposal site at Rame Head, off Plymouth. We worked closely with the MMO on the review report for this site, which provided the Minister with the necessary confidence in the licence process and underpinning science, and are acting on the recommendations of the review. In addition, our report on the data and analyses of seabed habitats in Lyme Bay, commissioned by Natural England, was used by the Independent Review Panel as part of its investigations.

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. Leading a consortium of institutions (the Shellfish Partnership) we were successful in our competitive tender for over £3 million per year (both new and existing work) for the Food Standards Agency (FSA), covering UK-wide shellfish monitoring and associated advice for the next three to five years.

In addition, the high health status of UK aquatic animals was 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.

We also worked with industry to develop a strategy for increasing shellfish and finfish aquaculture production in England. The document was available for public consultation late in the year, and feedback is now being reviewed by Defra.

ASSESSING AND MONITORING UK SEAS

Cefas led and completed substantial work throughout the year to ensure that UK preparations for the Marine Strategy Framework Directive (MSFD) have a strong technical basis. The intended outcome is EC support in 2012 for the UK's proposals for MSFD implementation, including proposals for targets and indicators of good environmental status. Public consultation is now underway, based on our recently published report.

In addition, a workshop co-ordinated by Cefas brought together relevant UK organisations actively engaged in monitoring the marine environment, through marine observatories or other observing programmes. With ministerial backing, a five-year plan has been agreed to create a single UK marine observatory that aims to provide valuable scientific insights alongside cost savings.

FUTURE PLANS

In the year ahead, alongside ensuring delivery against government and Defra needs, we will sustain our focus on actions that strengthen external relationships and diversify our income, that encourage innovation, give us greater resilience and reduce costs.

Against this, we will need to manage £1.5 million of planned Defra funding reductions and £0.5 million of inflationary pressures, and mitigate for £0.5–2 million of identified risks.

Our actions will include:

- continued diversification of revenue streams across the public sector and into wider markets, in line with our purpose and to support efficiencies, generate knowledge and enhance our impact
- investment in our science and people to rebalance and refresh skills in line with future customer needs, so enabling us to deliver our strategy and to sustain longer-term capability. In addition, we hope to build cash reserves that will help to fund the replacement of our ageing Lowestoft laboratory in about five years' time
- actions to attract, retain and motivate our people – building on an already high level of employee engagement to make Cefas an even better place to work. We aim to recruit experts to lead business growth in priority areas, niche specialists to address skills gaps and post-graduates to enable progression within Cefas.

Through these actions we feel confident that we will be able to address the challenges posed by the dynamism of both the fiscal and natural environment.

“WE WILL SUSTAIN OUR FOCUS ON ACTIONS THAT STRENGTHEN EXTERNAL RELATIONSHIPS, DIVERSIFY OUR INCOME AND ENCOURAGE INNOVATION.”

SUSTAINABILITY REPORT

Year ending 31 March 2012

Cefas' sustainability and associated financial costs presented here are consistent with the requirements of HM Treasury's *Public Sector Annual Reports: Sustainability Reporting, Guidance for 2011–12 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.

OUR DATA

There are limitations in the level of our financial and non-financial sustainability data and we continue to improve the level of internal control procedures. Energy and water consumption figures are based on billed amounts. Waste data is provided by Defra, and includes 2010–11 Q4 waste data for 2011–12 Q4.

For business travel, the emissions data are for on-contract hire, Fish Health Inspectorate lease vehicles and grey fleet only. The emissions data for on-contract hire for Q1 are estimated. The financial data are for all business travel.

PERFORMANCE SUMMARY

By 2015, against a 2009–10 baseline, Cefas aims to:

- reduce greenhouse gas emissions from the whole estate and business-related transport by 25%, and reduce the number of domestic flights by 20%
- 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 Greening Government Commitments is available online: http://sd.defra.gov.uk/gov/green-government/commitments.

Cefas' performance is influenced by an ageing laboratory infrastructure and increasing work volumes. Latest performance results show:

Greenhouse gas emissions

Performance:	5% reduction
RAG status:	**Amber** – marginally behind target

Waste

Performance:	25% reduction
RAG status:	**Green** – on track to meet the target

Water

Performance:	7% increase
RAG status:	**Green** – on track to meet the three-year moving average despite the small increase in use reported

ENERGY		2011–12	2010–11	2009–10
Non-financial indicators (kWh, '000)	**Total energy consumption**	**8,213**	**8,588**	**8,621**
No consumption of oil, biomass, other CHP, self-generated renewables, LPG, or other	Total electricity	4,934	4,927	5,067
	Electricity: brown	64	56	102
	Electricity: green	4,870	4,868	4,965
	Electricity: CHP	0	2	0
	Gas	3,279	3,661	3,555
Financial indicators (£'000)	**Total energy costs**	**678**	**705**	**791**

GREENHOUSE GAS EMISSIONS		2011–12	2010–11	2009–10
Non-financial indicators (tCO_2e)	**Total emissions**	**3,392**	**3,513**	**3,572**
	Scope 1: direct emissions	603	674	654
	Scope 2: indirect emissions	2,612	2,681	2,741
	Scope 3: emissions from official business travel	177	158	177
Financial indicators (£'000)	**Expenditure on official business travel**	**704**	**714**	**1,232**

Abbreviations used in these tables
kWh: kilowatt hours
CHP: combined heat and power
LPG: liquefied petroleum gas
tCO_2e: carbon dioxide emissions, in tonnes

WASTE		2011–12	2010–11	2009–10
Non-financial indicators (tonnes)	**Total waste**	**220**	**189**	**295**
	Hazardous waste	10	33	14
	Reused, recycled, composted	96	94	132
	Incinerated with energy recovery	73	17	53
	Incinerated without energy recovery	17	5	0
	Landfill	25	39	97
Financial indicators (£'000)	**Total disposal costs**	**These are part of a central Defra contract and not available at Cefas level**		

WATER		2011–12	2010–11	2009–10
Non-financial indicators (m^3)	**Total water consumption**	**63,885**	**65,703**	**59,723**
	Supplied (office estate)	23	15	1
	Supplied (non-office estate)	63,861	65,689	59,722
	Abstracted	0	0	0
Financial indicators (£'000)	**Water supply costs**	**145**	**220**	**183**

PERFORMANCE COMMENTARY

Greenhouse gas emissions: We have reduced gas consumption by 7.7% against the baseline year and electricity was reduced by 2.6%. This was achieved by continually identifying and reviewing opportunities for improving energy efficiency and implementing initiatives that will ensure that Cefas meets its CO_2 reduction targets, as set by Defra. Initiatives fall into the following categories:

- staff behaviour change: 75% have had environmental awareness training, and there have been agency-wide notices regarding environmental performance and initiatives
- improved management of building plant and equipment and implementation of more effective control mechanisms (timers, thermostats, etc)
- technological solutions (such as low-energy lighting, voltage optimisation, replacement air-handling units and louvred windows) that improve the energy efficiency of the buildings
- improved ways of working (video/web conferencing, multi-functional printing devices, centralised staff amenities).

