



Centre for Environment,
Fisheries & Aquaculture Science

Annual Report and Accounts 2013–14

Centre for Environment, Fisheries & Aquaculture Science Annual Report and Accounts 2013–14

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01

MANAGEMENT
COMMENTARY

FOREWORD

At Cefas we are proud of the outstanding quality of our science and of the extensive and diverse capability we offer our customers. Over the past year we have tackled increasingly complex requests for expert advice and scientific evidence to support policy reform, marine strategy and conservation. We continue to innovate across the business and to provide strong assurance to our customers of our professionalism and the consistency of our business processes.

Years of work and support, providing science and advice to the Department for Environment, Food and Rural Affairs (Defra), culminated in an historic deal by European Union (EU) member states agreeing to reform of the Common Fisheries Policy (CFP). The UK has been fighting hard to agree to a package that includes a ban on the discarding of fish; a commitment to fish at sustainable levels; and a decentralised process that enables member states to work together to implement measures that are appropriate to their shared fisheries. These reforms will benefit fishermen across all parts of the UK, but much more work is needed, with Cefas already working closely with the industry to help make the transition as smooth as possible.

Our Wavenet has come into its own this year, feeding data into Meteorological Office and Environment Agency models for reliably predicting the highest risk for storm surges facing UK coastlines. The focus on offshore renewable energy provided us with some great opportunities to work in partnership with industry, extending the range of autonomous systems for measuring wave and tidal activity. One of these systems – the Wave Glider fitted with Cefas sensors – went on to win the East of England Energy Group's "Low Carbon Innovation Award" for innovative approaches to data collection.

This year marked a step-change in our ambition to expand our science services globally. In the first of major partnerships abroad, we are working with the Environment Public Authority of Kuwait to harmonise their marine monitoring programmes and build local capability for marine management.

We also extended our research partnerships closer to home, with alignment of Cefas/Defra and Natural Environment Research Council (NERC) research programmes. Joint programmes now exist on shelf-seas biogeochemistry, ocean acidification, biodiversity and marine modelling, bringing together academics, NERC researchers and Cefas scientists to tackle future marine science issues. On the publication front, our science is being picked up by high-impact journals like the *New England Journal of Medicine* which reported about our work identifying marine vibrios that made an amazing trans-Continental and trans-Atlantic journey to turn up in Europe.

We are able to demonstrate another good year by way of key indicators:

- ▶ Our Ministerial indicators have all been achieved and we returned a healthy net operating surplus of £2.8 million (2012–13: £1 million).
- ▶ Our customer satisfaction scores remain high at 86% (2012–13: 88%) and independent international benchmarking confirms top quartile satisfaction.
- ▶ Our scientific publications hit new highs with 184 papers published in increasingly high-impact journals (2012: 174 papers).
- ▶ Staff engagement levels remain high: with an engagement score of 62% (2012-13 64%), we are among the highest-performing civil service organisations.

In summary, it has been another positive year for Cefas and we can move forward taking great pride in the valuable contribution we make to society, delivered through the application of our world-class science and the professionalism and expertise that all staff, both scientific and non-scientific, bring to the organisation.



Mike Waldock
Chief Executive
20 May 2014

OUR IMPACT

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

Our vision is to make a real difference for society by supporting the long-term prosperity and well-being of industries, communities and individuals that enjoy and depend on the rich natural assets found in our marine and freshwater environments. Our activities support the government's ambitions for sustainable "blue" growth and associated marine industry sectors that contribute over £35 billion to the UK economy and bring wider socio-economic benefits.

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

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

COLLECTING EVIDENCE FOR MARINE CONSERVATION ZONE (MCZ) DESIGNATIONS

We have maintained our focus on supporting the implementation of the proposed MCZ network by Defra and the statutory nature conservation bodies, a key outcome of the Marine and Coastal Access Act 2009 (MCAA). We co-ordinated activities across the marine science and commercial charter community to collect physical and biological data in English waters, and prepared technical reports for high-priority sites. The programme of work has grown significantly over the past two years. Since November 2011 we have delivered 7,077 Cefas staff days, 164 days on Cefas Endeavour, 300 commercial charter days, visited over 60 recommended MCZ sites and collected over 20 terabytes of data. Analysis and interpretation of seabed acoustic data, video footage, photography and seabed biological samples provided the essential evidence that Defra needed to support the designation of the first tranche of 27 MCZs in 2013.

REFORMING FISHERIES POLICY, PROMOTING SUSTAINABILITY

Cefas' science and advice has enabled the UK to secure a deal in the EU that is good for both the sustainability of fisheries and the UK fishing industry. This has meant taking decisions based on three clear principles: following the available scientific advice; achieving sustainability and continuing the need to reduce discards. Our scientists have been touring the country to assist fishers in preparing for a discard ban, to present the first national assessments of crab and lobster stocks, and produce a pioneering report on the £1.23 billion recreational sea angling activity in England. Our international collaborations continue towards conservation of salmon stocks and eels, and in the detection and management of invasive non-native species. Further afield, Cefas advises the Foreign and Commonwealth Office in talks at the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) on Southern Oceans fish stock management and the establishment of large-scale Marine Protected Areas in the Ross Sea and Eastern Antarctic.

MARINE PLANNING AND LICENSING

Cefas' work to deliver a new approach to benthic and sediment habitat classification is leading to a step-change reduction in the cost of monitoring activity for the marine aggregate industry, and at the same time providing greater certainty for regulatory decision-making. Following the requirement to make navigational dredging a licensable activity under the MCAA, we have provided significant support and advice to Defra on how the new licensing regime could be implemented. Of particular concern was the large number of low-risk and small-scale maintenance dredging activities in English waters that may pose an unnecessary burden on those stakeholders requiring a licence. Cefas worked with partners to generate self-assessment guidance for applicants so that they can comply with the relevant legislation. Our work across both of these areas is in line with the government's Red Tape Challenge, helping to reduce the burden on regulators and industry alike, while maintaining environmental protection.

FOOD SECURITY AND SUSTAINABILITY

Good progress was made during the year to support our long-term goal of increased availability to the public of healthy, safe fish and shellfish. We are leading a UK-wide government partnership to successfully implement statutory controls for bivalve shellfish hygiene. This covers monitoring for biotoxins, phytoplankton, contaminants, the classification of shellfish production sites and sanitary surveys and specialist advice – under a Service Level Agreement with the Food Standards Agency (FSA). As the EU's designated Reference Laboratory for microbial contamination in shellfish, we were also active in supporting the European Commission (EC) in ring testing and validating a quantitative norovirus method. Cefas scientists have also found technical solutions to the harmonisation of shellfish sanitary controls between the EU and the USA, opening the way to trade. The high health status of UK aquatic animals was also sustained this year. A surveillance programme of fish and shellfish farms and fisheries, completed for all 18 listed aquatic animal diseases, confirmed our high health status and our contingency planning and exercises ensured we will be prepared in the event of a listed disease outbreak. Cefas is also working with a consortium to develop a pilot marine-based aquaculture project in Cornwall to help facilitate food security and growth in this sector. Finally, Cefas has continued to give advice and provide evidence on chemical impacts on aquatic animals in the aquatic environment.

ASSESSING AND MONITORING UK SEAS

The Marine Strategy Framework Directive (MSFD) is becoming a significant driver of marine monitoring, together with the requirements of the Water Framework Directive (WFD) in coastal waters. Cefas' technical experts have helped shape the specification for MSFD monitoring through working groups in Oslo and Paris Convention (OSPAR), International Council for the Exploration of the Sea (ICES) and other EC fora, including drafting guidance co-ordinated by the Joint Research Council (JRC). Cefas has supported Defra through the design of the proposed UK MSFD monitoring programme and preparation for the January 2014 consultation, in time for submission to the EC in 2014.

The first wide-ranging Climate Change Risk Assessment was published by the UK in January 2012 and our scientists were lead authors of its marine and fisheries sector report. This highlighted areas where further knowledge was required and a number of recommendations for future research were taken forward during 2012 into the first National Adaptation Programme for England and Wales (published in 2013). Further work is likely to be needed to predict the distribution of species that are of conservation and fisheries importance (including non-native species) and to assess the implications for marine sectors of the increased storminess of UK seas. The UK Marine Climate Change Impact Partnership (MCCIP) published a special report on small ports and marinas in February 2014, and have been working on an additional report on the legislative requirements associated with other relevant EU Directives for publication later in 2014.

FUTURE PLANS

Following the successful science capability review, conducted on behalf of Defra in 2012, we have made good progress with delivering a wide range of recommendations (see p 22). Particular progress has been made with the development of an Information and Communication Technologies (ICT) strategy to deliver a vision for the future of ICT provision in Cefas, investing in an internal data management process, a strategy for data exploitation, shared high-performance computing facilities, training for staff using Geographical Information Systems, corporate Information Management and core Information Technology (IT) services such as web email and tablet computers.

