



Centre for Environment  
Fisheries & Aquaculture  
Science



**Cefas**

# Annual Report and Accounts 2016-17



# **Centre for Environment, Fisheries & Aquaculture Science Annual Report and Accounts 2016-17**

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# 01 PERFORMANCE REPORT

## CHIEF EXECUTIVE'S STATEMENT

Welcome to this, my second report as Cefas Chief Executive. Building on previous years' work, Cefas is becoming an increasingly confident, outward looking organisation providing world class science in support of the marine and freshwater environment both in the UK and, to a growing extent, internationally. Key to this is ensuring that the scientific advice we provide to Defra supports the department's wider policy decisions whilst achieving our aim of "delivering the best for all of our customers". The relationship with Defra is deepening as we seek to provide key data and evidence to support our exit from the EU and play a central role in the Defra Group's new 'Marine System'. More widely, we also support Defra and the Foreign & Commonwealth Office (FCO) and Cabinet Office by sustaining critical science capabilities and core facilities, leveraging scientific impact, and enhancing our reputation and expertise through international cross Government activities in the Commonwealth, Overseas Territories and Gulf. Through these diverse programmes, we are gaining wider experience of delivering the broadest range of applied science projects, and enabling our staff to work in dynamic and professionally challenging international environments.

Our Science and Evidence Strategy remains the foundation of our operational output. Our work focusses on food security, through the provision of safe and sustainable aquatic food, and the provision of evidence and advice to support a sustainable blue economy, themes which directly align with Defra's 5-year strategy.

There have been several highlights this year. Our work to support food products that are safe to eat continues to provide international impact and in our role as the European Union (EU) Reference Laboratory for microbial contamination in shellfish, we supported the European Commission (EC) in developing risk management strategies for norovirus in oysters and assisted in the completion of a trade agreement with the US on bivalve molluscs. In our marine environment work, our autonomous wave glider 'Lyra' undertook the first known operational mission to remotely sample a harmful algal bloom that had been identified by satellite observation in the North Sea. Piloted 24/7 and taking samples of algae on demand, Lyra picked up transmissions from over 350 ships and navigated successfully through notoriously complex and busy waters near the Dogger Bank.

In the spring, we supported Defra in providing expert scientific advice and evidence on microbeads at a hearing of the Environmental Audit Committee. This resulted in progress towards a ban on microbeads in UK waters.

During the year, our science output has grown across the breadth of our specialisms with 183 peer-reviewed papers published in the scientific press accompanied by an impressive increase in their impact factor. I have been particularly impressed with how far our work ranged both geographically and historically, taking in both the Arctic and the Antarctic and drawing on substantial data collected by previous generations of Cefas scientists.

We have placed significant emphasis over the year on developing high-level partnerships to support our strategy and in July were delighted to host our annual Science Conference at the University of East Anglia campus with over 130 customers, partners and colleagues attending from across the UK and Europe. The event included the launch of our Collaborative Centre for the Sustainable use of the Seas (CCSUS) which combines innovative science and practical expertise to support UK and international marine policy, drawing on knowledge from across the UEA and Cefas. We are also in the process of enhancing our existing relationship with the University of Exeter where we plan to develop a joint-collaboration in aquatic food security and safety. More generally, we will continue to grow our academic collaborations into the future and, thanks to existing and developing relationships with over 30 other UK universities, we are better connected than ever before with other outstanding UK science organisations.

Looking to our work beyond the UK, we continue to enhance our international portfolio and develop strong global partnerships. Our overseas activity on behalf of UK Government, in addition to core Defra outputs, has grown significantly during the year. Of particular note, is our developing work for the FCO and the Cabinet Office, in partnership with United Kingdom Hydrographic Office (UKHO), Marine Management Organisation (MMO), Joint Nature Conservation Committee (JNCC), National Oceanography Centre (NOC) and others, to support the Small Island Developing States of the Commonwealth, to provide enhanced scientific



## CHIEF EXECUTIVE'S STATEMENT cont'd

understanding, across the fullest range of our disciplines, of the UK Overseas Territories' 'blue belts' and to engage in scientific collaboration with the countries of the Gulf Cooperation Council. This work offers the opportunity for Cefas staff to engage with representatives from a number of Caribbean, Pacific Ocean, Indian Ocean and Middle Eastern countries, intergovernmental agencies and third sector bodies, and to provide lasting benefits in a wide range of regions and geographies through capacity building and knowledge exchange. In addition, our Government to Government interactions in Kuwait and Indonesia have been producing strengthened partnerships and strong scientific outputs.

Cefas people are at the heart of our work and colleagues should take a great deal of pride in their achievements and contributions to the success of the organisation over the past year. This is reflected in Cefas achieving all our performance indicators for 2016-17 including:

- Ensuring our people and our activities remain safe with our three-year rolling average Accident Frequency Rate being 2.9 (2015-16: 1.6).
- Generating a healthy net financial return from our operations of £2 million (2015-16: £2.5 million) before asset impairments.
- Achieving a high customer satisfaction score of 92% (2015-16: 92%).
- Generating a strong scientific publications output at 183 papers in increasingly high-impact journals (2015: 235 papers).
- Maintaining high staff engagement levels: with an engagement score through the civil service survey of 63% (2015-16: 63%).

In conclusion, I feel enormously privileged to be leading Cefas and I am extremely proud of the people, the science and the operational excellence that the organisation possesses. 2017-18 promises new opportunities and challenges, not least the need to support EU Exit work and to develop our impact in dynamic, international environments, as ambassadors for UK science expertise. Supporting this with investment in our people, facilities and capabilities remains paramount in order to ensure we continue to deliver real benefits to the UK.

Tom Karsten

Chief Executive

12 July 2017

# VISION, PURPOSE AND ACTIVITIES

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

- Ensure sustainable food supplies in the UK and internationally through the provision of advice on sustainable marine (finfish and shellfish) and freshwater (salmon and eel) fisheries, and by advising on sustainable development of aquaculture with emphasis on disease prevention, treatment and management.
- Ensure safe seafood supplies by assessing risks to human health from natural (biotoxins, bacteria, viruses) and chemical hazards.
- Ensure sustainable use of fishery resources and improvement of the marine environment through implementing the marine management protocols, designating Marine Conservation Zones (MCZ) and reforming our fisheries management regime.

**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. Cefas priorities are directly aligned with Defra's strategic objectives, and support the government's ambitions for sustainable "blue growth" in associated marine industry sectors that contribute over £38.5 billion to the UK economy and bring wider socio-economic benefits.