Recommendations arising from recent in-depth surveys are currently being developed into a business case for project implementation in 2012–13. These are expected to contribute to both CO_2 and water savings.

Waste: Our facilities management contractor, Interserve, subcontracts waste handling to DS Smith Recycling. All of our waste is managed according to the waste hierarchy – reduce, reuse, recycle. This means that waste is disposed of in the most appropriate and environmentally responsible manner.

Water: Consumption within our estate predominantly supports scientific processes.

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.

Environmental Management System: Cefas is certified to the ISO 14001 Environmental Management System.

Governance: Cefas' sustainable operations and procurement strategy is delivered through our Divisional Directors and key performance indicators are reported to the senior management team on a monthly basis.

STAFF ENGAGEMENT, AT WORK AND BEYOND

Our 91% 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 (60%).

The survey is designed to measure staff engagement, and our overall engagement index was 62% (2010–11: 61%). This placed Cefas within the highest-performing civil service organisations for the first time.

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 have seen a significant increase in Cefas Connects activity over the past year. 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 our activities.

The way in which HR support is provided has been completely reviewed in the past year to fit wider civil service reforms of policy, resourcing and learning functions. This has achieved significant cost savings and enabled us to focus on strategic and specific people needs. The Corporate Centre division has also been restructured to reduce costs and deliver services in new ways that effectively support business requirements.

We have made changes to our occupational health management processes and ensured that staff can achieve an acceptable work–life balance. We continued the significant reduction in absence rates, which is now below four average working days lost (2010–11: six) and compares favourably to the seven 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 on our website: www.cefas.defra.gov.uk.

BUILDING HEALTH AND SAFETY AWARENESS

We continued to meet our long-term targets for reducing accidents and preventing ill health in 2011–12. Substantial work on building strong procedures and updating guidance for staff, to clarify roles and responsibilities for H&S, has led to greater awareness. In addition, we have met challenging competency requirements in fieldwork and laboratory safety by offering tailored and risk-based training modules.

Reported incidents and accidents

There were only three accidents resulting in lost time, requiring medical treatment or classified as a reportable incident in the year. This is a marked reduction in the level seen four years ago (seven incidents in total).

SERVICE STANDARDS

Our service standards and key policies are described on our website. This year, 100% 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 was one complaint relevant to the Cefas Charter received during the report period.

> “WE ENCOURAGE STAFF IDEAS TO IMPROVE OUR WAYS OF WORKING.”

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[1]

METRIC	TREND	MEASUREMENT	WEIGHT	ACHIEVEMENT
Finance	80%, grow	Financial responsiveness to our owner, our delivery of tangible effectiveness gains and the successful widening of our customer base	30%	**2011–12 Target achieved (100%)** 2010–11 Target achieved 2009–10 Target achieved
Customer satisfaction	80%, enhance	Post-contract surveys, together with monitoring of how we learn and build on this feedback to develop Cefas; Cefas impacts and customer deliverables	17.5%	**2011–12 Target achieved (89%)** 2010–11 Target achieved 2009–10 Target achieved
Scientific excellence	80%, sustain	Indicators include publication and media records, customer views of our science and ongoing investment in new science and capabilities	17.5%	**2011–12 Target achieved (95%)** 2010–11 Target achieved 2009–10 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%	**2011–12 Target achieved (82%)** 2010–11 Target achieved 2009–10 Target achieved
Social responsibility	80%, sustain	Health, Safety and Environment indicators and delivery of improvement actions; maintaining OSHAS 18001 and ISO 14001 accreditations	17.5%	**2011–12 Target achieved (85%)** 2010–11 Target not achieved 2009–10 Target achieved

[1] The indicators were refined and restated for 2010–11, so 2009–10 outcomes are the nearest equivalents.

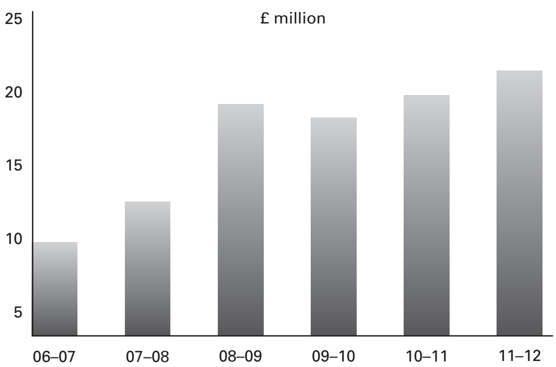
FINANCIAL PERFORMANCE

Cefas has delivered another strong financial performance in a challenging year for public-sector finances and despite significant resourcing pressures. We recovered the full economic cost of the services we provided during 2011–12, generating a net operating surplus of £2.8 million from our competed activities. We continue to diversify income, growing sales from non-Defra customers by £1.9 million. Our operating effectiveness improved by more than £1 million. This performance has enabled us to invest in our science, infrastructure and people to help support a sustainable future for the agency.

Turnover this year totalled £53.1 million (2010–11: £53.6 million), with Defra receipts making up 59% (2010–11: 63%) or £31.2 million (2010–11: £33.7 million). Of this, approximately £28 million reflects a strategic partnership between Cefas and Defra that secures essential services required by government. This turnover also includes substantial programmes managed by Cefas, where work is subcontracted to external suppliers.

Turnover from sources other than Defra – £21.8 million (2010–11: £19.9 million) – plays a critical role in broadening our capabilities and experience, demonstrating our competitiveness and contributing significantly to our fixed costs. These contracts continue to make up more than one-third of all our work, reflecting relatively buoyant marine-related markets.

TURNOVER FROM SOURCES OTHER THAN DEFRA



Improved operating efficiencies and overhead cost reductions contributed more than £1.2 million during the year, but are offset by charges of £1.8 million from the impairment of the carrying value of our research vessel.