We will continue to nurture partnerships within the Defra network and wider government, enabling a more integrated response across the sectors in which we operate to drive value for money. We will respond to the challenging financial environment by further diversifying revenue streams and maintaining funds for self-investment in our science capabilities, facilities and people to ensure that we sustain and develop our leadership in key areas.

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

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

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

- ▶ strengthen career planning for our science staff using recent guidance from Government Science and Engineering and specific opportunities in Cefas to grow our skills to reflect customer priorities and future strategic needs;
- ▶ build on our strategic Direction for 2012–17 and develop a detailed Evidence Strategy that identifies future opportunities from horizon scanning, enabling us to identify some of the major technological changes likely to affect Cefas and respond proactively;
- ▶ continue to drive effectiveness improvements through better project management that incorporates best-practice data management as a key factor in future development.

ACHIEVEMENT AGAINST PERFORMANCE INDICATORS

The Cefas business plan and associated performance indicators are reviewed each year to ensure they continue to be relevant to the agency and support broader government objectives.

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

MEASUREMENTS OF ACHIEVEMENT

METRIC	TREND	MEASUREMENT	WEIGHT	ACHIEVEMENT
Finance	Enhance	Securing income for the following year and net operating surplus performance	20%	2013–14 Target achieved 2012–13 Target achieved 2011–12 Target achieved
Customer satisfaction	Enhance	Annual customer satisfaction surveys weighted by turnover	20%	2013–14 Target achieved 2012–13 Target achieved 2011–12 Target achieved
	Sustain	Delivery of Cefas impacts for Defra		
Scientific excellence	Grow	Indicators include publication records and delivered ongoing investment in new science and capabilities	20%	2013–14 Target achieved 2012–13 Target achieved 2011–12 Target achieved
Employee engagement	Sustain	Relative performance in the annual civil service staff questionnaire and our absence performance	20%	2013–14 Target achieved 2012–13 Target achieved 2011–12 Target achieved
Corporate responsibility	Sustain	Health and Safety indicator performance and achieving full International Standards Organisation (ISO) 9001 accreditation and maintaining Occupational Health & Safety Advisory Service (OHSAS) 18001 and ISO 14001 accreditations.	20%	2013–14 Target achieved 2012–13 Target achieved 2011–12 Target achieved

FINANCIAL PERFORMANCE

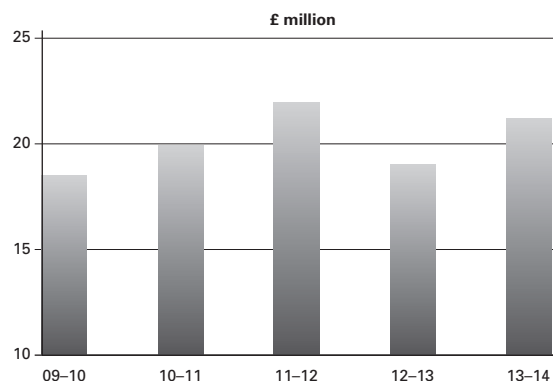
Cefas has continued to deliver a very positive financial performance in a year of further reducing public-sector finances. We recovered the full economic cost of the services we provided during 2013–14, generating a net operating surplus of £2.8 million (2012–13: £1.0 million).

This performance was slightly below the previous year, which was impacted by a net £2.1 million non-operating charge (research vessel impairment charge of £2.8 million and a release of £0.7 million of property lease provisions). This small reduction in operating surplus reflects income levels falling behind fixed cost inflation and a planned small reduction in staff utilisation as we ensured an appropriate investment in our people's skills and capabilities in line with our commitments to science and quality excellence.

Turnover this year totalled £52.7 million (2012–13: £52.1 million), a £0.6 million increase over the previous year. Within this performance we have continued to deliver on our long-term strategy of customer diversification to offset Departmental budget reductions and ensure we maintain our leading applied science capability and assets for our Defra customers. Defra income decreased to 60% of our total income (2012–13: 64%) or £31.5 million (2012–13: £33.1 million). Of this, approximately £25 million reflects a strategic partnership between Cefas and Defra that secures essential services required by government. The bulk of additional work this year was to provide evidence in support of designation proposals for MCZs.

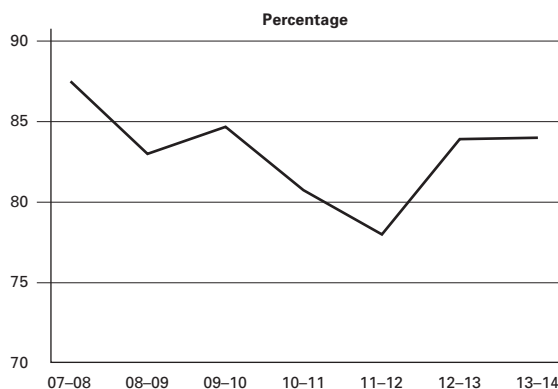
Turnover from sources other than core Defra grew to £21.2 million (2012–13: £19.0 million), this income plays a critical role in supporting government through broadening our capabilities and experience, demonstrating our competitiveness and contributing significantly to our fixed costs. The increase in income this year was due to growth in work for the FSA, £6.5 million (2012–13: £5.4 million). Later in the year we started an exciting new project with the Environment Public Authority of Kuwait, which will require the breadth of our capabilities. We expect this geographic region to provide more significant opportunities in the future.

TURNOVER FROM SOURCES OTHER THAN CORE DEFRA



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

PERCENTAGE OF INCOME FROM ALL UK GOVERNMENT SOURCES



External cost increases were generally around the consumer price index inflation rate of 1.6%. Total salary costs rose as full-time equivalent (FTE) staff numbers increased to 540 (2012–13: 531 FTE), reflecting the filling of vacancies carried over from last year. Actual pay rates rose by 1%, in line with public-sector pay constraints. There were no charitable donations made in the year (2012–13: £NIL).

“ CEFAS HAS CONTINUED TO DELIVER A VERY POSITIVE FINANCIAL PERFORMANCE. ”

PENSION LIABILITIES AND ENTITLEMENTS

Pension liabilities arising from early retirement or other enhancements are accrued in total in the year in which the liability arises. These charges are paid either to the Principal Civil Service Pension Scheme (PCSPS), which is responsible for meeting future pension obligations on behalf of Cefas, or to employees' stakeholder-based arrangements. Further details are provided in Note 2(a) to the accounts.

ASSETS

Capital investment in the business of £0.9 million (2012–13: £1.0 million) was principally incurred on scientific equipment to meet contractual needs – £0.6 million (2012–13: £0.5 million). Investment levels continue to fall below depreciation and amortisation charged due to the tight controls over Government capital budgets. This increases the average age of our asset base.

Cefas owns 100% of the share capital of Cefas Technology Limited (CTL). CTL provides a channel to wider markets for specific Cefas products and services. Examples include electronic data-storage tag production and fish-disease testing. CTL accounts are not consolidated into Cefas' statements of accounts as they are deemed to be immaterial. In 2013–14, CTL traded profitably, making an operating profit of £81,000 before tax (2012–13: £137,000) on turnover of £361,000 (2012–13: £465,000).

CASH MANAGEMENT

The agency generated a positive operating cash flow of £8.3 million (2012–13: £2.8 million). This increase over prior year is primarily due to a decrease in working capital compared to increases in 2012–13.

Having reviewed the cash requirements of the agency with Defra, we have repaid £1.5 million (2012–13: £14 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, 94% in pounds sterling and 6% in foreign currencies; and the payment of certain

goods and services in foreign currencies. This risk is believed to be low, and our policy is to accept net currency conversion risk of euros and US dollars or closely-linked currencies.

FUTURE PLANS

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

EVENTS AFTER THE REPORTING DATE

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

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 (2012–13: £45,000). No other fees were paid to the external auditor.

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



Mike Waldock
Chief Executive
20 May 2014

STAFF ENGAGEMENT, AT WORK AND BEYOND

Our 94% 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 (58%).

The survey is designed to measure staff engagement, and our overall engagement index was 62% (2012–13: 64%). This maintained our ranking among the highest-performing civil service organisations for the third year. A highlight is the fact that 95% of staff are interested in their work.

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 roadshows. Our formal trade union meetings have been reviewed through a refreshed Facilities Time agreement in accordance with Cabinet Office guidance.

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

The average number of working days lost due to sickness was 3.1 days (2012–13: 4.9 days), which continues to compare favourably to the 7.6 average working days lost across the wider civil service.