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

## Ensuring safe and sustainable seafood

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

With our advice, the UK government has driven international decisions to reform the EU's Common Fisheries Policy, leading to improvements in fish stocks, substantial quota increases and a more profitable industry. Such impact is achieved through making best use of the available scientific advice in achieving sustainability, while continuing to conserve fish stocks in order to safeguard the future livelihoods of our fishing fleets and coastal communities. Following the successful introduction of the pelagic landing obligation in January 2015, the demersal discard ban is now being implemented with our assistance, for example through advice on avoiding unwanted catch and discarding exemptions based on the survivability of a species if returned to the sea alive. Our advice to UK Government extends further afield. Working with international partners, we steered the adoption of bottom fishery closures around all sea

mounts in the NW Atlantic and we advise on fisheries management in the South Atlantic, Antarctic and British Overseas Territories. We are building a global portfolio of Government to Government projects applying science to support sustainable food security and blue growth for diverse marine and fresh water customers.

We continue collaborations with the fishing industry, involving representatives in our work such as the ASSIST project, in which fishers and scientists work together to study and improve fishing practices and knowledge. Cefas scientists are leading innovations in the monitoring of the whole marine ecosystem, making this more effective and efficient, with our POSEIDON project, where we are examining the size and distribution of the small pelagic fish community in the Celtic Sea and western English Channel, providing an exemplar.

Excellent progress has been made to support our long-term goal of increased availability to the public of healthy, safe fish and shellfish.

In our role as the EU Reference Laboratory for microbial contamination in shellfish, we have actively supported the EC in: developing risk management strategies for norovirus in oysters including EU-wide surveillance, assisting the finalisation of a trade agreement with the US on bivalve molluscs and leading the development of an ISO standard method for detection of viruses in foodstuffs. We are also leading a UK-wide government partnership to successfully implement official controls for bivalve shellfish to protect public health. This covers monitoring for biotoxins, sanitary quality, phytoplankton and contaminants alongside the classification of shellfish production sites, purification plant inspection and technical advice – all under a Service Level Agreement with the Food Standards Agency (FSA).

Cefas has also played a leading role in cross-governmental work to reduce the use of animals in safety testing. Through Cefas-led research, the UK was the first country to replace outdated live animal tests to detect toxins in shellfish by applying new analytical chemistry techniques, saving the lives of thousands of laboratory mice as a consequence.

Cefas has continued to advise Defra on changes in EU aquatic animal health legislation. Our initiative, supported by Defra, to officially recognise different strains of viral haemorrhagic septicaemia was agreed by the EC and is now being considered by the World Organisation for Animal Health (OIE). Research to solve problems associated with listing shellfish pathogens with strains of varying host specificity and pathogenicity has continued in collaboration with European colleagues and will be submitted to the EC later this year. Other work under current Defra funded projects will develop a diagnostic test for emerging disease problems and develop tools to support surveillance and eradication programmes for listed diseases.



# VISION, PURPOSE AND ACTIVITIES cont'd

In our international research portfolio, an Innovate UK project to develop rapid pond-side tests for shrimp diseases has started and field testing in Thailand will begin shortly and a project awarded under the Biotechnology and Biological Sciences Research Council/ Newton Fund Global Research Partnership commenced in February 2016 and is developing new molecular approaches to mitigate disease outbreaks in small-scale aquaculture farms in Bangladesh and Malawi . Through our strategic alliance with the University of Exeter, we have continued to co-fund PhD studentships under the strategic evidence theme of 'Aquatic Food Security and Safety'.

## Supporting sustainable blue growth

Understanding the principles governing marine ecosystem structure, function and resilience, and how marine environments are changing in response to natural and human pressures, remains a major focus of Cefas science and advice. We have been making critical contributions to meeting the long-term societal and policy objective of a thriving but sustainable maritime economy by:

- Improving knowledge of the natural systems upon which economic sectors depend and in particular the factors which generate, maintain and deplete natural capital.
- Identifying the benefits natural systems provide, their current state, their resilience to pressures and vectors of change.
- Establishing the rate at which pressures and their cumulative effects on marine ecosystems generated by the increasing exploitation of the sea develop.

Working in partnership with the UK Foreign and Commonwealth Office, Cefas has led the development of an applied Marine Economies Programme, focussing initially on a Caribbean Regional Plan but extending across the Commonwealth. This programme has identified climate change, invasive species, fisheries management and integrated marine planning as key issues for future investment.

In Europe, Cefas has led the development and application of ecosystem indicators and ecosystem models to inform monitoring and management decisions, including delivering obligations under the EU Marine Strategy Framework Directive (MSFD), Habitats Directive and Common Fisheries Policy. Our assessments of ecosystem resilience are made as part of an adaptive management approach supported by modelling. We also continue to support the Welsh Government in presenting the evidence base to support the Welsh National Marine Plan.

Our research in support of blue growth is increasingly targeted at defining options for the multiple use of living and non-living resources. We have begun to determine the main types of ecological, social and economic interactions and conflicts in the use of marine space. This work is exploring the extent to

which growing maritime activities may or may not coexist with conservation measures and/or targets for other sectors. For example, by linking vessel activity, catch and economic data, Cefas has developed techniques that have been routinely used to provide advice to Defra on the distribution and intensity of fishing activity, catch weight and catch value in relation to proposed Marine Conservation Zones and European Marine sites.

The MSFD is a significant driver of marine status assessment and management. Cefas staff have supported the submission to the EU of the final proposed UK MSFD measures and related monitoring programme. This ensured that national objectives can be achieved and included advice on the economic implications for stakeholders. We have also been closely involved in drafting the Oslo and Paris Convention (OSPAR) Intermediate Assessment, describing the status of marine ecosystems across the NE Atlantic.

Of interest to the European community is our work with international partners to establish a common approach to assessments of cumulative effects, an issue that is of increasing concern. Cefas has also led the UK input to the updates of the international guidelines for the sea disposal of dredged material of both the OSPAR and London Conventions.

To mark 50 years since the Cefas Lowestoft Laboratory was first affiliated with the University of East Anglia (UEA) in the 1960's, Cefas and UEA have established a joint Collaborative Centre for Sustainable Use of the Seas (CCSUS). This new Centre, based in the Rosa Lee room on the University's Norwich campus, was launched in summer 2016 in conjunction with our third successful Cefas Evidence Conference, attended by over 200 delegates. The Centre provides a platform to bring together excellent UEA research and Cefas applied science to generate new collaborative programmes.

## Looking ahead

A Defra review of Cefas, in 2014, gave us the mandate to continue in our Agency role and encouraged us to engage in partnerships to pursue both academic excellence and to replace reducing Defra income to sustain operational and financial critical mass. To deliver these joint ambitions we are working to a Five-year plan to 2020. This expects existing Defra EU focused activity to be replaced by new activity to support Defra in their approach to EU Exit preparedness and new UK policy development as well as growing work from other UK Government Departments and international governments, where it supports UK Government international objectives. In addition, we plan to grow our scientific impact and broaden our academic partnerships to ensure that research and development activity continues to comprise around 20% of our activity. To sustain this we endeavour to maintain healthy levels of self-investment.