External costs were generally kept below the consumer price index inflation of 3.5%. Total salary costs fell as public-sector recruitment restrictions left unfilled vacancies averaging 3% of staff numbers, and pay rates remained flat in line with the public-sector pay freeze. There were no charitable donations greater than £200 made in the year (2010–11: £NIL).

EVENTS AFTER THE REPORTING DATE

These accounts were authorised for issue by the Cefas Accounting Officer on 14 June 2012. 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, 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 £1.8 million (2010–11: £1.6 million) was principally incurred on scientific equipment to meet anticipated contractual needs – £1.5 million (2010–11: £0.6 million). An impairment review was conducted into the carrying value of our research vessel, *Cefas Endeavour*, which resulted in a reduction in value of £5.9 million to £14.5 million. This review reflects an expected reduction in future returns attributable to the asset.

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 fish-tag production and fish-disease testing. In line with

Government Financial Reporting Manual (FReM) requirements, CTL accounts are not consolidated into Cefas' statements of accounts. In 2011–12, CTL traded profitably, making a profit of £235,000 before tax on turnover of £528,000.

CASH MANAGEMENT

The agency generated a positive operating cash flow of £5.1 million (2010–11: £10.1 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 £1.4 million (2010–11: £4.7 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, 91% in pounds sterling and 9% in foreign currencies; and the payment of certain goods and services in foreign currencies. This risk is believed to be low-level, and the 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, marine data/evidence, 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 (2010–11: £42,000). 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.

Richard Judge

Richard Judge
Chief Executive
14 June 2012

“TURNOVER FROM SOURCES OTHER THAN DEFRA PLAYS A CRITICAL ROLE IN BROADENING OUR CAPABILITIES AND EXPERIENCE, AND DEMONSTRATES OUR COMPETITIVENESS.”

REMUNERATION REPORT

The Cabinet Office, subject to HM Treasury remits, sets the remuneration of the Cefas Management Board's (CMB's) executive directors. They are senior civil servants and their contract of employment is with Defra. Cefas, however, bears the cost of their employment. Up to 15% of their remuneration is performance-related and is reviewed by Defra against achievement of ministerial and personal targets.

Richard Judge, Chief Executive; Tim Green, Finance and Corporate Services Director; and Mike Waldock, Chief Scientific Adviser, are under permanent contracts of employment with Defra. Reg Eayrs, Operations Director, is on a three-year fixed-term appointment with Defra with an option to extend to five years.

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

All non-executive CMB 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.

REMUNERATION OF CEFAS DIRECTORS (AUDITED)

	Salary for period		**Performance bonus**		**Total remuneration**	
CMB executive directors	**2011–12 £'000**	**2010–11 £'000**	**2011–12 £'000**	**2010–11 £'000**	**2011–12 £'000**	**2010–11 £'000**
Chief Executive						
Richard Judge[1]	120–125	65–70	10–15	10–15	130–135	75–80
Chief Scientific Adviser						
Mike Waldock	65–70	65–70	5–10	0–5	70–75	65–70
Finance and Corporate Services Director						
Tim Green	70–75	70–75	5–10	5–10	75–80	75–80
Operations Director						
Reg Eayrs[2]	70–75	60–65	0–5	0–5	70–75	60–65
Band of highest paid director's total remuneration					130–135	130–135
Median total remuneration					26,538	26,285
Ratio					5	5

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 2011–12 and 2010–11.

No CMB executive directors were in receipt of any benefits in kind (2010–11: £NIL); nor did they hold any company directorships or other significant interests that may have conflicted with their management responsibilities.

	Fee band		**Performance bonus**		**Total remuneration**	
CMB non-executive directors	**2011–12 £'000**	**2010–11 £'000**	**2011–12 £'000**	**2010–11 £'000**	**2011–12 £'000**	**2010–11 £'000**
Joe Horwood[3]	5–10	5–10	0	0	5–10	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[4]	0–5	0	0	0	0–5	0

Notes to tables on pp 14–16

[1] Richard Judge's salary for 2010–11 was paid by the Rural Payments Agency for the period 2 August 2010 to 17 January 2011 when he was their Interim Chief Executive. His full-year equivalent salary was in the band £120–125,000.

[2] Reg Eayrs joined Cefas on 17 May 2010 as Operations Director. His full-year equivalent salary was in the band £65–70,000.

[3] Joe Horwood stood down as a non-executive director on 31 December 2011.

[4] Nicholas Owens joined the CMB as a non-executive director on 1 January 2012.

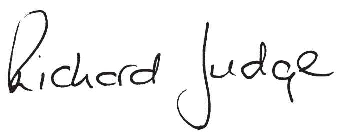
[5] CETV: cash equivalent transfer value.

[6] 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.