The Equality Act 2010 requires Cefas to consider the needs of all individuals in their day-to-day work, how we develop our policies, deliver our services and manage our people. The Act places additional statutory duties on public-sector organisations through the Public Sector Equality Duty, which requires us to publish equality information on our workforce. This information is freely available within the *2013 Workforce Monitoring* report, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/267183/Workforce-monitoring-2013.pdf

SMARTER HEALTH AND SAFETY

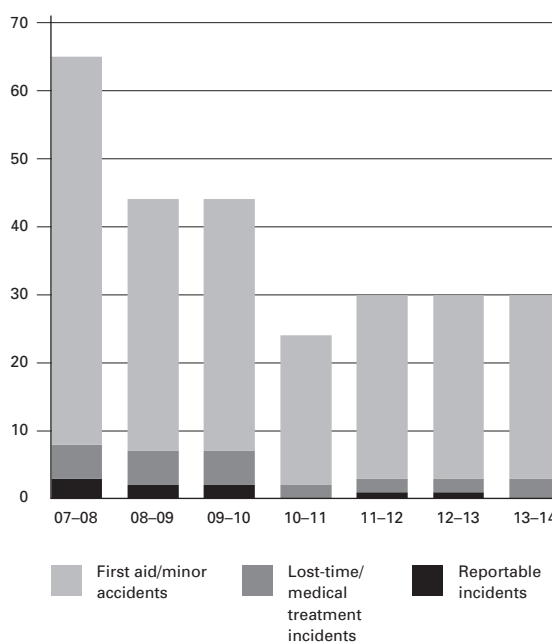
A new software system has now been implemented to make processes smarter and simpler. By integrating our Health and Safety, Environmental and Quality systems, Cefas is significantly reducing the time our staff spend on administration. This has led to less paperwork and better tools for managers to monitor business risk.

Safety behaviours in science

Cefas has started to develop a model of behavioural safety that focuses on placing greater responsibility on each staff member to manage their own risks. A partnership has been established with the Health and Safety Laboratory (HSL) to build on the Cefas model by analysing current staff culture, and providing bespoke training in human factors.

Reported incidents and accidents

Cefas has reduced numbers of lost time or medical treatment accidents whilst increasing numbers of proactive “safety alerts” (identified near-misses that have not led to injury or ill-health). Our overall performance, (Accident Frequency Rate of 3.3, 2012–13: 3.5) benchmarks positively against other Government Laboratory Agencies (5.2, 2012–13: 4.7).



SERVICE STANDARDS

Our service standards and key policies are described on our website. This year, 96.9% of Freedom of Information and Environmental Information Regulation enquiries achieved our response targets. Visitors registering at our laboratories were met within 10 minutes of their arrival. There were four complaints relevant to the Civil Service Charter received during the report period. All of these were resolved to the customer's satisfaction and lessons learnt have been built into our working arrangements.

SUSTAINABILITY REPORT

Year ending 31 March 2014

Cefas' sustainability data and associated financial costs presented here are consistent with the requirements of HM Treasury's *Public Sector Annual Reports: Sustainability Reporting, Guidance for 2012–13 Reporting*. The information contained within this section has not been subject to audit and does not form part of the auditor's opinion on the accounts.

ABOUT OUR DATA

The data in the following tables and graphs present the energy consumption, greenhouse gas emissions, waste arising and water use figures, reported as part of the Greening Government Commitments (GGCs). Cost data is sourced from accounting records for the respective periods, adjusted to reflect end of year accruals. Energy, water and waste data are provided by Defra.

Figures from Q4 2012–13 have been used to account for the same quarter in 2013–14. This is because annual Q4 data are only available after the final deadline for the Comptroller and Auditor General's review of, and subsequent parliamentary laying date for, the *Annual Report and Accounts*.

In this year's report, we have updated the 2012–13 data to include the finalised Q4 figures from that year, which became available after the publication of last year's *Annual Report*. This has been done to provide the most complete comparison data possible.

We have also used updated conversion factors for electricity to CO₂ for all periods, conversion factors for travel data for 2013–14 only and updated public transport factors for all years.

PERFORMANCE COMMENTARY

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

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

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

Governance

Cefas' sustainable operations and procurement strategy are delivered through our Divisional Directors; and key performance indicators are reported to the Senior Management Team on a monthly basis. Performance is also reported through Defra to the Sustainability Governance Board which reports progress to Defra's Executive Committee on a quarterly basis.

Environmental Management System

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

The following information addresses specific aspects of our sustainability performance.

Carbon – greenhouse gas emissions

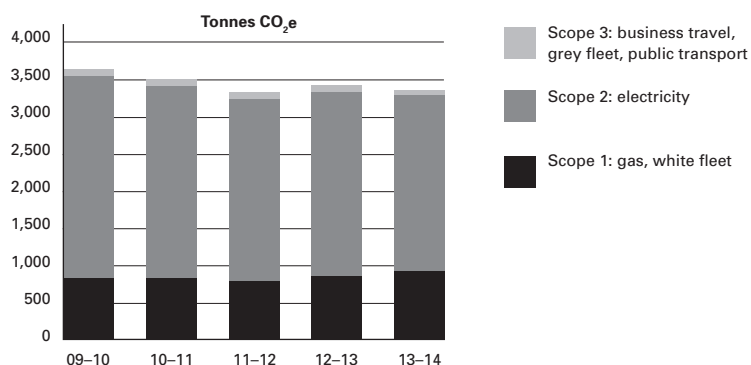
CO ₂ reduction since 2009–10	2013–14 performance
7.2%	Behind target

Cefas has achieved a 7.2% reduction in CO₂ emissions since 2009–10. This is behind the target set which, starting from the baseline in 2009–10, aimed to deliver a 5% reduction in greenhouse gas emissions every year until 2015. Based on that assumption, the target for 2013–14 therefore was a 20% reduction (since 2009–10).

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

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

GREENHOUSE GAS EMISSIONS, BY SCOPE



Abbreviations used on pp 13-15

kWh: kilowatt hours
 CHP: combined heat and power
 LPG: liquefied petroleum gas
 tCO₂e: carbon dioxide emissions, in tonnes
 CRC: Carbon-Reduction Commitment Energy Efficiency Scheme

ENERGY		2013-14	2012-13	2011-12	2010-11	2009-10
Non-financial indicators (kWh, '000)	Total energy consumption	8,884	8,734	8,245	8,588	8,622
	Total electricity	4,852	4,959	4,984	4,927	5,067
No consumption of biomass, other CHP, self-generated renewables, LPG or other	Electricity: brown	27	29	11	56	102
	Electricity: green	4,820	4,924	4,973	4,869	4,965
	Electricity: CHP	5	6	0	2	0
	Gas	3,965	3,775	3,261	3,661	3,555
	Oil	67	0	0	0	0
Financial indicators (£'000)	Total energy costs	720	674	678	705	791

GREENHOUSE GAS EMISSIONS		2013-14	2012-13	2011-12	2010-11	2009-10
Non-financial indicators (tCO₂e)	Total emissions	3,378	3,425	3,336	3,526	3,643
	Scope 1: direct emissions from buildings	750	696	599	674	654
	Scope 2: indirect emissions from buildings	2,362	2,461	2,446	2,584	2,700
	Total building emissions	3,112	3,157	3,045	3,258	3,354
	Scope 1: direct emissions from business travel ¹	183	177	194	179	188
	Scope 3: indirect emissions from business travel ¹	83	91	97	89	101
	Total travel emissions	266	268	291	268	289
	Emissions eligible for CRC scheme	n/a	2,925	3,266	n/a	n/a
Financial indicators (£'000)	CRC²	n/a	35	39	n/a	n/a
	Expenditure on official business travel	725	716	704	714	1,232

We continue to identify and review opportunities for improving energy efficiency and implementing initiatives that will assist in meeting our CO₂ reduction targets (set by Defra). Initiatives fall into the following categories:

- Staff behaviour change: 73% have had environmental awareness training, and environmental performance and initiatives are discussed at Divisional meetings;
- technological solutions: Lowestoft (replacement of domestic hot water boiler); Weymouth (consideration of upgrade to Building Management System for improved control of water use for scientific work);
- continued use of improved ways of working (video/WebEx/audio conferencing, multi-functional printing devices, centralised staff amenities, management of travel data);

- 19°C winter heating at both the Lowestoft and Weymouth sites, and a 24°C cooling policy (air conditioning in summer) at Weymouth.

New business has required the installation of seven additional equipments for scientific work. Air conditioning has also been improved in some scientific areas to create an acceptable working environment. Both these initiatives increase energy use. Our ageing infrastructure also continues to contribute in a detrimental way. Therefore, it is unlikely that Cefas' CO₂ reduction target will be met by 2014-15.

¹ Travel emission data does not include international travel, as per GGC reporting requirements.

² The second CRC payment was made in 2012-13 by Defra, on behalf of Cefas. Payment for 2013-14 has not yet been made.