We constantly strive to improve our science excellence. Strong progress has been made towards fully implementing the recommendations of our successful quinquennial science

# VISION, PURPOSE AND ACTIVITIES cont'd

capability review, conducted on behalf of Defra in 2012, and preparations are now underway for our next review in 2017. A key recommendation from the 2012 review was the implementation of our Science and Evidence Strategy. Based on organisation-wide horizon scanning, this has provided a clear focus to our applied science ambitions. It provides a framework to direct our strategic self-investment in reinforcing our relevance to UK government marine policy delivery and in highlighting our areas of significant international expertise. This, in turn, attracts new UK and international government customers to Cefas.

Clear strategic direction, new business and a skilled and vibrant work-force are all essential if we are to retain our science profile through the changing demands and opportunities of EU Exit. Collaborating with Research Councils, and our Strategic Alliances with universities at Norwich and Exeter, will enable us to further maintain and strengthen our science reputation and prestige. Our network of more than 80 PhD students with Cefas supervisors, celebrated annually at Cefas Student Day, ensures ongoing Cefas relationships with over 30 higher educational establishments at any one time. We encourage

Cefas staff to publish their work in respected peer-reviewed journals. In 2016, 183 articles were published, including in the journals Science and Nature, with our highest ever average citation Impact Factor of 4.2 (2015-16: 3.4). We continue to release open marine data through the innovative new Cefas Data Hub. Over 1,800 marine data sets, collected over decades, detailing the health of our seas and marine wildlife are now freely available to the public.

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

## PERFORMANCE ANALYSIS

### PERFORMANCE AGAINST BUSINESS PLAN INDICATORS

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

They are announced in the House of Commons and audited 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 supports our strategic objectives, which aim to strengthen delivery and long-term capability. These combine into single measures, as detailed below.

METRIC	MEASUREMENT	ACHIEVEMENT
Finance	Securing income for the following year and a net financial return from our operations for Defra.	2016-17 Achieved 2015-16 Achieved 2014-15 Achieved
Customer satisfaction	Annual customer satisfaction surveys weighted by income and delivery of Cefas impacts for Defra.	2016-17 Achieved 2015-16 Achieved 2014-15 Achieved
Scientific excellence	Indicators include publication records and delivered ongoing investment in new science and capabilities.	2016-17 Achieved 2015-16 Achieved 2014-15 Achieved
Employee engagement	Relative participation in the annual questionnaire to all civil service staff.	2016-17 Achieved 2015-16 Achieved 2014-15 Achieved
Corporate responsibility	Health and Safety indicator performance and maintaining quality accreditations.	2016-17 Achieved 2015-16 Achieved 2014-15 Achieved

# PERFORMANCE ANALYSIS

**From 1 April 2016 Cefas converted its financial reporting status from a Net Controlled Agency to a Gross Controlled Agency.** The resulting accounting policy change means that Cefas' work for Defra is no longer reported as income within the Statement of Comprehensive Net Expenditure, rather Cefas receives an allocated expenditure budget. Comparative numbers for the year 2015-16 have been adjusted to reflect this new policy.

In 2016-17, Cefas delivered a core programme of work for Defra policy customers to a total allocated budget of £23.4 million (2015-16: £22.30 million). However, reported Comprehensive Net Expenditure was only £21.2 million (2015-16: £21.5 million). The £1.9 million net operating surplus generated to deliver this reduced expenditure relates to operating efficiencies including:

- Delivering 3% more activity than planned with Cefas staff and managing contract risks effectively to generate additional contribution of £0.8m.
- Reducing revenue spend on estates maintenance by £0.4m due to higher capital spend activity.
- Delivering the year with lower staff resources despite the increase in delivered activity resulting in higher utilisation levels and pay cost savings of £0.3m.

Defra activity increased over the prior year despite continued reductions in core budgets due to a transfer of £0.7m of activity for the Conflict, Security and Stability Fund to provide the evidence and advice required towards implementing a Blue Belt of Marine Protected Areas in UK Overseas Territories.

Non-Defra income increased to £24.0 million (2015-16: £23.4 million) and continues our long-term strategy of customer diversification to replace reducing Defra income. This strategy sustains our operational and financial critical mass and ensures we maintain leading applied science capabilities and assets for Defra and other Government customers. The increase in income came primarily from activity for other UK Public Sector customers £11.0 million (2015-16: £8.7 million) and included new activity for the:

- Foreign and Commonwealth Office in actively enhancing the marine economies of targeted small island developing states from across the Commonwealth.
- Cabinet Office in actively enhancing the marine economies across the Gulf Region.

Other Non-Defra income came from:

- Other bodies across the Defra Group £4.2 million (2015-16: £3.7 million), most significantly supporting the Marine Management Organisation.
- Research and development activity funded by the EU Commission £1.6 million (2015-16: £1.9 million).

- Industry and other income £7.2 million (2015-16: £9.1 million).

The significant reduction in industry and overseas activity is due to the focus on growth in UK Public Sector customer activity and some planned reductions in overseas activity due to cyclical customer requirements.

Whilst Non-Defra work is vital for sustaining Cefas' strength and critical capability, our primary customer base continues to be firmly UK government-related. Our total work for all UK Government bodies and related EU research and development now comprises 85% of our total activity (2015-16: 81%).

Total salary costs increased £0.9m over the prior year although average full-time equivalent (FTE) staff numbers decreased to 509 (2015-16: 512 FTE). Actual pay rates rose by 1% per public-sector pay constraints and increased employer national insurance contributions were absorbed.

External cost increases were generally in line with consumer price index inflation. There were no charitable donations made in the year (2015-16: £NIL).

## Assets

Land and buildings were formally revalued on a desktop basis as at 31 March 2017 resulting in a small impairment of £0.1m. This valuation reflects £1.7 million of capital investment in our facilities in the year (2015-16: £0.6 million) of which the majority was for our Weymouth site.

Capital investment in scientific equipment to meet contractual commitments was £0.8 million in the year, (2015-16: £0.5 million), with a further £0.5m remaining under construction as at the year end.

Cefas owns 100% of the share capital of Cefas Technology Limited (CTL). CTL provides a channel to wider markets for specific Cefas products and services. Examples include electronic data-storage tag production and fish disease testing. CTL accounts are not consolidated into Cefas' statements of accounts as they are outside the Departmental boundary. In 2016-17, CTL traded at a loss, reflecting new product investments, making an operating loss of £12,000 before tax (2015-16: £24,000 profit) on income of £427,000 (2015-16: £436,000).

# PERFORMANCE ANALYSIS cont'd

## **Cash management**

Cefas consumed an operating cash outflow of £12.1 million (2015–16: £13.1 million). This decrease over the prior year is primarily due to a reduction in working capital balances. Capital investment in the business addressed the replacement of critical building infrastructure at our Weymouth laboratory and grew our scientific capabilities. This investment was greater than our annual depreciation for the first time in several years reflecting cyclical replacements within our buildings and customer funded equipment investments to meet contract requirements. Having reviewed the cash requirements of the agency with Defra, we have drawn down £17.7 million (2015–16: £14.7 million) from them, which increases the General Fund reserve balance. Assuming the continued support from Defra for our budget allocation then we are in a sound cash position with sufficient liquid funds and customer contracts to meet all expected obligations within the coming financial year.