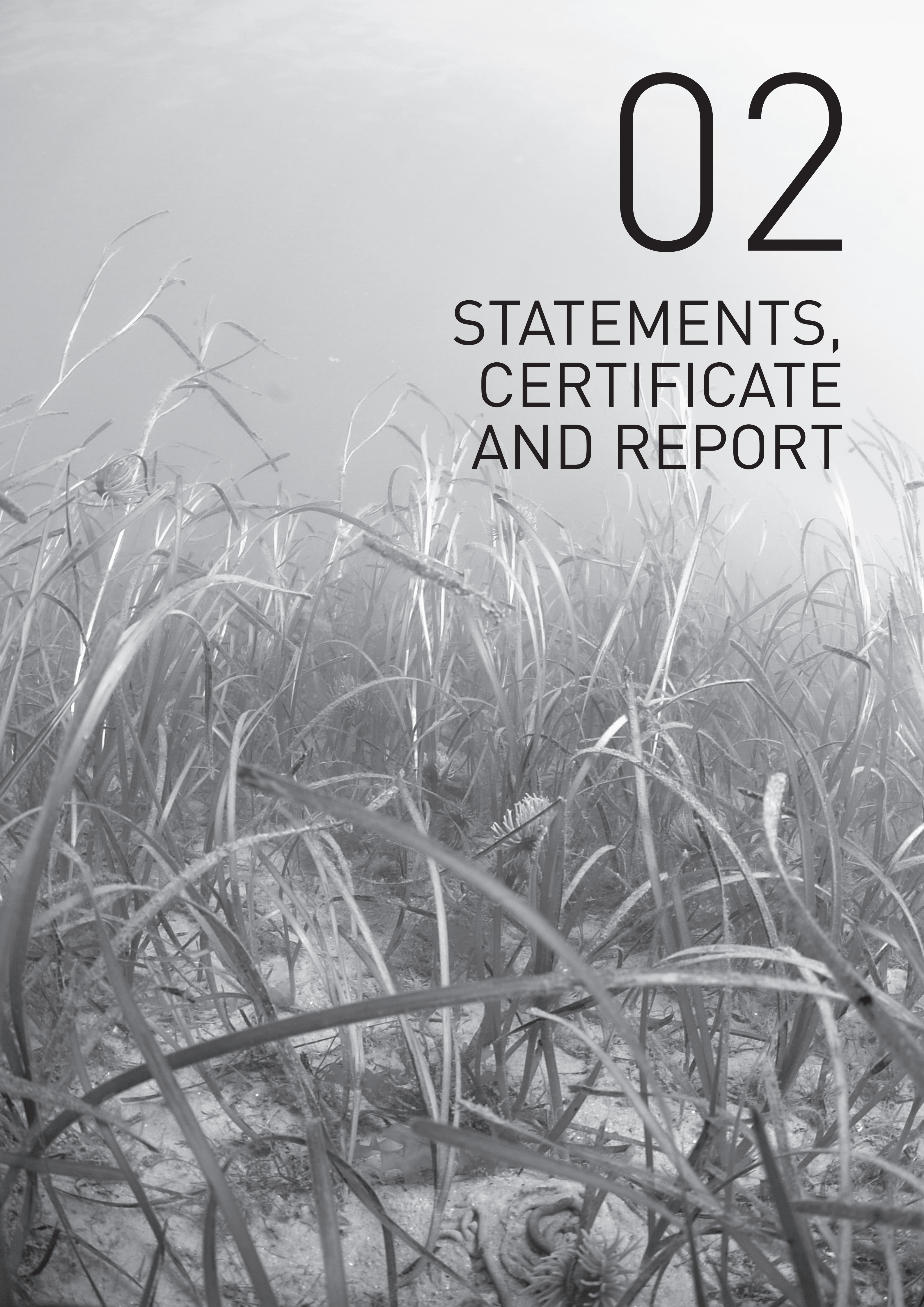
PENSION ENTITLEMENTS OF CEFAS DIRECTORS (AUDITED)

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[5] at 31 March 2012 £'000	CETV[6] at 31 March 2011 £'000	Real increase in CETV £'000
Chief Executive					
Richard Judge[1]	0–2.5 plus 0 lump sum	45–47.5 plus 0 lump sum	669	603	12
Chief Scientific Adviser					
Mike Waldock	0–2.5 plus 0–2.5 lump sum	27.5–30 plus 82.5–85 lump sum	608	573	-13
Finance and Corporate Services Director					
Tim Green	0–2.5 plus 0 lump sum	7.5–10 plus 0 lump sum	99	80	11
Operations Director					
Reg Eayrs[2]	0–2.5 plus 0 lump sum	2.5–5 plus 0 lump sum	32	14	14

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



Richard Judge
Chief Executive
14 June 2012



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 costs, 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* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* 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

The Centre for Environment, Fisheries & Aquaculture Science (Cefas) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra). 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 at 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. Responsibilities include providing assurance to the Supervisory Board that appropriate governance arrangements are in place for the agency.

Periodic 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. In delivering this role, he is supported and challenged by the Cefas Management Board (CMB), which includes four NEDs.

The CMB provides strategic entrepreneurial 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.

An equal split of executives and NEDs gives the appropriate balance of skills, experience, independence and knowledge of Cefas 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.

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:** monitors the corporate governance and control systems and advises on internal and external audit matters, risk and governance in the organisation. Reported highlights have been the delivery of the annual audit programme, performance of the facilities management contractor 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. Reported highlights have been a review of Cefas' modelling capabilities, preparations for a full Capability Review in 2012 and actions arising.
- **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 committee was recently established and met for the first time in May 2012.

Cefas complies with relevant principles and protocols outlined in the Corporate Governance Code 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 led by the lead NED and Chief Executive working together. The performance evaluation for the year 2011–12 was conducted in March 2012, which concluded that the CMB operates effectively. Minor actions were agreed to enhance effectiveness regarding the appointment of the Human Resources and Organisational Development director to the CMB and the increased use of the lead NED to chair interim meetings.

Board committees carry out their own performance evaluations and report the results to the CMB. The Board routinely reviews performance data using a balanced scorecard approach that aligns operational indicators with Cefas' strategic objectives. Attendance at CMB meetings during 2011–12 has ensured that three or more of both executive and non-executive members were always present.

Cefas has performed well through the year, continuing to deliver to its plans with notable successes being:

- the low number of health and safety (H&S) injuries
- growth of income from customers beyond core Defra
- strong customer satisfaction results, evidenced through surveys
- increased impact of science through published papers
- a high level of engagement shown by staff through results of the civil service survey.

Performance issues identified in the year were the:

- unacceptable performance of our facilities management contractor and consequent negative impact on operations, H&S standards, cost-effectiveness and reputation. This contract is managed by Defra; Cefas communicates any real concerns to Defra, as the contract manager, and monitors and reports back on performance. Work to confirm the value for money from the overall contract remains ongoing.
- identification of a £36,000 fraudulent loss relating to an incident in 2010. Causes have been reviewed and mitigating actions are in place. Criminal action is being undertaken and the recovery of funds pursued.

3. RISK PROFILE

Cefas' principal risk is reputational, depending on its reputation for excellent scientific evaluation and advice to retain and grow its customer base. Business 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 centralisation by government results in increased reputational risk. While some 80% of sales are for UK government, an increasing proportion is for private-sector and other customers. This at least offsets reductions in government expenditure and allows capability and capacity to be maintained.

Other significant risk priorities identified and managed during the year included:

- increased centralisation of control impacting on Cefas' ability to manage the timely recruitment of staff to meet contractual obligations with customers
- uncertain economic climate and its potential impact on income, particularly from government customers
- unacceptable performance of the facilities management contractor.

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 also 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. External audit is carried out by the National Audit Office, and its agent.

4. INTERNAL CONTROL FRAMEWORK

The Internal Control Framework in place for assuring continued compliance with corporate governance and to manage risk incorporates:

- a risk-management plan and a register of top Cefas risks reported at CMB meetings, with mitigating action plans assigned to and managed by individual managers
- a system of internal control based on a framework of procedures and management information, which is assessed by an annual programme of internal audit reviews and that is summarised in an annual opinion
- the application of standard contract-tendering and project-management procedures and an information system designed to monitor all project resources and performance
- a Senior Information Risk Officer who oversees the management of information risk and compliance with the Cabinet Office Security Policy Framework and Cefas' information-security policy. There were no material lapses of information security in year.
- external assurances of effective risk management that contribute strongly to the assurance framework, covering internal audit and a range of accredited management systems including ISO 9001 (Quality), ISO 18001 (Health and Safety), ISO 14001 (Environmental), ISO 17025 (Laboratory Testing and Calibration Competence)
- end-to-end process assessments specifically conducted on areas at higher risk of financial loss.