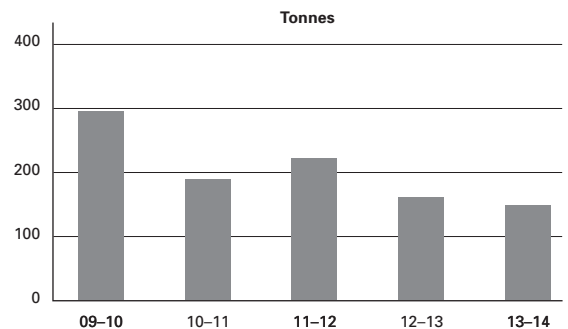
Waste

Waste reduction since 2009–10	2013–14 performance
50%	Exceeding target

To reach an overall target of 25% waste reduction by 2015, the annual targets set assume a 5% reduction in waste every year starting from the 2009–10 baseline. The above indicates that we have significantly exceeded our target for 2013–14, by 30%.

All of our waste is managed according to the waste hierarchy – prevention, preparing for re-use, recycling, other recovery and disposal. Standardised recycling facilities across Cefas – colour-coded bins

TOTAL WASTE ARISING



and labelling – make it easier for staff to identify the most appropriate waste or recycling bin, helping them to contribute in a responsible way.

WASTE		2013–14	2012–13	2011–12	2010–11	2009–10
Non-financial indicators (tonnes)	Total waste	148	161	222	189	295
	Hazardous waste	4	4	12	33	14
	Re-used, recycled, composted	92	94	96	95	131
	Incinerated with energy recovery	12	28	71	17	53
	Incinerated without energy recovery	3	4	21	5	0
	Landfill	37	31	22	39	97
Financial indicators (£'000)	Total disposal costs	These are part of a central Defra contract and not available at Cefas level				

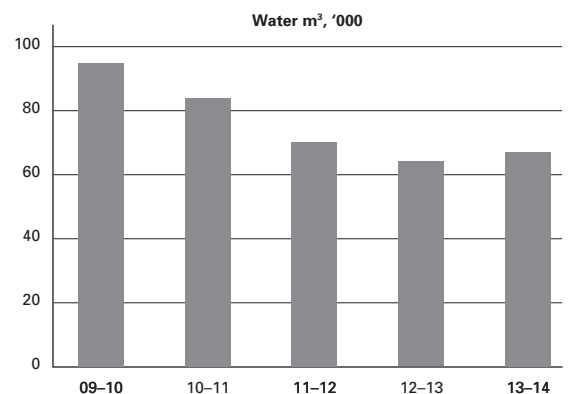
Water

Water reduction since 2009–10 (using three-year rolling average)	Overall performance to date
30%	Exceeding target

Using a three-year rolling average, we reduced water consumption by 30%, from the 2009–10 baseline. This far exceeds the projected three-year rolling average target for water-use reduction of 16% by 2013–14.

However, the specific annual data for 2013–14 shows that we increased our water consumption by 25% this year (against the 2009–10 baseline). This reflects the changing pattern of the scientific work that we are contracted to undertake, where the need for water supporting our aquatic tanks and laboratory facilities can significantly change the overall performance of any one year.

WATER USE, MOVING AVERAGE (m³)



WATER		2013–14	2012–13	2011–12	2010–11	2009–10
Non-financial indicators (m ³)	Total water consumption ¹	74,935	63,379	61,313	65,703	59,723
	Supplied (office estate)	14	23	23	15	1
	Supplied (non-office estate)	74,921	63,356	61,290	65,688	59,722
Financial indicators (£'000)	Water supply costs	305	212	145	220	183

Sustainable procurement

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

Green ICT

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

- ▶ Implementing UK Government's Cloud First programme by migrating the organisation to cloud-based email services to optimise local ICT infrastructure as well as investigation of future cloud services, such as Office 365.
- ▶ Increasing usage of web-based conference facilities. This enables staff to share documents and what is shown on their PC desktop with participants located off-site.
- ▶ Implementing a review of PC and server assets to reduce carbon footprint and optimise energy costs.

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

People

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

In 2013–14 we continued our well-being strategy, which included providing a health kiosk in our laboratories for a limited period so that staff could observe, record and monitor a range of vital health parameters (e.g. blood pressure, weight, body-mass index, hydration, etc). We also promoted the Employee Assistance programme. This is an independent, confidential service offering staff positive and proactive support for and advice about a variety of health, lifestyle and financial issues.

Building Assurance

Building on quality assurance within our science delivery, Cefas successfully achieved accreditation to ISO 9001 in 2013/14. With our existing certification to OHSAS 18001, our accreditations to ISO 14001, 17025 and Good Laboratory Practice (GLP) we have a strong platform to ensure our processes remain robust and our outputs are highly reliable.

Biodiversity

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

Adaptation to climate change

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

FUTURE STRATEGY

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

¹ Abstracted water data is not reported under GGC's.

REMUNERATION REPORT

The Cabinet Office, subject to HM Treasury remits, as well as the Chief Executive, sets the remuneration of the Cefas Management Board's (CMB's) executive directors. Up to 10% of their remuneration is performance-related and is reviewed by Defra against the achievement of ministerial and personal targets.

Steve Millward was appointed as Operations Director and joined the CMB on 1 August 2013 allowing Reg Eayrs, the previous Operations Director to take up the role of Commercial Director. Karin Rundle, Director of Human Resources and Organisational Development took on the additional role of Corporate Services Director from Tim Green, Finance Director with effect from 8 November 2013.

Mike Waldock, Chief Executive; Tim Green, Finance Director; and Reg Eayrs, Commercial Director, are senior civil servants under permanent contracts of employment with Defra. Karin Rundle, Stuart Rogers and Steve Millward are civil servants under permanent contracts of employment with Cefas. The agency bears the cost of each set of executive directors' employment.

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

Ulrike Hotopp, Defra's Chief Economist and Director of Analysis, joined the CMB on 30 January 2013 as a Defra board member and resigned on 3 April 2013. Martin Nesbitt, Defra's Director for EU and International, joined the CMB as a Defra board member on 24 April 2013 and resigned on 29 January 2014. Lee McDonough, Defra's Director for Animal Health and Welfare (Disease control), joined the CMB as a Defra board member on 29 January 2014. Defra assumes all the costs of their attendance at the Board.

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

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

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

REMUNERATION OF CEFAS DIRECTORS

	Salary for period		Performance pay		Pension benefits ¹³		Total	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
CMB executive directors								
Chief Executive								
Mike Waldock (from 30 July 2012) ¹	80-85	75-80	5-10	5-10	55	116	145-150	200-205
Richard Judge (to 31 July 2012) ²	0	40-45	0	10-15	0	54	0	105-110
Chief Scientific Advisor								
Stuart Rogers (from 6 August 2012) ⁴	65-70	40-45	0-5	0	39	6	105-110	50-55
Finance Director								
Tim Green ⁵	50-55	70-75	5-10	0	15	25	75-80	95-100
Commercial Director								
Reg Eayrs	70-75	70-75	0	0	27	27	95-100	95-100
Director of Human Resources and Organisational Development								
Karin Rundle	60-65	60-65	5-10	5-10	31	23	95-100	85-90
Operations Director								
Steve Millward (from 1 August 2013) ⁶	40-45	0	0	0	20	0	60-65	0

REMUNERATION MEDIAN AND RATIOS

	2013–14	2012–13
Band of highest paid employee total remuneration excluding pension benefits (£'000)	90–95	130–135
Median total remuneration	29,212	28,658
Ratio	3.2	4.7

The above individuals were executive directors during the year. Salaries include gross salaries, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private-office allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance bonus payments were capped in 2013–14 and 2012–13. No CMB executive directors were in receipt

of any benefits in kind (2012–13: £NIL); nor did they hold any company directorships or other significant interests that may have conflicted with their management responsibilities. All salary or fee-related payments to CMB executive and non-executive directors are made through the PAYE system.

	Fee band		Performance pay		Pension benefits ¹³		Total	
	2013–14 £'000	2012–13 £'000	2013–14 £'000	2012–13 £'000	2013–14 £'000	2012–13 £'000	2013–14 £'000	2012–13 £'000
CMB non-executive directors								
Andrew Field	10–15	10–15	0	0	0	0	10–15	10–15
Michael Gates	10–15	10–15	0	0	0	0	10–15	10–15
Sue Sharland	10–15	10–15	0	0	0	0	10–15	10–15
Nicholas Owens ⁷	10–15	10–15	0	0	0	0	10–15	10–15
CMB Defra board members								
Ulrike Hotopp ⁸	0	0	0	0	0	0	0	0
Martin Nesbitt ⁹	0	0	0	0	0	0	0	0
Lee McDonough ¹⁰	0	0	0	0	0	0	0	0

Notes to tables on pp 16–18

¹ Mike Waldock was appointed as Chief Executive with effect from 30th July 2012 and was Chief Scientist up to 5th August 2012. His salary for the full year is shown above.