## **Financial risk**

The primary financial instrument risk that we are exposed to is the receipt of payments from customers in foreign currencies. This risk is assessed as low, particularly given that 92% of payments are received in pounds sterling and only 8% in foreign currencies.

## **Future plans**

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

Cefas continues to make good progress in delivering a £5m capital investment, over the 5 years of the 2015 Spending Review, to address critical buildings infrastructure and working conditions at the Lowestoft and Weymouth laboratories. We are also exploring an enhanced-invest-to-save business case to renew the aging office facilities at Lowestoft. Defra are supporting the development of this case with a view to making a final investment decision in the autumn of 2017.

Our business 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.

# SUSTAINABILITY REPORT Year ending 31 March 2017

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 2016-17*. The information contained within this section has not been subject to audit and does not form part of the auditor's opinion on the accounts.

## About our data

The data in the following tables present the energy consumption, greenhouse gas emissions, waste arising, water use figures, and other target areas 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, waste and paper data are provided by Defra.

Figures from Q4 2015-16 have been used to account for the same quarter in 2016-17. 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 2015-16 data to include the finalised Q4 figures from that year, which became available after the publication of last year's *Annual Report and Accounts*.

This has been done to provide the most complete comparison data possible.

## Performance commentary

The GGCs are the main driver for sustainability improvement and our targets are set by Defra. Against a 2009-10 baseline, the GGC framework by 2019-20 requires us to:

- Reduce greenhouse gas emissions from the whole estate and UK business-related transport by 38%.
- Reduce the number of domestic business flights by at least 30%.
- Reduce the amount of waste going to landfill to less than 10%.
- Reduce the amount of waste generated.
- Increase the proportion of waste recycled.
- Reduce paper use by at least 50%.
- Further reduce water consumption.
- Continue to buy more sustainable and efficient products and services with the aim of achieving the best long term, overall value for money for society.

During 2016-17 Cefas has reported internally against the original GGC framework. All targets except CO2 emissions were met.

This report summarises progress against internal targets and the new GGC Framework by 2019-20. Further information on the GGCs is available at [www.gov.uk/government/collections/greening-government-commitments](http://www.gov.uk/government/collections/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 to Defra's Senior Leaders on a quarterly basis.

## Environmental management system

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

## Carbon – greenhouse gas emissions

	Performance 2016-17	Internal target 2016-17	2019-20 target
CO <sub>2</sub> reduction since 2009-10	12%	Behind target (25%)	Behind target (38%)

Cefas has achieved a 12% reduction in CO<sub>2</sub> emissions since 2009-10. This is behind the internal target of a 25% and the 38% reduction by 2019-2020. However it has closed the gap since 2015-16, where the reduction (with updated data for Q4) was 8%.

The shortfall in performance for greenhouse gas emissions is a consequence of ageing laboratory infrastructure. Investments have been made with new air handling units, chillers, boilers and air compressor at Weymouth and LED lighting as offices are refurbished.

Cefas has been allocated £5m over 5 years to address critical requirements at Lowestoft and Weymouth (e.g. improving laboratory infrastructure and working conditions). This will include identifying and reviewing opportunities for improving energy efficiency and implementing initiatives that will assist in meeting our CO<sub>2</sub> reduction targets. Initiatives fall into the following categories:

- Staff behaviour change: 79% have had environmental

# SUSTAINABILITY REPORT cont'd

awareness training, and environmental performance and initiatives are discussed at Divisional meetings.

- Technological solutions: increased use of cloud services.
- Replacement equipment more efficient e.g. use of LED and T5 lighting and new multifunctional printing devices.
- Continued use of improved ways of working (video/Skype for business/audio conferencing, multifunctional printing devices, centralised staff amenities).

ENERGY		2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2009-10
		(Restated)			(Baseline)			
Non financial indicators (kWh, '000)	<b>Total Energy Consumption</b>	<b>8,616</b>	<b>9,037</b>	<b>8,922</b>	<b>8,844</b>	<b>8,734</b>	<b>8,245</b>	<b>8,622</b>
	Total Electricity	4,658	4,700	4,847	4,790	4,959	4,984	5,067
	Electricity: Brown	0	1	6	1	29	11	102
	Electricity: Green	4,658	4,699	4,841	4,789	4,924	4,973	4,965
	Electricity: CHP	0	0	0	0	6	0	0
	Gas	3,958	4,337	4,064	3,917	3,775	3,261	3,555
	Oil	0	0	11	137	0	0	0
Financial indicators (£'000)	<b>Total Energy Costs</b>	<b>751</b>	<b>741</b>	<b>726</b>	<b>720</b>	<b>674</b>	<b>678</b>	<b>791</b>

GREEN HOUSE GAS EMISSIONS		2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2009-10
		(Restated)			(Baseline)			
Non financial indicators	<b>Total Emissions</b>	3,193	3,342	3,617	3,340	3,425	3,336	3,643
	Scope 1: Direct Emissions from Buildings	730	758	755	758	696	599	654
	Scope 2: Indirect Emissions from Build-	2,213	2,344	2,606	2,316	2,461	2,446	2,700
	<b>Total Building Emissions</b>	<b>2,943</b>	<b>3,102</b>	<b>3,361</b>	<b>3,074</b>	<b>3,157</b>	<b>3,045</b>	<b>3,354</b>
	Scope 1: Direct Emissions from Business Travel <sup>1</sup>	169	163	173	183	177	194	188
	Scope 3: Emissions from Business Travel	81	77	83	83	91	97	101
	<b>Total Travel Emissions</b>	<b>250</b>	<b>240</b>	<b>256</b>	<b>266</b>	<b>268</b>	<b>291</b>	<b>289</b>
	Emissions eligible for CRC scheme	n/a	n/a	n/a	3,309	2,925	3,266	n/a
Financial indicators (£'000)	CRC	68	61	61	40	35	39	n/a
	<b>Expenditure on official business travel<sup>2</sup></b>	<b>959</b>	<b>784</b>	<b>759</b>	<b>725</b>	<b>716</b>	<b>704</b>	<b>1,232</b>

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

<sup>2</sup> Includes overseas travel.

## WASTE

	Performance 2016-17	Internal target 2016-17	2019-20 target
Waste reduction since 2009-10	54%	Met target 25%	On target to meet
Waste to landfill	12%	N/A	On target to meet
Waste reused, recycled, composted	40%	N/A	On target to meet
Waste reused, recycled, composted and recovered	86%	Met target (85%)	N/A

The 25% waste reduction internal target has been met and 54% reduction has been achieved since 2009-10. All of our waste is managed according to the waste hierarchy – prevention, preparing for re-use, recycling, other recovery and disposal. Cefas waste is likely to increase due to ongoing estates rationalization and refurbishment. Waste to landfill is expected to meet the 2019-20 target of 10%. Waste recycled has increased to 40% compared with 32% in 2015-16. One tonne of IT waste was recycled in each of 2015-16 and 2016-17. Standardised recycling facilities across Cefas – colour-coded bins and labelling – make it easier for staff to identify the most appropriate waste or recycling bin, helping them to contribute in a responsible way.