5. SIGNIFICANT ISSUES

Good progress continued against our plans in 2011–12, however the significant issues being managed through the year and going forward are:

- the ability to attract or retain experienced scientists, and the associated reward strategies in a climate of continued austerity, particularly in a buoyant marine sector where demand for scarce experience and talent is high. Delivery pressures due to extended recruitment timings also need careful management, with flexible mechanisms being required to balance delivery needs and to respond to dynamic customer requirements.
- future access to capital and the increasing cost of centralised processes and contracts, covering scientific equipment, information technology and estates investment
- the requirement by 2017 to have completed the replacement of laboratory facilities at Lowestoft that, having been refurbished, now have a limited remaining life.

Richard Judge

Richard Judge
Chief Executive
14 June 2012

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 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to 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 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the 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.

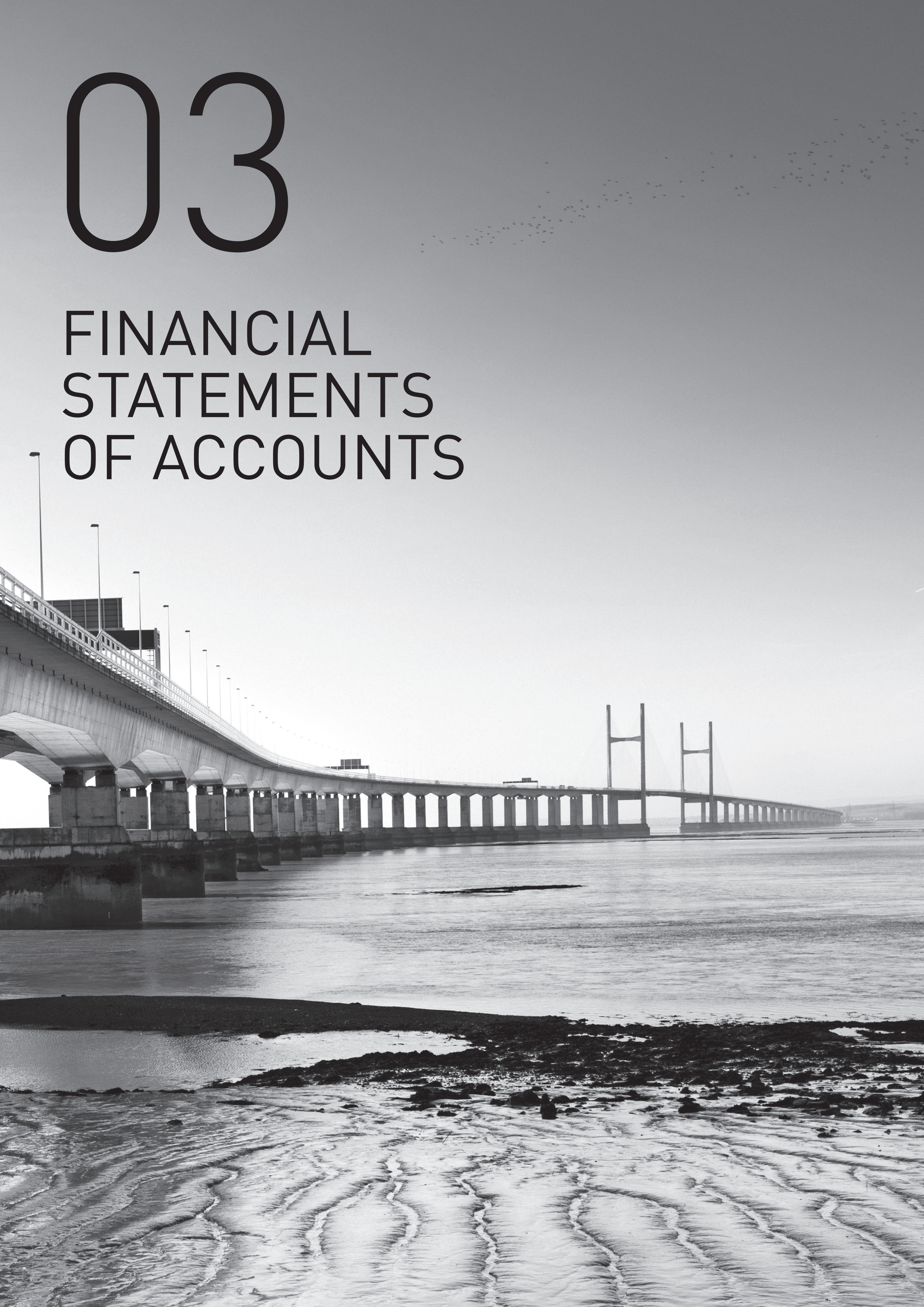
Amyas C E Morse 28 June 2012

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 EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2011–12 £'000	2010–11 £'000
Administration costs			
Staff costs	**2**	20,042	21,240
Other administration costs	**4**	30,254	30,450
Operating income	**5**	(53,089)	(53,588)
Net operating cost		**(2,793)**	**(1,898)**
Other comprehensive expenditure			
Net loss on revaluation of property, plant and equipment	**7**	4,299	1,232
Net (gain) on revaluation of intangibles	**8**	(137)	0
		4,162	**1,232**
Total comprehensive expenditure for the year ended 31 March 2012		**1,369**	**(666)**

The Notes on pp 29–48 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

		31 March 2012		31 March 2011
		£'000	**£'000**	**£'000**
	Note			
Non-current assets				
Property, plant and equipment	**7**		33,646	41,132
Intangible assets	**8**		270	302
Investments	**10**		150	150
Total non-current assets			**34,066**	**41,584**
Current assets				
Trade receivables	**12**	1,974		3,563
Other current assets	**12**	6,526		4,196
Cash and cash equivalents	**13**	17,900		15,360
Total current assets			**26,400**	**23,119**
Total assets			**60,466**	**64,703**
Current liabilities				
Trade payables	**14**	(336)		(710)
Other current liabilities	**14**	(11,327)		(11,363)
Provisions	**15**	(1,298)		(2,152)
Total current liabilities			**(12,961)**	**(14,225)**
Non-current assets plus net current assets			**47,505**	**50,478**
Non-current liabilities				
Provisions	**15**		(3,012)	(3,176)
Other payables	**14**		(186)	(279)
Assets less liabilities			**44,307**	**47,023**
Taxpayers' equity				
General Fund			38,204	36,766
Revaluation Reserve			6,103	10,257
Total taxpayers' equity			**44,307**	**47,023**