² Richard Judge's salary for 2012–13 is up to 31st July 2012. His full year salary was in the band £120,000–125,000.

³ Mike Waldock's pension entitlements are shown for the full year. Pension benefits reported in 2012–13 and 2013–14 reflect the incremental pension benefit of an increase in salary for assuming the Chief Executive role on 30 July 2012 in accordance with existing CSPA regulations.

⁴ Stuart Roger's salary as Chief Scientist is shown from 6th August 2012 only. The full year equivalent is in the band £60,000–65,000.

⁵ Tim Green's salary as Finance Director for 2013–14 reflects a period of unpaid leave. His full year salary equivalent was in the band £70,000–£75,000.

⁶ Steve Millward's salary as Operations Director is shown from 1st August 2013 only. The full year equivalent was in the band £65,000–£70,000.

⁷ Nicholas Owens joined the CMB as a non-executive director on 1st January 2012.

⁸ Ulrike Hotopp joined the CMB as a Defra board member on 30th January 2013 and resigned on 3rd April 2013.

⁹ Martin Nesbitt joined the CMB as a Defra board member on 24th April 2013 and resigned on 29th January 2014.

¹⁰ Lee McDonough joined the CMB as a Defra board member on 29th January 2014.

¹¹ CETV: cash equivalent transfer value.

¹² 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.

¹³ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

PENSION ENTITLEMENTS OF CEFAS 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 ¹¹ at 31 March 2014 £'000	CETV ¹² at 31 March 2013 £'000	Real increase in CETV £'000
CMB executive directors					
Chief Executive					
Mike Waldock (from 30 July 2012) ³	2.5–5 plus 7.5–10 lump sum	35–37.5 plus 110–122.5 lump sum	863	758	56
Chief Scientist					
Stuart Rogers (from 6 August 2012)	0–2.5 plus 5–7.5 lump sum	22.5–25 plus 70–72.5 lump sum	462	402	33
Finance Director					
Tim Green	0–2.5 plus 0 lump sum	10–12.5 plus 0 lump sum	144	124	9
Commercial Director					
Reg Eayrs	0–2.5 plus 0 lump sum	5–7.5 plus 0 lump sum	57	36	13
Director of Human Resources and Organisational Development					
Karin Rundle	0–2.5 plus 0 lump sum	5–7.5 plus 0 lump sum	87	60	16
Operations Director					
Steve Millward (from 1 August 2013)	0–2.5 plus 0 lump sum	12.5–15 plus 0 lump sum	171	152	13

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



Mike Waldock
Chief Executive
20 May 2014

This signature covers pages 6–18 and the contents required by the 2013–14 Government Financial Reporting Manual (FRoM) of the Strategic Report, Directors' Report and Remuneration Report.



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 resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

GOVERNANCE STATEMENT

This statement sets out the governance arrangements and performance of Cefas in 2013–14. Cefas is an executive agency of Defra and as such it is fully accountable to Parliament through ministers.

1. GOVERNANCE ARRANGEMENTS

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

Ministers nominate a member of the Defra Supervisory Board to act on their behalf in all ownership matters and to be line manager for the Chief Executive. Throughout 2013–14 this role was fulfilled by Defra's Chief Operating Officer. His responsibilities include providing oversight of Cefas and assurance to the Defra Supervisory Board that appropriate governance arrangements are in place for the agency.

Quarterly performance reports, risk assessments and other management information flow 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 science, finance and human resources.

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, the Chief Executive is supported and challenged by the CMB (the Board).

The Board provides strategic leadership for Cefas within a framework of prudent and effective controls, which enables risk to be assessed and managed. It is collectively responsible for the long-term success of the agency.

The Board operates within the strategic context and authorities set by Defra. Its remit includes setting strategic aims, objectives and risk appetite; ensuring that necessary leadership and resources are in place to deliver its aims; challenging and supporting management performance; providing assurance on effective controls and risk management.

A balance of executives, NEDs and a Defra Director provides the appropriate skills, experience, independence and knowledge to enable the Board to discharge its duties and responsibilities. One NED is appointed as a "lead NED" and chairs Board meetings. 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 routinely reporting to it. These have a wholly external membership and are chaired by NEDs:

► **Audit and Risk Assurance Committee**

(ARAC): monitors the corporate governance and control systems and advises on internal and external audit matters, risk and governance in the organisation. Key subjects of focus in the year have been the delivery of the annual internal audit programme, performance of the facilities management contractor, project management and a review of fraud.

► **Science Advisory Committee:** provides independent scrutiny and advice to the Board on the quality and relevance of the agency's science strategy and operations. The main focus this year has been continuing to implement recommendations from the 2012 independent review of Cefas' science capabilities.

► **People Committee:** gives independent scrutiny and advice to the Board on the quality and relevance of the agency's leadership development, succession planning, reward strategies and employee relations. This year the key subjects of focus were an assessment of pay levels, improving diversity and action responses to the 2012 civil service People Survey.

Conflicts of interest declared by Board members are managed by the Chair to ensure any necessary separation of the topic and the individual. During the year no material conflicts have been reported. Attendance at the Board and its committees' meetings has ensured quoracy requirements have been met throughout 2013–14 (for details visit the Cefas website www.cefas.defra.gov.uk/media/630895/cmb%20&%20sub%20committees%20attendance%202013-14.pdf).

The Board's assessment of the *Corporate Governance in Central Government Departments: Code of good practice 2011*, published by HM Treasury, confirms that Cefas complies with relevant principles and protocols in so far as it applies to an Executive Agency, with no known exceptions.

2. EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

The Board conducts an annual review of its terms of reference and an evaluation of its own performance and effectiveness, jointly led by the lead NED and Chief Executive. The performance evaluation for the year 2013–14 was based on the Cabinet Office template and was conducted in January 2014, which concluded that the Board operates effectively. Enhancement actions were agreed and focused on enhancing the NEDs' contributions through: greater involvement on strategic matters particularly with Defra; using development opportunities and a refresh of NED linkages to Operating Divisions to improve the visibility of the Board to managers and staff; and maintaining a relevant Board skill set for the future through the planned rotational replacement of two NEDs in 2014–15.

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

Cefas' governance arrangements have been assessed as effective through the year. Specific internal audit review work confirms this and Cefas has performed well through the year, achieving all its performance indicators and continuing to deliver on its plans with notable successes being:

Making a difference through:

- ▶ supporting reform of the CFP;
- ▶ supplying evidence to enable the designation of 27 proposed MCZs in November 2013;
- ▶ supporting the development of the UK marine monitoring programme that will be necessary to implement the MSFD;
- ▶ enabling growth through marine planning and licensing advice;
- ▶ advising policy development for controlling norovirus impacts from contaminated shellfish.

Progress in strengthening our science quality was made through the delivery of actions identified in the 2012 Defra-led independent science review. The achievements in 2013–14 include:

- ▶ partnership working to help strengthen UK marine emergency response capability and academic relationships;
- ▶ enhanced scientific publications criteria and targets;
- ▶ a refresh of Science Advisory Committee membership bringing new skills and experiences;
- ▶ progressing science IT strategy and data management; and
- ▶ developing future facilities options and actions to improve key personnel retention rates.

Performance issues identified in the year included:

- ▶ the performance of the facilities management contractor, which continues to require significant management oversight to ensure acceptable service is maintained specifically in project work. Cefas continues to work in partnership with Defra Estates to enhance the management of this contract.

3. RISK MANAGEMENT

Cefas' principal managed risk would be the delivery of poor scientific evidence or advice resulting in reputational damage. Cefas depends on its reputation for scientific excellence to retain and grow its customer base. All work is conducted through a significant number of contracts varying in size and duration. Contracts may be short-term or can extend for up to three or more years. Whereas resources to deliver contracts to meet customer requirements are broadly within Cefas' control, increased government constraints on pay and resources increase these risks. While some 84% of sales are for UK government (2012–13: 84%), the longer-term trend sees an increasing proportion of income from private-sector and other customers. This diversification of income contributes to the UK Government's ability to maintain access to world-class capability for its own purposes, during a period of reduced government expenditure; however, it also increases the organisation's commercial risks.

Other significant risk priorities managed during the year included:

- ▶ the loss of major project opportunities and renewals from wider market customers and the Defra network at a time when dependence on growing this customer base increases;
- ▶ estates capital budget restrictions which impact on availability of business-critical facilities;
- ▶ project management performance of the facilities management contractor;
- ▶ securing support to progress the replacement of laboratory facilities that are nearing the end of their acceptable life;
- ▶ maintaining management focus on developing the organisation whilst also working with Defra as they review the strategic future of all Defra Science Agencies; and
- ▶ ensuring IT developments continue to support effective scientific leadership.