# SUSTAINABILITY REPORT cont'd

WASTE		2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2009-10
		(Restated)						(Baseline)
Non financial indicators (tonnes)	Hazardous waste (included in below)	30	17	9	3	4	12	14
	<b>Total waste</b>	<b>136</b>	<b>124</b>	<b>128</b>	<b>138</b>	<b>161</b>	<b>222</b>	<b>295</b>
	Reused, recycled, composted	55	40	47	84	94	96	131
	Incinerated with energy recovery	62	66	50	12	28	71	53
	Incinerated without energy recovery	3	4	2	7	4	21	0
	Landfill	16	14	29	35	35	34	111
	% to landfill	12	11	23	25	22	15	38
Financial indicators (£'000)	Total disposal cost	These are part of a central Defra contract and not available at Cefas level						

## WATER

	Performance 2016-17	Internal target 2016-17 (three year rolling target)	2019-20 target
Water reduction since 2009-10	Increased by 12%	Met target (20%)	Not on target

Using a three-year rolling average, we reduced water consumption by 27%, from the internal 2009-10 baseline three year rolling average of 94,713m<sup>3</sup>.

However, the specific annual data for 2016-17 shows that we increased our water consumption by 12% 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		2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2009-10
		(Restated)						(Baseline)
Non financial indicators (m3)	<b>Total Water Consumption<sup>1</sup></b>	<b>66,646</b>	<b>68,434</b>	<b>71,872</b>	<b>79,816</b>	<b>63,379</b>	<b>61,313</b>	<b>59,723</b>
	Supplied (Office Estate)	7	10	9	14	23	23	1
	Supplied (Non Office Estate)	66,639	68,424	71,863	79,802	63,356	61,290	59,722
Financial indicators (£'000)	Water Supply Costs	419	385	369	305	212	145	183

<sup>1</sup> Abstracted water data is not reported under GGCs.

## OTHER TARGET AREAS

	Performance 2016-17	Internal target 2016-17	2019-20 target
Reduction in domestic flights since 2014-15	8%	N/A	On target to meet
Paper use since 2009-10	94% increase	N/A	Not on

OTHER TARGET AREAS		2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2009-10
		(Baseline)						
Non financial indicators	Number of domestic flights	218	162	236	N/A	N/A	N/A	N/A
	Paper use (Reams)	1937	1893	2510	2409	2779	N/A	1,000

# SUSTAINABILITY REPORT cont'd

## 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 services, multifunctional printing devices, travel booking service providers, specific ICT services (disaster recovery and firewall) and facilities management. We have continued to work with Defra to enhance supplier information to enable the monitoring and increase of our proportion of small and medium- sized enterprises spend.

## Green ICT

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

- Continuing to implement the UK Government's Cloud First programme by expanding Cefas' use of Microsoft's Office 365 Services to optimise local ICT infrastructure as well as enable and support more flexible and mobile working practices.
- Migrating to Office 365 has increased availability and usage of web-based messaging, audio and video conference facilities, enabling staff to share and collaborate on documents with participants located on and off-site.
- Further migration to Cloud based services and continuing assessment of PC and server assets to reduce ICT assets and Cefas' carbon footprint as well as optimising 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.



Tom Karsten

Chief Executive

12 July 2017

## People

The Cefas Connects volunteering scheme and our approach to our health and safety systems are described on p 17. In 2016-17 we achieved 127 days to Cefas connects an increase of 87% on 2015-16.

In 2016-17, 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

Cefas maintain accreditation to ISO 17025; certification to ISO 9001, ISO 14001 and OHSAS 18001; and approval for Good Laboratory Practice and Good Manufacturing Practice. By maintaining these standards, 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

Future plans are described on page 12.



# 02 ACCOUNTABILITY REPORT

## CORPORATE GOVERNANCE REPORT DIRECTORS' REPORT

### **Our People**

We achieved a 92% staff response rate to the annual Civil Service People Survey. The average response rate for the entire civil service is 65%. The survey is designed to measure staff engagement, and our overall engagement index was 63% (2015-16 63%).

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

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

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

This information is freely available within the 2016 Workforce Monitoring report, available at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/492067/workforce-monitoring-2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/492067/workforce-monitoring-2015.pdf)

### **Cefas Board Members**

Details of Cefas' Board Members and Senior Leadership Team can be found in the Remuneration Report.

### **Conflicts of Interest**

Details of any potential conflicts of interest can be found in Note 20.

### **Pension liabilities and entitlements**

Pension liabilities arising from early retirement or other enhancements are accrued in total in the year in which the

liability arises. These charges are paid either to the PCSPS, which is responsible for meeting future pension obligations on behalf of Cefas, or to employees' stakeholder-based arrangements. Further details are provided in Note 2(a) to the accounts.

### **Leading in Health and Safety**

#### **Our Systems and Compliance**

Accreditation was maintained to the four health, safety, environment and quality standards (ISO 9001, 14001, 17025 and OHSAS 18001) during the last financial year with positive results and feedback from the certification bodies.

#### **Leading on Culture Change in Health and Safety**

Senior management conduct regular health and safety walkabouts during the year with a rotating focus on targeted themes. A Behavioural Safety Group delivered all our planned actions set out in our health and safety plans which strive for continual improvements.

#### **Incidents and accidents**

Proactive "risk flags" (reporting of non-injury incidents with the potential to cause injury/ill-health and/or opportunities to reduce risks further) numbers have remained strong with 1 raised for every 2.4 staff. Our overall performance (three-year rolling average Total Recordable Case Frequency rate per million FTE of 2.9, benchmarks comparably against other Government Laboratory Agencies (2.9).

There were no significant lapses of corporate or personal protected data and no ministerial directions received in the year.

# 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* (FRM) 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 FRM 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 Accounting Officer confirms the following:

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

The Accounting Officer is also responsible for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Cefas' assets, are set out in *Managing Public Money*, published by HM Treasury.

# GOVERNANCE STATEMENT

This statement sets out the governance arrangements and performance of the Centre for Environment, Fisheries & Aquaculture Science (Cefas) in 2016-17. Cefas is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and as such it is fully accountable to Parliament through ministers.

Governance arrangements are formalised in a Framework Document, which is available to download from <https://www.gov.uk/government/publications/cefaf-framework-document-2015>.

Ministers nominate a member of the Defra Executive Committee (ExCo) to act on their behalf in all ownership matters and to be line manager for the Chief Executive. During 2016-17 this role was fulfilled by Defra's Chief Operating Officer until October 2016 and was then fulfilled by Defra's Director General for Marine, Natural Environment and Rural. Their responsibilities include providing oversight of Cefas and assurance to the Defra Executive Committee that appropriate governance arrangements are in place for the agency. Regular performance reports, risk assessments and other management information flows from Cefas to Defra, which are appropriately reported to the Executive Committee. There are numerous other informal links with the Department, including between non-executive directors (NEDs) and in functional areas such as science, finance and human resources.