Richard Judge
Chief Executive and Agency Accounting Officer
14 June 2012

The Notes on pp 29–48 form part of these accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2011–12		2010–11	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net operating cost		2,793		1,898
Adjustments for non-cash transactions				
Depreciation charges	3,140		3,535	
Amortisation	178		232	
Impairment	1,791		256	
Notional charges	45		4,063	
Loss/(profit) on disposal	8		(23)	
		5,162		8,063
(Increase)/decrease in receivables	(741)		2,340	
(Decrease) in payables	(1,094)		(1,729)	
(Decrease) in provisions	(1,018)		(461)	
		(2,853)		150
Net cash inflow from operating activities		**5,102**		**10,111**
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,166)		(1,691)	
Purchase of intangible assets	0		(48)	
Proceeds of disposal of property, plant and equipment	4		33	
Net cash flow from investing activities		**(1,162)**		**(1,706)**
Cash flows from financing activities				
Excess cash funding repaid to Defra	(1,400)		(4,725)	
		(1,400)		**(4,725)**
Net financing				
Net increase in cash and cash equivalents in the period		**2,540**		**3,680**
Cash and cash equivalents at the beginning of the year		15,360		11,680
Cash and cash equivalents at the end of the year		**17,900**		**15,360**

The Notes on pp 29–48 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2010	35,530	11,489	47,019
Comprehensive expenditure for the year			
Non-cash adjustments			
Notional charges			
Auditor's remuneration	42	0	42
Defra estate charges	4,013	0	4,013
Other	8	0	8
Movements in reserves			
Income and expenditure account	1,898	0	1,898
Recognised in Statement of Comprehensive Net Expenditure revaluation	0	(1,232)	(1,232)
Total recognised income and expense for 2010–11	5,961	(1,232)	4,729
Excess cash funding repayable to Defra	(4,725)	0	(4,725)
Balance at 31 March 2011	**36,766**	**10,257**	**47,023**
Comprehensive expenditure for the year			
Non-cash adjustments			
Notional charges			
Auditor's remuneration	45	0	45
Movements in reserves			
Comprehensive expenditure for the year	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**

The Notes on pp 29–48 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 2011–12 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) 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 accrued and is deferred where the related expenditure has been pre-paid.

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
IT 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 unlikey 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 IT 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.

NOTES TO THE ACCOUNTS

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 Expenditure (SoCNE) as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development costs is contingent on fulfilment of the criteria noted in IAS 38 (intangible assets).

1.6 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:

IT 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 measurement of impairment is at first met by a reduction from the Revaluation Reserve for that asset. Once the Revaluation Reserve for that asset is exhausted then such further amount is charged to the Statement of Comprehensive Net Expenditure.

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 outside the departmental boundary.

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 Statement of Comprehensive Net Expenditure.

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 civil service pension (CSP).

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 Principal Civil Service Pension Scheme (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.

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 SoCNE 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 SoCNE by virtue of an interdepartment adjustment via the General Fund. Costs incurred from shared services are made by cash transfer in accordance with other supplier invoices. The audit fee is the only remaining virtual (non-cash interdepartment) 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) is relevant to Cefas but that it 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	2011–12 Total £'000	2010–11 Total £'000
Wages and salaries	16,180	52	16,232	16,694
Social Security costs	1,107	0	1,107	1,182
Superannuation	2,765	0	2,765	2,812
Early-departure and related costs	(62)	0	(62)	552
Total staff expenditure	**19,990**	**52**	**20,042**	**21,240**
Less recoveries in respect of outward secondments	0	0	0	(75)
Total net costs	**19,990**	**52**	**20,042**	**21,165**

Included in the permanently employed staff costs for 2011–12 is an accrual for untaken leave and leave-in-lieu of £1,040,000 (2010–11: £1,068,000).

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

The Principal Civil Service Pension Scheme (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. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011–12, employers' contributions of £2,765,000 were payable to the PCSPS (2010–11: £2,812,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2010–11 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 2011–12 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 (2010–11: £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 (2010–11: £NIL) and contributions pre-paid at that date were £NIL (2010–11: £NIL).

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

NOTES TO THE ACCOUNTS

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

	Employed staff	Others	2011–12 Total	2010–11 Total
Staff resource	510	1	511	543
Total	**510**	**1**	**511**	**543**

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

Comparative data shown (in brackets) for previous year.

	2011–12	
	Other exits Numbers	**Total Numbers**
< £10,000	0 (0)	0 (0)
£10,000 – £25,000	0 (5)	0 (5)
£25,000 – £50,000	1 (9)	1 (9)
£100,000 – £150,000	0 (1)	0 (1)
£150,000 – £200,000	0 (0)	0 (0)
	1 (15)	**1 (15)**
Total cost £'000		**30 (570)**

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

There have been no compulsory redundancies in 2011–12 and 2010–11.

Where Cefas has agreed early retirements, the additional costs are met by the agency and not by the CSP scheme. 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 £30,000 (2010–11: £570,000) and the early-departure and related costs shown in Note 2(a) relate to movements in provisions.

NOTES TO THE ACCOUNTS

NOTE 4. OTHER ADMINISTRATION COSTS

	Note	2011–12 £'000	2010–11 £'000
Direct subcontracting costs			
Technical services		10,203	6,762
Facilities management			
Facility developments and accommodation*		109	3,076
Charters		269	324
Facilities management		3,513	4,244
Vessel management		4,801	4,253
		8,692	**11,897**
Others			
Consultancy		82	68
Defra management overhead		19	270
Doubtful debts		(40)	56
Effect of exchange movement		170	40
IT and communications		1,074	1,128
Laboratory consumables		2,012	1,783
Library purchases		219	172
Other expenditure		57	119
Postage		243	243
Recruitment and training		298	333
Relocation and severance		13	(121)
Stationery and printing		175	200
Telecommunications		164	96
Travel and subsistence		1,369	1,541
		5,855	**5,928**
Provisions	**15**	271	1,734
Other audits		71	87
Charges related to the consumption of assets			
Amortisation	**8**	178	232
Asset disposal		8	(23)
Depreciation	**7**	3,140	3,535
Impairment of assets		1,791	256
Total for charges related to the consumption of assets		**5,117**	**4,000**
Total for non-pay costs		**30,209**	**30,408**
Auditor's remuneration		**45**	**42**
Total for other administrative costs		**30,254**	**30,450**

* Facility developments and accommodation costs in 2010–11 include £2,927,000 relating to the Lowestoft site legacy-maintenance project.