Risk management effectiveness

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

The ARAC provides the primary assurance mechanism. This operates in accordance with the *Audit Committee Handbook*, published by HM Treasury. The ARAC is supported by an internal audit sub-contractor, operating to an agreed annual risk-based plan delivered to government internal audit standards. Cefas risk management arrangements have been assessed as effective through the year. Specific internal audit review work confirms this. The annual opinion from the Head of Internal Audit provided **positive** assurance over the controls reviewed in the year.

Further external assurance is gained through the application of a range of accredited management systems, including ISO 9001 (Quality), ISO 18001 (Occupational Health and Safety), ISO 14001 (Environmental) and ISO 17025 (Laboratory Testing and Calibration Competence). Assurance is also taken from the work of external audit. It should be noted that further assurances have been improved during 2013 through ISO 9001 accreditation being extended to all business processes.

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

Our IT systems are subject to regular security threats. Appropriate systems, processes and awareness training are employed to protect the organisation. Routine penetration testing identified weaknesses during the year, which have been remedied. There were no significant lapses of protective security and no ministerial directions received in the year.

4. SIGNIFICANT ISSUES

Good progress continued against our long-term strategic plans in 2013–14, however the significant issues identified and managed through the year and going forward are:

- ▶ process weaknesses in the control of the departmental facilities management contract which have resulted in the payment of invoices without full service receipting assurance. Sample-based assurance reviews, analytical assurance and audits of underlying processes, by Cefas and Defra Internal Audit, have been necessary to obtain acceptable comfort over the validity of payments for the year. Process improvements are being implemented by Defra and Cefas;
- ▶ our continued work with Defra as they review the strategic future of all Defra Science Agencies. This is considering alternative delivery mechanisms and may require significant adaptation of our future long-term plans.

5. CONCLUSION

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



Mike Waldock
Chief Executive
20 May 2014

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 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

OPINION ON REGULARITY

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

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- ▶ the financial statements give a true and fair view of the state of Cefas' affairs as at 31 March 2014 and of the net operating income for the year then ended; and
- ▶ the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

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

MATTERS ON WHICH I REPORT BY EXCEPTION

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

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

REPORT

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

4 June 2014

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

The maintenance and integrity of the Cefas website is the responsibility of the Accounting Officer. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



03

FINANCIAL
STATEMENTS
OF ACCOUNTS

STATEMENT OF COMPREHENSIVE NET INCOME

FOR THE YEAR ENDED 31 MARCH 2014

		2013-14	2012-13
		£'000	£'000
	Note		
Staff costs	2	21,935	20,972
Other administration costs	4	27,968	30,206
Operating income	5	(52,733)	(52,144)
Net operating income		(2,830)	(966)
Other comprehensive expenditure/(income)			
Net loss/(gain) on revaluation of property, plant and equipment	7	392	(1,064)
Net (gain) on revaluation of intangibles	8	(43)	0
		349	(1,064)
Total comprehensive income for the year ended 31 March 2014		(2,481)	(2,030)

All income and expenditure relates to continuing operations.

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	31 March 2014		31 March 2013
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	7		27,649	29,779
Intangible assets	8		84	91
Investments	10		150	150
Total non-current assets			27,883	30,020
Current assets				
Trade receivables	12	2,852		3,882
Other current assets	12	4,127		5,027
Cash and cash equivalents	13	11,035		5,545
Total current assets			18,014	14,454
Total assets			45,897	44,474
Current liabilities				
Trade payables	14	(216)		(60)
Other current liabilities	14	(10,022)		(9,563)
Provisions	15	(468)		(670)
Total current liabilities			(10,706)	(10,293)
Non-current assets plus net current assets			35,191	34,181
Non-current liabilities				
Provisions	15		(1,632)	(1,703)
Other payables	14		(148)	(93)
Assets less liabilities			33,411	32,385
Taxpayers' equity				
General Fund			26,590	25,215
Revaluation Reserve			6,821	7,170
Total taxpayers' equity			33,411	32,385



Mike Waldock

Chief Executive and Agency Accounting Officer
20 May 2014

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2013-14		2012-13	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net operating income			2,830		966
Adjustments for non-cash transactions					
Depreciation charge	7	2,619		2,820	
Amortisation	8	50		183	
Impairment	9	(7)		2,807	
Audit remuneration	4	45		45	
Loss on disposal	4	65		304	
			2,772		6,159
Decrease/(Increase) in receivables		1,930		(409)	
Increase/(decrease) in payables		999		(2,013)	
(Decrease) in provisions		(273)		(1,937)	
			2,656		(4,359)
Net cash inflow from operating activities			8,258		2,766
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,268)		(1,133)	
Proceeds of disposal of property, plant and equipment		0		12	
Net cash flow from investing activities			(1,268)		(1,121)
Cash flows from financing activities					
Excess cash funding repaid to Defra			(1,500)		(14,000)
Net financing					
Net increase/(decrease) in cash and cash equivalents in the year			5,490		(12,355)
Cash and cash equivalents at the beginning of the year	13		5,545		17,900
Cash and cash equivalents at the end of the year	13		11,035		5,545

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

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

		General Fund	Revaluation Reserve	Total
	Note	£'000	£'000	£'000
Balance at 1 April 2012		38,204	6,103	44,307
Comprehensive income				
Non-cash adjustments				
Notional charges				
Auditor's remuneration	4	45	0	45
Movements in reserves				
Net operating income		966	0	966
Recognised in Statement of Comprehensive Net Income revaluation		0	1,067	1,067
Total recognised income and expense for 2012–13		1,011	1,067	2,078
Excess cash funding repayable to Defra		(14,000)	0	(14,000)
Balance at 31 March 2013		25,215	7,170	32,385
Comprehensive income				
Non-cash adjustments				
Notional charges				
Auditor's remuneration	4	45	0	45
Movements in reserves				
Net operating income		2,830	0	2,830
Recognised in Statement of Comprehensive Net Income revaluation		0	(349)	(349)
Total recognised income and expense for 2013–14		2,875	(349)	2,526
Excess cash funding repayable to Defra		(1,500)	0	(1,500)
Balance at 31 March 2014		26,590	6,821	33,411

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

NOTES TO THE ACCOUNTS

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013–14 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Cefas for the purpose of giving a true and fair view has been selected. The particular policies adopted by Cefas are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting convention

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

1.3 Scheme costs

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

1.4 Property, plant and equipment

1.4.1 Freehold land and buildings

Due to the specialised nature of the laboratory premises used by Cefas, freehold land and buildings are stated at their depreciated replacement cost and are professionally revalued at least every five years at existing use value, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The last revaluation took place in 2011.

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 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 freehold land and assets under the course of construction.

Lives are normally in the following ranges:

Buildings	4–60 years
Vessel	15–30 years
Information Technology	3–6 years
Scientific equipment	5–15 years
General equipment	3–30 years

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

1.5 Intangible assets

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

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

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

NOTES TO THE ACCOUNTS

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:
Information Technology 2–12 years

1.7 Impairment

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

Any subsequent increase in valuation of previously impaired assets is firstly credited to other administration costs up to such amount that has been previously charged and then credited to the Revaluation Reserve.

1.8 Investments

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

1.9 Research and development (R&D)

Expenditure on R&D (seedcorn projects) is treated as an operating cost in the year in which it is incurred and taken to the statement of comprehensive net income. 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 only holds receivables in this category.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently held at amortised cost less appropriate provisions for specific doubtful receivables.

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 Principal Civil Service Pension Scheme (PCSPS). The defined-benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Cefas recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined-contribution schemes, Cefas recognises the contributions payable for the year.

1.12.2 Other employee benefits

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

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

1.12.3 Early retirement costs

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

Vote. The amount provided is shown net of any such payments.

Further information is provided in Note 15.

1.13 Judgments

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 property, plant and equipment 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 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. See Note 15.

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 finance lease commitments.

All payments under operating leases are charged to the SoCNI over the term of the lease.

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 non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT.

1.17 Contingent liabilities

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

Where the time-value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts (discount rate 2.2%) and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Further information is provided in Note 18.

1.18 Notional charges

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

NOTES TO THE ACCOUNTS

1.19 Insurance

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

1.20 Doubtful debt provision

A provision is held against specific debtor balances.

1.21 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.

1.22 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 12 (Disclosure of interests in other entities) is relevant to Cefas but will have no significant impact on the financial statements.

NOTE 2. STAFF-RELATED EXPENDITURE

(a) Staff costs

	Permanent employed staff £'000	Temporarily employed staff £'000	2013-14 Total £'000	2012-13 Total £'000
Wages and salaries	17,618	18	17,636	16,885
Social Security costs	1,287	0	1,287	1,220
Superannuation	3,012	0	3,012	2,915
Early departure and related costs	0	0	0	(48)
Total staff expenditure	21,917	18	21,935	20,972

Included in the permanently employed staff costs for 2013-14 is an accrual for untaken leave and leave-in-lieu of £938,000 (2012-13: £958,000).