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

The Board operates within the strategic context and authorities set by Defra. Its remit includes setting strategic aims, objectives and risk appetite; ensuring that necessary leadership and resources are in place to deliver its aims; challenging and supporting management performance; providing assurance on effective controls and risk management. A balance of executives, NEDs and a Defra senior official provides the appropriate skills, experience, independence and knowledge to enable the Board to discharge its duties and responsibilities. One NED is appointed as a "lead NED" and is Chair of the Board, Jane Smallman. 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 with

individual terms of reference that are approved by the Board. Each of these committees have a wholly external membership and are chaired by NEDs. Appropriate Cefas Executive and external representatives attend the committees as required:

**Audit and Risk Assurance Committee (ARAC):** meets at least 4 times per year. This committee monitors the corporate governance and control systems and advises on internal and external audit matters, risk and governance in the organisation, including health and safety and ship operations. Key subjects of focus in the year have been the delivery of the annual audit programme, performance of the facilities management contractor, project management and a review of compliance with *Managing Public Money* for business activities.

**Science Advisory Committee:** meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's science strategy and operations. The main focus this year has been on enhancing research quality partnership working, support for new technologies and the science required to support food security and the blue economy.

**People Development Committee:** meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's leadership development, succession planning, reward strategies and employee relations. This year the key subjects of focus were taking an in-depth look at issues from the 2016 Civil Service People Survey, developing the people strategy aligned to Cefas' future business needs and recommending improvements to learning and development opportunities.

Conflicts of interest declared by Board members are managed by the Chair of the Board to ensure any necessary separation of the topic and the individual. During the year, no material conflicts have been reported. Attendance at the Board and its committees' meetings has ensured quoracy requirements have been met throughout 2016-17.

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.

# GOVERNANCE STATEMENT cont'd

## Effectiveness of Cefas Management Board performance

The Board conducts an annual review of its terms of reference and an evaluation of its own performance and effectiveness. The performance evaluation approach for the year 2016-17 was based on an internally developed range of questions. Enhancement actions were agreed which focused on: the reorganisation of both operational reporting and meeting structures to reflect new business processes which will be operating in the 2017/18 financial year, inviting staff participation in Board meetings and clarifying the role and objectives of individual NEDs.

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

Cefas has performed well through the year, achieving all performance indicators, and continuing to deliver on its plans with notable successes being reflected in Section 01, Performance Report.

As well as challenge and assurance of Cefas' operational performance the other significant items the Board addressed in the year included: Defra's introduction of a new Target Operating Model for the Department which enables better collaboration across all the Department's marine activities to integrate delivery across bodies which will maximise efficiency gains; development and approval of a new organisation design for Cefas' for application from April 2017; oversight of a strategic 5-year transformation programme with related actions and significant new UK and international government opportunity development.

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

## Risk appetite

Cefas' principal managed risk would be the delivery of poor scientific evidence or advice resulting in reputational damage. Cefas depends on its reputation for scientific excellence to support all customer delivery. All work is conducted through 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. 85% of all our activity is for UK Government bodies and related EU research and development programmes (2015-16: 81%). Within this there is a requirement to diversify our activity beyond Defra which contributes to the UK Government's ability to maintain access to world class capability but requires Cefas to manage additional business complexity from cross-Department agreements and international government to government contracts.

Other significant risk priorities managed during the year included:

- The loss of major government customer opportunities and renewals beyond Defra to maintain operational and financial critical mass.
- International delivery for both the UK Government and international government to government customers including: health and safety, security, currency and political risks.
- Delivery of significant estates infrastructure refurbishment and the related operational impacts.

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

## Risk management overview

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

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

# GOVERNANCE STATEMENT cont'd

Responses to agreed actions have been satisfactorily completed. Assurance reviews conducted in year included compliance with Managing Public Money, financial control, project management, data protection and customer relationship management. Defra provide assurance over the facilities management contract, this was not well evidenced during the year resulting in the continued reporting of a significant issue.

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

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

## **Significant issues and risks**

Good progress continued against our long-term strategic plans in 2016-17. Significant additional work has been undertaken during the year to plan for the new evidence and advice which will be required to support Defra in preparing for EU Exit, particularly with respect to fisheries management. This has secured additional funding for agreed work programmes to be delivered in 2017-18. Resourcing and delivering this programme to time, cost and quality will need close management and a Director has been assigned to address this. Another significant issue has been the continuing cost of running and maintaining the Lowestoft facilities; steps to address this are progressing with Defra providing support to progress a business case to redevelop the offices and reorganise the site. Final decisions on whether to progress the proposed investments are expected in the autumn of 2017. One issue required continued management through the year and going forward and does merit highlighting:

Defra's management of our facilities management continues to improve however assurance over the financial performance of the contract has been limited. Insufficient technical evidence to confirm full receipt of services was collated to satisfy expected assurance levels and a number of important identified management improvement actions remained outstanding throughout the year. Defra are implementing a plan to resolve this situation in the year 2017/18. Whilst this is an identified control weakness there was no evidence of material concerns over the financial performance of the contract. We are tracking delivery of the plan and will ensure its progress is reflected in the Interim Governance Statement for 17/18 expected Q3/4.

## **Other Parliamentary Disclosures'**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

## **Conclusion**

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

# REMUNERATION AND STAFF

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.

Siân Limpenny was appointed as Director of Strategy, Transformation and Partnerships on the 1 October 2016.

Tom Karsten, Chief Executive; Tim Green, Deputy Chief Executive and Finance Director; and Steve Addison, Commercial Director are senior civil servants under permanent contracts of employment with Defra. Karin Rundle, Stuart Rogers, Steve Millward and Siân Limpenny 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.

Tanya Arkle resigned from the CMB as a Defra board member on the 13 July 2016. Alison Pritchard joined the CMB on 8 August 2016 as a Defra board member. Defra assumes all the costs of their attendance at the board.

Anne MacColl joined as a non-executive director on 1 April 2016. Bruce Macaulay ended his non-executive term of office on the 31 October 2016. All non-executive directors 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

	Note	Salary for period		Performance pay		Pension benefits [Note 5]		Total	
		2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000
<b>CMB executive directors</b>									
<b>Chief Executive</b>									
Tom Karsten	1	125-130	70 - 75	0	0	49	28	175-180	95-100
Mike Waldox (to 5 June 2015)	2	0	15-20	0	0	0	5	0	20-25
<b>Deputy Chief Executive and Finance Director</b>									
Tim Green	3	70-75	75 - 80	10-15	10 - 15	27	32	110-115	120-125
<b>Chief Scientific Advisor</b>									
Stuart Rogers		70-75	70 - 75	0-5	0 - 5	21	26	90-95	95-100
<b>Commercial Director</b>									
Steve Addison		70-75	70 - 75	10-15	10 - 15	29	28	110-115	110-115
<b>Director of Human Resources and Organisational Development</b>									
Karin Rundle		60-65	55 - 60	5-10	5 - 10	31	28	100-105	90-95
<b>Operations Director</b>									
Steve Millward		70-75	70 - 75	0-5	0 - 5	30	32	100-105	105-110
<b>Director of Strategy, Transformation and Partnerships</b>									
Siân Limpenny (from 1 October 2016)	4	30-35	0	0	0	18	0	50-55	0

## Notes

- Tom Karsten commenced as Chief Executive on 7 September 2015. His full year salary equivalent was in the band £125,000-£130,000.
- Mike Waldox retired with effect from 5 June 2015. His full year salary equivalent was in the band £85,000-£90,000.
- Tim Green was Chief Executive during the period from 6 June 2015 to 6 September 2015 and his salary reflects an increment for this period. His normal full year salary equivalent is in the band £70,000-£75,000.
- Siân Limpenny commenced as Director of Strategy, Transformation and Partnerships on 1 October 2016. Her full year salary equivalent was in the band £60,000-£65,000.
- 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.