NOTE 5. INCOME

	2011–12 £'000	2010–11 £'000
Advice, evidence and research	47,883	51,227
European Union		
Expenditure met by Cefas	2,455	1,872
Cefas as agent for the European Union	2,751	489
	53,089	**53,588**
European Union outsourced work	(2,751)	(489)

NOTE 6. SEGMENTAL REPORT

Income was earned from the following business segments:

	2011–12 £'000	2010–11 £'000
Operating income		
Core Defra	31,245	33,684
Defra network	3,310	2,936
Public sector	6,845	6,453
European Union	5,206	2,361
Industry and other	6,483	8,154
Total	**53,089**	**53,588**
Contribution towards indirect overheads		
Core Defra	2,971	5,710
Defra network	887	796
Public sector	2,679	1,938
European Union	344	508
Industry and other	1,800	2,081
	8,682	**11,033**
Indirect overheads	(5,889)	(9,135)
Net operating surplus	**2,793**	**1,898**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vessel
Cost or valuation	**£'000**	**£'000**	**£'000**
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**
Cost or valuation			
At 1 April 2010	780	28,293	31,419
Indexation	0	0	0
Revaluation	0	291	(2,529)
Additions	0	591	4
Transfers	0	0	(1)
Disposals	0	0	0
At 31 March 2011	**780**	**29,175**	**28,893**
Depreciation			
At 1 April 2010	0	(13,359)	(7,537)
Indexation	0	0	(1)
Revaluation	0	0	941
Provided in year	0	(851)	(1,035)
Impairment	0	(256)	0
Transfers	0	0	0
Disposals	0	0	0
At 31 March 2011	**0**	**(14,466)**	**(7,632)**
Net book value			
At 31 March 2011	**780**	**14,709**	**21,261**
At 31 March 2010	**780**	**14,934**	**23,882**
Owned	**780**	**14,709**	**21,261**

Land and buildings were revalued on a "depreciated replacement cost" basis with effect from 31 March 2011 by DTZ Debenham Tie Leung Ltd, 125 Old Broad Street, London EC2N 2BQ. The research vessel was revalued on a "market value" basis with effect from 31 March 2012 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 2012.

Information technology £'000	Scientific equipment £'000	General equipment £'000	Assets in course of construction £'000	Total £'000
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**
3,534	13,403	1,029	38	78,496
17	142	(13)	0	146
0	0	0	(2)	(2,240)
194	642	8	104	1,543
(499)	125	75	2	(298)
(1,142)	(2,230)	(677)	0	(4,049)
2,104	**12,082**	**422**	**142**	**73,598**
(2,872)	(9,124)	(934)	0	(33,826)
(10)	(76)	12	0	(75)
0	0	0	0	941
(153)	(1,458)	(38)	0	(3,535)
0	0	0	0	(256)
246	0	0	0	246
1,142	2,222	675	0	4,039
(1,647)	**(8,436)**	**(285)**	**0**	**(32,466)**
457	**3,646**	**137**	**142**	**41,132**
662	**4,279**	**95**	**38**	**44,670**
457	**3,646**	**137**	**142**	**41,132**

* This reflects a detailed review of fully written-down assets undertaken in the year 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 2011	1,066
Indexation	21
Revaluation	137
Additions	0
Transfers	0
Disposals (zero net book value)*	(592)
At 31 March 2012	**632**
Amortisation	
At 1 April 2011	(764)
Indexation	(12)
Revaluation	0
Provided in year	(178)
Impairment	0
Transfers	0
Disposals (zero net book value)*	592
At 31 March 2012	**(362)**
Net book value	
At 31 March 2012	**270**
At 31 March 2011	**302**
Owned	**270**
Cost or valuation	
At 1 April 2010	719
Indexation	1
Revaluation	0
Additions	48
Transfers	298
Disposals	0
At 31 March 2011	**1,066**
Amortisation	
At 1 April 2010	(286)
Indexation	0
Revaluation	0
Provided in year	(232)
Impairment	0
Transfers	(246)
Disposals	0
At 31 March 2011	**(764)**
Net book value	
At 31 March 2011	**302**
At 31 March 2010	**433**
Owned	**302**

* This reflects a detailed review of fully written-down assets undertaken in the year 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	2011–12 £'000	2010–11 £'000
Research vessel[1]		
Impairment charge to operating costs within the SoCNE	1,791	0
Impairment taken via the Revaluation Reserve	4,138	0
Ozone plant[2]		
Impairment charge to operating costs within the SoCNE	0	256
	5,929	**256**

[1] Reflects an expected reduction in future returns attributable to the asset.
[2] For the above asset the expected market value has fallen below the original depreciated replacement cost.

NOTE 10. FIXED-ASSET INVESTMENTS

Cost	**£'000**
At 1 April 2011	150
Additions	0
Disposals	0
At 31 March 2012	**150**
Provisions	
At 1 April 2011	0
Movement	0
At 31 March 2012	**0**
Net book value	
At 31 March 2012	**150**
At 1 April 2011	**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 outside the departmental boundary.

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

	2011–12 £'000	2010–11 £'000
Net assets at 31 March	1,088	883
Turnover	528	567
Profit/(loss) (before tax) for the year	235	69

NOTES TO THE ACCOUNTS

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	Other financial liabilities
	£'000	**£'000**
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)**
Balance at 31 March 2011		
Cash and cash equivalents	15,360	0
Trade and other receivables	4,696	0
Trade and other payables	0	(1,586)
	20,056	**(1,586)**

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 £135,000 (2010–11: £250,000) representing specific debts.

Foreign-exchange risk Around 7% 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% (2010–11: 100% restated).

No interest was paid in respect of late payment of commercial debt (2010–11: £NIL).

The trade payable outstanding at 31 March 2012 as a proportion of our total purchases from suppliers during the year was equivalent to one day's trading (2010–11: two days).