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

The PCSPS is an unfunded multi-employer defined-benefit scheme but Cefas is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employers' contributions of £2,998,000 were payable to the PCSPS (2012-13: £2,901,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2012-13 were between 16.7% and 24.3%).

The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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 £14,000 (2012-13: £14,000) 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 (2012-13: £1,000) and contributions pre-paid at that date were £NIL (2012-13: £1,000).

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

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

	Employed staff Numbers	Other Numbers	2013-14 Total Numbers	2012-13 Total Numbers
Female	213	0	213	210
Male	326	1	327	321
Total	539	1	540	531

NOTES TO THE ACCOUNTS

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

There were no redundancies and other departure costs paid in 2013–14 and 2012–13.

The differences between the total costs in Note 3 of ENIL (2012–13: £NIL) and the early departure and related costs shown in Note 2(a) relate to movements in provisions.

NOTE 4. OTHER ADMINISTRATION COSTS

		2013-14 £'000	2012-13 £'000
	Note		
Direct subcontracting costs			
Technical services		8,244	8,291
Facilities management			
Accommodation		104	131
Charters		316	384
Facilities management		4,437	4,460
Vessel management		4,931	4,693
		9,788	9,668
Others			
Consultancy		64	59
Defra management overhead		85	17
Doubtful debts		(78)	(45)
Effect of exchange movement		(2)	146
IT and communications		1,272	1,079
Laboratory consumables		2,892	3,051
Library purchases		269	169
Other expenditure		29	42
Postage		280	283
Recruitment and training		244	293
Relocation and severance		8	21
Stationery and printing		148	153
Telecommunications		108	132
Travel and subsistence		1,519	1,532
		6,838	6,932
Provisions	15	247	(907)
Quality Accreditation		79	63
Charges related to the consumption of assets			
Amortisation	8	50	183
Asset disposal		65	304
Depreciation	7	2,619	2,820
Impairment of assets	9	(7)	2,807
Total for charges related to the consumption of assets		2,727	6,114
Total for non-pay costs		27,923	30,161
External auditor's remuneration*		45	45
Total for other administration costs		27,968	30,206

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

NOTES TO THE ACCOUNTS

NOTE 5. OPERATING INCOME

	2013-14 £'000	2012-13 £'000
Advice, evidence and research	49,610	49,546
European Union:		
Expenditure met by Cefas	1,910	1,690
Cefas as agent for the European Union	1,213	908
	52,733	52,144
European Union outsourced work	(1,213)	(908)

NOTE 6. SEGMENTAL REPORT

Income was earned from the following business segments:

	2013-14 £'000	2012-13 £'000
Operating income		
Core Defra	31,492	33,143
Defra network	3,386	3,062
Public sector	9,250	7,503
European Union	3,123	2,598
Industry and other	5,482	5,838
Total	52,733	52,144
Contribution towards indirect overheads		
Core Defra	3,506	3,399
Defra network	613	1,192
Public sector	2,677	2,289
European Union	(291)	(77)
Industry and other	1,753	1,632
	8,258	8,435
Indirect overheads	(5,428)	(7,469)
Net operating surplus	2,830	966

NOTES TO THE ACCOUNTS

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vessel
Cost or valuation	£'000	£'000	£'000
At 1 April 2013	743	29,977	24,953
Indexation	0	0	0
Revaluation	0	(302)	0
Additions	0	359	0
Transfers	0	108	0
Disposals	0	0	0
Disposals (zero net book value)	0	0	0
At 31 March 2014	743	30,142	24,953
Accumulated depreciation			
At 1 April 2013	0	(16,212)	(13,953)
Indexation	0	0	0
Revaluation	0	0	0
Provided in year	0	(1,061)	(552)
Impairment	0	0	52
Transfers	0	0	0
Disposals	0	0	0
Disposals (zero net book value)	0	0	0
At 31 March 2014	0	(17,273)	(14,453)
Net book value			
At 31 March 2014	743	12,869	10,500
At 31 March 2013	743	13,765	11,000
Owned	743	12,869	10,500
Cost or valuation			
At 1 April 2012	783	28,930	24,953
Indexation	0	0	0
Revaluation	(40)	1,019	0
Additions	0	289	0
Transfers	0	124	0
Disposals	0	(385)	0
Disposals (zero net book value)	0	0	0
At 31 March 2013	743	29,977	24,953
Accumulated depreciation			
At 1 April 2012	0	(15,411)	(10,453)
Indexation	0	0	0
Revaluation	0	0	0
Provided in year	0	(942)	(693)
Impairment	0	0	(2,807)
Transfers	0	0	0
Disposals	0	141	0
Disposals (zero net book value)	0	0	0
At 31 March 2013	0	(16,212)	(13,953)
Net book value			
At 31 March 2013	743	13,765	11,000
At 31 March 2012	783	13,519	14,500
Owned	743	13,765	11,000

Land and buildings were revalued on a "depreciated replacement cost" basis with effect from 31 March 2011 and updated via desktop revaluation to 31 March 2014 by DTZ Debenham Tie Leung Limited, 125 Old Broad Street, London EC2N 2BQ. The research vessel was revalued on a "market value" basis with effect from 31 March 2014 by Burness Corlett Three Quays, 19-21 Great Tower Street, London EC3R 5AR.

Information technology £'000	Scientific equipment £'000	General equipment £'000	Assets in course of construction £'000	Total £'000
993	7,932	296	188	65,082
(54)	(270)	(3)	0	(327)
0	0	0	0	(302)
0	580	0	0	939
0	80	0	(188)	0
(28)	(248)	0	0	(276)
(330)	(1,022)	(40)	0	(1,392)
581	7,052	253	0	63,724
(664)	(4,316)	(158)	0	(35,303)
35	201	1	0	237
0	0	0	0	0
(108)	(867)	(31)	0	(2,619)
0	(45)	0	0	7
0	0	0	0	0
17	194	0	0	211
330	1,022	40	0	1,392
(390)	(3,811)	(148)	0	(36,075)
191	3,241	105	0	27,649
329	3,616	138	188	29,779
191	3,241	105	0	27,649
897	8,400	302	124	64,389
121	84	14	0	219
0	0	0	0	979
0	536	0	188	1,013
0	0	0	(124)	0
(13)	(263)	0	0	(661)
(12)	(825)	(20)	0	(857)
993	7,932	296	188	65,082
(466)	(4,275)	(138)	0	(30,743)
(80)	(48)	(6)	0	(134)
0	0	0	0	0
(140)	(1,011)	(34)	0	(2,820)
0	0	0	0	(2,807)
0	0	0	0	0
10	193	0	0	344
12	825	20	0	857
(664)	(4,316)	(158)	0	(35,303)
329	3,616	138	188	29,779
431	4,125	164	124	33,646
329	3,616	138	188	29,779

Details of impairments and subsequent reversals of value are explained in Note 9. These valuations and, where applicable, management judgments of impairment have been used in preparing the accounts up to 31 March 2014.

NOTES TO THE ACCOUNTS

NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise software licences.

	Information technology £'000
Cost or valuation	
At 1 April 2013	610
Indexation	5
Revaluation	40
Additions	0
Transfers	0
Disposals (zero net book value)	(453)
At 31 March 2014	202
Accumulated amortisation	
At 1 April 2013	(519)
Indexation	(2)
Revaluation	0
Provided in year	(50)
Impairment	0
Transfers	0
Disposals (zero net book value)	453
At 31 March 2014	(118)
Net book value	
At 31 March 2014	84
At 31 March 2013	91
Owned	84
Cost or valuation	
At 1 April 2012	632
Indexation	8
Revaluation	0
Additions	0
Transfers	0
Disposals	0
Disposals (zero net book value)	(30)
At 31 March 2013	610
Accumulated amortisation	
At 1 April 2012	(362)
Indexation	(7)
Revaluation	0
Provided in year	(183)
Impairment	0
Transfers	0
Disposals	0
Disposals (zero net book value)	33
At 31 March 2013	(519)
Net book value	
At 31 March 2013	91
At 31 March 2012	270
Owned	91

NOTE 9. IMPAIRMENTS

	2013-14 £'000	2012-13 £'000
Property, plant and equipment		
Research vessel (reversal)/impairment¹	(52)	2,807
Scientific equipment impairment	45	0
	(7)	2,807

¹ 2012-13 Reflects an expected reduction in future returns attributable to the asset.

NOTE 10. NON-CURRENT ASSET INVESTMENTS

Cost	£'000
At 1 April 2013	150
Additions	0
Disposals	0
At 31 March 2014	150
Provisions	
At 1 April 2013	0
Movement	0
At 31 March 2014	0
Net book value	
At 31 March 2014	150
At 1 April 2013	150

In 2001, Cefas purchased the entire share capital of CTL (incorporated in the U.K.) 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 non-current asset investment has not been consolidated as it is immaterial to Cefas' statements of accounts.