# REMUNERATION AND STAFF cont'd

REMUNERATION MEDIAN AND RATIOS	2016-17	2015-16
Band of highest paid employee total remuneration excluding pension benefits (£'000)	125-130	125-130
Median Total Remuneration	30,312	30,528
Ratio	4.12	4.09

The banded remuneration of the highest paid executive directors, as disclosed in the Remuneration of Cefas Directors report, for the financial year 2016-17 was £125,000-£130,000 (2015-16: £125,000-£130,000). This was 4.12 (2015-16: 4.09) times the median remuneration of the workforce, which was £30,312 (2015-16: £30,528).

The individuals in **Remuneration of Cefas Directors Table** (page 22) were executive directors during the year. Salaries include gross salaries, performance pay, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance payments were capped in 2016-17 and 2015-16.

No CMB executive directors were in receipt of any benefits in kind (2015-16: 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.

## REMUNERATION OF CEFAS NON EXECUTIVE DIRECTORS

	Note	Fee band		Total	
		2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000
<b>CMB non-executive directors</b>					
Sue Sharland (to 31 December 2015)	5	0	5 - 10	0	5 - 10
Bruce Macaulay (from 1 October 2014 to 31 October 2016)	1	5 - 10	10 - 15	5 - 10	10 - 15
Jane Smallman (from 1 October 2014)		10 - 15	10 - 15	10 - 15	10 - 15
Andrew Watkinson (from 1 July 2015)	6	10 - 15	5 - 10	10 - 15	5 - 10
Anne MacColl (from 1 April 2016)	2	10 - 15	0	10 - 15	0
<b>CMB Defra board members (remunerated by Defra)</b>					
James Lowen (from 8 April 2015 to 6 January 2016)	7				
Tanya Arkle (from 4 February 2016 to 13 July 2016)	3				
Alison Pritchard (from 8 August 2016)	4				

### Notes

1. Bruce Macaulay's term of office as a non-executive director ended on 31 October 2016.
2. Anne MacColl joined the CMB as a non-executive director on 1 April 2016.
3. Tanya Arkle joined the CMB as a Defra board member on 4 February 2016 and resigned on 13 July 2016.
4. Alison Pritchard joined the CMB as a non-executive director on 8 August 2016.
5. Sue Sharland's term of office as a non-executive director ended on 31 December 2015.
6. Andrew Watkinson joined the CMB as a non-executive director on 1 July 2015.
7. James Lowen joined the CMB as a Defra board member on 8 April 2015 and resigned on 6 January 2016.

# REMUNERATION AND STAFF cont'd

## PENSION ENTITLEMENTS OF CEFAS DIRECTORS

	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60	CETV at 31 March 2017 [Note 1]	CETV at 31 March 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
<b>CMB executive directors</b>					
<b>Chief Executive</b>					
Tom Karsten (from 7 September 2015)	2.5-5 plus 0 lump sum	0-5 plus 0 lump sum	57	20	27
<b>Deputy Chief Executive and Finance Director</b>					
Tim Green	0-2.5 plus 0 lump sum	15-20 plus 0 lump sum	228	204	11
<b>Chief Scientist</b>					
Stuart Rogers	0-2.5 plus 2.5-5 lump sum	25-30 plus 80-85 lump sum	619	573	20
<b>Commercial Director</b>					
Steve Addison	0-2.5 plus 0 lump sum	0-5 plus 0 lump sum	65	40	18
<b>Director of Human Resources and Organisational Development</b>					
Karin Rundle	0-2.5 plus 0 lump sum	10-15 plus 0 lump sum	181	149	14
<b>Operations Director</b>					
Steve Millward	0-2.5 plus 0 lump sum	15-20 plus 0 lump sum	258	229	15
<b>Director of Strategy, Transformation and Partnerships</b>					
Siân Limpenny	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	199	194	2

### Note

1. CETV: cash equivalent transfer value.



# REMUNERATION AND STAFF cont'd

**Compositive of staff** - The average number of persons (FTEs) employed by Cefas during

	2016-17			2015-16		
	Male	Female	Total Numbers	Male	Female	Total Numbers
Directors - SCS 1	2	0	2	2	0	2
Directors - SCS 2	1	0	1	1	0	1
Directors - Other	2	2	4	2	1	3
Other Permanently employed staff	289	213	502	295	211	506
<b>Total</b>	<b>294</b>	<b>215</b>	<b>509</b>	<b>300</b>	<b>212</b>	<b>512</b>

## Staff Costs

	Permanently Employed Staff £'000	Temporarily Employed Staff £'000	Total 2016-17 £'000	Total 2015-16 £'000
Wages and Salaries	17,599	0	17,599	17,183
Social Security Costs	1,657	0	1,657	1,235
Superannuation	3,324	0	3,324	3,297
<b>Total staff expenditure</b>	<b>22,580</b>	<b>0</b>	<b>22,580</b>	<b>21,715</b>

The average number of working days lost due to sickness was 3.7 days (2015-16: 3.5 days), which compares favourably to the 7.1 average working days lost across the wider Civil Service.

No off-payroll arrangements, no consultancy and no temporary staff costs were incurred during the year (2015-16: £3,000, 0.2 FTE). Cefas operates the "Disability Confident" disability symbol in recruitment and employment. This is a commitment to guarantee an interview to any candidate who has disclosed a disability, as defined under the Equality Act 2010, and meets the minimum (essential eligibility) criteria for the post. Comprehensive guidance on making reasonable adjustments at work and supporting disabled employees is provided to managers. All line managers are required to complete unconscious bias training which was introduced in September 2013. All other employment policies are adopted where employment law or Civil Service Employment Policy dictate. Details of presiding pension schemes are detailed in Note 2(a) to the accounts.

## Parliamentary Accountability Report

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

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

**Contingencies and Liabilities**—Note 19 to the Accounts details our contingencies and liabilities, which are all IAS 37 compliant.

**Long term expenditure trends**—Refer to the performance analysis section of our Performance Report for details of our performance to date.