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:

	2011–12 Gain/(loss) £'000	2010–11 Gain/(loss) £'000
Resulting from translation	(200)	40
Arising at a transactional level	30	0

NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

	2011–12 £'000	2010–11 £'000
Amounts falling due within one year		
Trade receivables	1,974	3,563
Other receivables		
Defra	3,540	1,133
Accrued income – EU	1,451	720
Pre-payments and accrued income	1,529	2,343
Sundry receivables	6	0
	6,526	**4,196**

There are no receivables due after more than one year.

Intra-government receivable balances as at 31 March 2012 with the following bodies were: other central government bodies £5,044,000 (2010–11: £2,124,000), local authorities £NIL (2010–11: £NIL), bodies external to government £3,456,000 (2010–11: £5,635,000).

NOTES TO THE ACCOUNTS

NOTE 13. CASH AND CASH EQUIVALENTS

	2011–12 £'000	2010–11 £'000
Balance at 1 April	15,360	11,680
Net change in cash and cash equivalent balances	2,540	3,680
Balance at 31 March	**17,900**	**15,360**

The following balances at 31 March were held at:

	2011–12 £'000	2010–11 £'000
Government banking services	16,238	14,429
Commercial banks and cash in hand	1,662	931
Balance at 31 March	**17,900**	**15,360**

NOTE 14. TRADE PAYABLES AND OTHER CURRENT PAYABLES

	2011–12 £'000	2010–11 £'000
Amounts falling due within one year		
Trade payables	336	710
Other taxation and Social Security	378	382
Accruals	6,919	6,594
VAT	526	226
Other payables	272	268
Deferred income	2,411	2,563
Deferred income – Defra	821	1,330
Total under-one-year creditors	**11,327**	**11,363**
Amounts falling due after more than one year		
Other payables, accruals and deferred income	**186**	**279**

Other payables include employee pension contributions at 31 March 2012 totalling £271,000 (2010–11: £267,000).

Intra-government payable balances as at 31 March 2012 with the following bodies were: other central government bodies £5,429,000 (2010–11: £4,842,000), local authorities £NIL (2010–11: £NIL), public corporations and trading funds £NIL (2010–11: £NIL), bodies external to government £6,420,000 (2010–11: £7,510,000).

NOTE 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Early retirement	Severance/ relocation	Facility	Contract provisions/ losses	Legal claims	Compliance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	650	0	2,218	1,511	893	56	5,328
Provided in the year	0	0	10	801	70	0	881
Provisions not required written back	0	0	(49)	(54)	(507)	0	(610)
Provisions utilised in the year	(104)	0	(20)	(1,093)	(25)	(56)	(1,298)
Unwinding of discount	9	0	0	0	0	0	9
Balance at 31 March 2012	555	0	2,159	1,165	431	0	4,310

Analysis of expected timings of discounted flows

	Early retirement	Severance/ relocation	Facility	Contract provisions/ losses	Legal claims	Compliance	Total
Not later than one year	74	0	38	965	221	0	1,298
Later than one year and not later than five years	440	0	2,121	200	210	0	2,971
Later than five years	41	0	0	0	0	0	41
Balance at 31 March 2012	555	0	2,159	1,165	431	0	4,310

NOTES TO THE ACCOUNTS

15.1 Early-departure costs
Cefas meets the additional costs of benefits beyond the normal CSP 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 discounted by HM Treasury's discount rate of 2.8% in real terms.

15.2 Severance/relocation
This relates to business change and relocation costs.

15.3 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.

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.

15.4 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.

15.5 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.

15.6 Compliance
This reflects project costs to ensure commercial legislative requirements are met.

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

NOTE 16. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2012 not otherwise included in these accounts.	**2011–12 £'000**	**2010–11 £'000**
Property, plant and equipment	71	401

NOTE 17. COMMITMENTS UNDER LEASES

17.1 Operating leases

Total future minimum lease payments under operating leases:

Obligations under operating leases comprise	2011–12 £'000	2010–11 £'000
Land		
Not later than one year	5	5
Later than one year and not later than five years	3	3
Later than five years	6	7
Total	**14**	**15**
Buildings		
Not later than one year	107	63
Later than one year and not later than five years	59	74
Later than five years	2	3
Total	**168**	**140**
Other		
Not later than one year	20	97
Later than one year and not later than five years	106	128
Later than five years	0	0
Total	**126**	**225**

17.2 Other financial commitments

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

Other financial commitments	2011–12 £'000	2010–11 £'000
Not later than one year	2,170	1,930
Later than one year and not later than five years	8,496	7,402
Later than five years	14,868	14,803
Total	**25,534**	**24,135**

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.

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.

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 £31,245,000 was derived from core Defra (2010–11: £33,684,000) and £NIL costs were payable to core Defra (2010–11: £NIL). At 31 March 2012, £4,371,000 was due from core Defra (2010–11: £1,133,000) and £NIL was owed to core Defra (2010–11: £NIL).

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

Board members, key managerial staff or other related parties that have undertaken any material transactions with Cefas, 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 for the British Antarctic Survey (BAS) throughout the year. Fees payable to Nicholas Owens for his non-executive director duties for Cefas are paid directly to BAS. Transactions between Cefas and BAS totalled £5,000 for the year and Nicholas Owens took no part in relation to this work for Cefas or BAS.
- Non-executive director Sue Sharland worked for HR Wallingford Group Ltd as a non-executive director throughout the year. Transactions between Cefas and HR Wallingford Group Ltd totalled £46,202 for the year and Sue Sharland took no part in relation to this work for Cefas or HR Wallingford. At 31 March 2012, £1,010 was due from HR Wallingford Group Ltd.

CTL is a fixed-asset investment (see Note 10). The shares are held by Richard Judge as nominee of the trustees for Cefas. Turnover of £122,000 was derived from CTL (2010–11: £472,000) and costs of £232,000 were payable to CTL (2010–11: £162,000). At 31 March 2012, £134,000 was due from CTL (2010–11: £281,000) and £67,000 was owed to CTL (2010–11: £37,000).

NOTE 20. EVENTS AFTER THE REPORTING DATE

There are no events to report. The accounts were authorised for issue on 28 June 2012 by Richard Judge as Accounting Officer.

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
BAS	British Antarctic Survey
Cefas	Centre for Environment, Fisheries & Aquaculture Science
CETV	cash equivalent transfer value
CIP	construction in progress
CMB	Cefas Management Board
CSP	civil service pension
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
HR	human resources
H&S	health and safety
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
MMO	Marine Management Organisation
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
RAG	red, amber, green: "traffic light" designations/approach to risk and other assessments
SoCNE	Statement of Comprehensive Net Expenditure
VAT	value-added tax

Cefas

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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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