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

	2013-14 £'000 Draft	2012-13 £'000 Audited
Non-current assets		
Other current assets	45	45
Cash and cash equivalents	251	239
Liabilities	1,189	1,117
Net assets at 31 March	(244)	(204)
	1,241	1,197
Turnover		
Profit (before tax) for the year	361	465
	81	137

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 2014		
Cash and cash equivalents	11,035	0
Trade and other receivables	4,502	0
Trade and other payables	0	(1,420)
	15,537	(1,420)
Balance at 31 March 2013		
Cash and cash equivalents	5,545	0
Trade and other receivables	5,343	0
Trade and other payables	0	(1,212)
	10,888	(1,212)

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

Trade and other receivables Represents contracts for monies or services due. 39% of this total relates to non-government credit risk. This amount is net of a doubtful debt provision of £2,000 (2012–13: £90,000) representing specific debts.

Foreign exchange risk Around 6% 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% (2012–13: 100%).

No interest was paid in respect of late payment of commercial debt (2012–13: £NIL).

The trade payable outstanding at 31 March 2014 as a proportion of our total purchases from suppliers during the year was equivalent to three days trading (2012–13: one day).

11.2 Foreign exchange

Exchange differences comprise:

	2013-14 (Loss)/gain £'000	2012-13 (Loss)/gain £'000
Resulting from translation	(9)	3
Arising at a transactional level	11	(149)

NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Amounts falling due within one year		
Trade receivables	<u>2,852</u>	<u>3,882</u>
Other receivables		
Defra	1,650	1,461
Accrued income – EU	889	1,614
Pre-payments and accrued income	1,584	1,947
Sundry receivables	4	5
	<u>4,127</u>	<u>5,027</u>

There are no receivables due after more than one year.

Intra-government receivable balances as at 31 March 2014 with the following bodies were: other central government bodies £4,226,000 (2012-13: £4,762,000), local authorities £NIL (2012-13: £NIL), bodies external to government £2,753,000 (2012-13: £4,147,000).

NOTES TO THE ACCOUNTS

NOTE 13. CASH AND CASH EQUIVALENTS

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Balance at 1 April	5,545	17,900
Net change in cash and cash equivalent balances	5,490	(12,355)
Balance at 31 March	11,035	5,545

The following balances at 31 March were held at:

Government banking services	11,035	5,325
Commercial banks and cash in hand	0	220
Balance at 31 March	11,035	5,545

NOTE 14. TRADE PAYABLES AND OTHER LIABILITIES

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Amounts falling due within one year		
Trade payables	216	60
Other taxation and Social Security	384	412
Accruals	6,344	6,252
VAT	490	441
Other payables	330	299
Deferred income	2,351	1,949
Deferred income – Defra	123	210
	10,022	9,563
Other current liabilities		
Amounts falling due after more than one year		
Other payables	148	93

Other payables include employee pension contributions at 31 March 2014 totalling £329,000 (2012–13: £297,000).

Intra-government payable balances as at 31 March 2014 with the following bodies were: other central government bodies £3,200,000 (2012–13: £2,961,000), local authorities £NIL (2012–13: £NIL), public corporations and trading funds £NIL (2012–13: £NIL), bodies external to government £7,186,000 (2012–13: £6,755,000).

NOTE 15. PROVISIONS

	Early retirement	Facility	Contract provisions/ losses	Legal claims	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	69	1,389	534	381	2,373
Provided in the year	0	0	484	70	554
Provisions not required written back	0	(10)	(70)	(227)	(307)
Provisions utilised in the year	0	0	(520)	0	(520)
Unwinding of discount	0	0	0	0	0
Balance at 31 March 2014	69	1,379	428	224	2,100

Analysis of expected timings of discounted flows

Not later than one year	0	40	428	0	468
Later than one year and not later than five years	69	1,339	0	224	1,632
Later than five years	0	0	0	0	0
Balance at 31 March 2014	69	1,379	428	224	2,100

NOTES TO THE ACCOUNTS

15.1 Early retirement

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

15.2 Facility

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.

15.3 Contract provisions/losses

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

15.4 Legal and other claims

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

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

NOTE 16. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2014
not otherwise included in these accounts.

	2013-14 £'000	2012-13 £'000
Property, plant and equipment	34	39

NOTE 17. COMMITMENTS UNDER LEASES

17.1 Operating leases

Total future minimum lease payments under operating leases:

	2013-14 £'000	2012-13 £'000
Obligations under operating leases comprise		
Land		
Not later than one year	1	1
Later than one year and not later than five years	2	2
Later than five years	4	4
Total	7	7
Buildings		
Not later than one year	91	58
Later than one year and not later than five years	16	31
Later than five years	0	9
Total	107	98
Other		
Not later than one year	60	65
Later than one year and not later than five years	94	15
Later than five years	0	0
Total	154	80

17.2 Other financial commitments

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

	2013-14 £'000	2012-13 £'000
Other financial commitments		
Not later than one year	2,759	2,553
Later than one year and not later than five years	11,036	10,214
Later than five years	13,795	15,321
Total	27,590	28,088

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 (2012-13: a range between no claim and £150,000).

NOTES TO THE ACCOUNTS

NOTE 19. RELATED-PARTY TRANSACTIONS

Cefas is an executive agency of Defra and is sponsored by it. Defra is regarded as a related party. Cefas has dealings with Defra and its sponsored bodies. One of Cefas' board members is employed by Defra.

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

Turnover of £31,492,000 was derived from core Defra (2012–13: £33,143,000) and £85,000 costs were payable to core Defra (2012–13: £17,000). At 31 March 2014, £1,650,000 was due from core Defra (2012–13: £1,461,000) and £123,000 was owed to core Defra (2012–13: £210,000).

Cefas has transacted with various other central government bodies, and most of these transactions have been with the FSA. 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 the Director of the Sir Alister Hardy Foundation for Ocean Science (SAHFOS) throughout the year. Transactions between Cefas and SAHFOS totalled £NIL for the year (2012–13: £188) and Nicholas Owens took no part in relation to this work for Cefas or SAHFOS.
- ▶ Non-executive director, Sue Sharland, worked for HR Wallingford Group Ltd as a non-executive director throughout the year. Turnover of £NIL was derived from HR Wallingford (2012–13: £2,280) and £NIL costs were payable to HR Wallingford (2012–13: £12,171). At 31 March 2014, £NIL was due from HR Wallingford (2012–13: £NIL) and £NIL was owed to HR Wallingford (2012–13: £NIL).

CTL is a fixed-asset investment (see Note 10). The shares are held by Mike Waldock as nominee of the trustees for Cefas. Turnover of £227,000 was derived from CTL (2012–13: £122,000) and costs of £133,000 were payable to CTL (2012–13: £170,000). At 31 March 2014, £144,000 was due from CTL (2012–13: £148,000) and £NIL was owed to CTL (2012–13: £10,000).

NOTE 20. EVENTS AFTER THE REPORTING DATE

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue by Mike Waldock as Accounting Officer. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are no events to report.

NOTE 21. LOSSES AND SPECIAL PAYMENTS

Losses statement

There were no losses totalling more than £300,000 in the year.

Special payments

There were no special payments totalling more than £300,000 in the year.

ABBREVIATIONS

ARAC	Audit and Risk Committee
CCAMLR	Commission for the Conservation of Antarctic Marine Living Resources
Cefas	Centre for Environment, Fisheries & Aquaculture Science
CETV	cash equivalent transfer value
CFP	Common Fisheries Policy
CIP	construction in progress
CMB	Cefas Management Board
CTL	Cefas Technology Ltd
Defra	Department for Environment, Food and Rural Affairs
EC	European Commission
EU	European Union
FReM	<i>Government Financial Reporting Manual</i>
FSA	Food Standards Agency
FTE	full-time equivalent
GGCs	Greening Government Commitments
HSL	Health and Safety Laboratory
IAS	International Accounting Standard
ICES	International Council for the Exploration of the Sea
ICT	Information and Communication Technologies
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
JRC	Joint Research Centre
MCAA	Marine and Coastal Access Act 2009
MCCIP	Marine Climate Change Impact Partnership
MCZ	Marine Conservation Zone
MSFD	Marine Strategy Framework Directive
NDPB	non-departmental public body
NED	non-executive director
NERC	Natural Environment Research Council
OHSAS	Occupational Health & Safety Advisory Service
OSPAR	Oslo and Paris Convention
PCSPS	Principal Civil Service Pension Scheme
Q	quarter
R&D	research and development
SAHFOS	Sir Alister Hardy Foundation for Ocean Science
SoCNI	Statement of Comprehensive Net Income
VAT	value-added tax
WFD	Water Framework Directive



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Further information about Cefas, our activities and services,
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