Tom Karsten  
Chief Executive  
12 July 2017

This signature covers the Accountability Report

# 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 for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity/Movement in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures 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 the Centre for Environment Fisheries and Aquaculture Science's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Centre for Environment Fisheries and Aquaculture Science; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and the Accountability 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 the Centre for Environment Fisheries and Aquaculture Science's affairs as at 31 March 2017 and of the net expenditure 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS cont'd

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

**Sir Amyas C E Morse**

**14th July 2017**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

# 03 FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

		2016-17 £'000	2015-16 £'000 (Restated)
	<b>Note</b>		
Staff costs	2	22,580	21,715
Other administration costs	4	23,616	24,907
Operating income	5	(24,671)	(25,159)
<b>Net Expenditure</b>		<b><u>21,525</u></b>	<b><u>21,463</u></b>
<b>Other comprehensive expenditure</b>			
Net (gain)/loss on revaluation of property, plant and equipment	7	(360)	667
Net (gain) on revaluation of intangibles	8	0	(40)
		<b><u>(360)</u></b>	<b><u>627</u></b>
<b>Total comprehensive net expenditure for the year ended 31 March 2017</b>		<b><u>21,165</u></b>	<b><u>22,090</u></b>

All income and expenditure relates to continuing operations.

The Notes on pages 32-48 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2016-17 £'000	2015-16 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	18,626	17,571
Intangible assets	8	0	0
Investments	10	150	150
<b>Total non-current assets</b>		<b>18,776</b>	<b>17,721</b>
<b>Current assets</b>			
Trade receivables	12	2,863	3,116
Other current assets	12	3,739	4,229
Cash and cash equivalents	13	8,223	5,786
<b>Total current assets</b>		<b>14,825</b>	<b>13,131</b>
<b>Total assets</b>		<b>33,601</b>	<b>30,852</b>
<b>Current liabilities</b>			
Trade payables	14	(146)	(716)
Other current liabilities	14	(8,584)	(7,737)
Provisions	15	(939)	(944)
<b>Total current liabilities</b>		<b>(9,669)</b>	<b>(9,397)</b>
<b>Non-current assets plus net current assets</b>		<b>23,932</b>	<b>21,455</b>
<b>Non-current liabilities</b>			
Provisions	15	(1,543)	(1,740)
Other payables	14	(0)	(194)
<b>Assets less liabilities</b>		<b>22,389</b>	<b>19,521</b>
<b>Taxpayers' equity</b>			
General Fund	See page 31	20,433	17,925
Revaluation Reserve	See page 31	1,956	1,596
<b>Total taxpayers' equity</b>		<b>22,389</b>	<b>19,521</b>



Tom Karsten  
Chief Executive  
12 July 2017

The Notes on pages 32-48 form part of these accounts.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2017

	Note	2016-17 £'000	£'000	2015-16 £'000 (Restated)	£'000 (Restated)
<b>Cash flows from operating activities</b>					
<b>Net expenditure</b>			(21,525)		(21,463)
<b>Adjustments for non-cash transactions</b>					
Depreciation charge	7	2,120		2,045	
Amortisation	8	0		23	
Impairment	9	117		1,674	
Auditor's remuneration	4	45		46	
Facilities management contract		4,266		4,220	
Defra Estates Recharges		1,773		0	
Defra management charges		249		200	
Loss on disposal	4	18		93	
			8,588		8,301
Decrease/(Increase) in receivables		743		1,295	
(Decrease)/Increase in payables		291		(1,454)	
(Decrease)/Increase in provisions		(202)		265	
			832		106
<b>Net cash inflow/outflow from operating activities</b>			<b>(12,105)</b>		<b>(13,056)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(3,182)		(1,433)	
Proceeds of disposal of property, plant and equipment		24		0	
<b>Net cash flow from investing activities</b>			<b>(3,158)</b>		<b>(1,433)</b>
<b>Cash flows from financing activities</b>					
Excess cash funding repaid to Defra			0		(7,600)
Defra Funding			17,700		22,252
<b>Net financing</b>			<b>17,700</b>		<b>14,652</b>
<b>Net increase / (decrease) in cash and cash equivalents in the year</b>			<b>2,437</b>		<b>163</b>
Cash and cash equivalents at the beginning of the year	13		5,786		5,623
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>		<b>8,223</b>		<b>5,786</b>

The Notes on pages 32-48 form part of these accounts.

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY/ MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 MARCH 2017

		General Fund £'000 (Restated)	Revaluation Reserve £'000	Total £'000 (Restated)
<b>Balance at 1 April 2015</b>	<b>Note</b>	<u>20,039</u>	<u>2,454</u>	<u>22,493</u>
<b>Notional charges</b>				
Auditor's remuneration	4	46	0	46
Facilities management contract		4,220	0	4,220
Defra management charges		200	0	200
<b>Movements in reserves</b>				
Net operating expenditure		(21,463)	0	(21,463)
Transfers between reserves		231	(231)	0
Revaluation		0	(627)	(627)
<b>Total recognised income and expense for 2015-16</b>		<u>(16,766)</u>	<u>(858)</u>	<u>(17,624)</u>
Excess cash funding repayable to Defra		(7,600)	0	(7,600)
Defra Funding		<u>22,252</u>	<u>0</u>	<u>22,252</u>
<b>Balance at 31 March 2016</b>		<u><b>17,925</b></u>	<u><b>1,596</b></u>	<u><b>19,521</b></u>
		General Fund £'000	Revaluation Reserve £'000	Total £'000
<b>Balance at 1 April 2016</b>		<u>17,925</u>	<u>1,596</u>	<u>19,521</u>
<b>Notional charges</b>				
Auditor's remuneration	4	45	0	45
Facilities management contract		4,266	0	4,266
Defra Estates Recharges		1,773	0	1,773
Defra management charges		249	0	249
<b>Movements in reserves</b>				
Net operating expenditure		(21,525)	0	(21,525)
Transfers between reserves		0	0	0
Revaluation		0	360	360
<b>Total recognised income and expense for 2016-17</b>		<u>(15,192)</u>	<u>360</u>	<u>(14,832)</u>
Excess cash funding repayable to Defra		0	0	0
Defra Funding		<u>17,700</u>	<u>0</u>	<u>17,700</u>
<b>Balance at 31 March 2017</b>		<u><b>20,433</b></u>	<u><b>1,956</b></u>	<u><b>22,389</b></u>

The Notes on pages 32-48 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public-sector context. Where the FRoM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Cefas for the purpose of giving a true and fair view has been selected. The particular policies adopted by Cefas are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

## 1.2 Accounting convention

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

## 1.3 Significant Judgements and Estimation Uncertainty

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

All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events.

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

- The useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (reported in notes 1.5 and 7).
- The impairment of property, plant and equipment (reported in note 7)
- Within receivables and payables there are accrued and deferred income. 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 (reported in notes 12 and 14). This process is applied to all projects including EU.

## 1.4 Income Recognition Restatement

As of the 1 April 2016 the way we are funded by Core Defra changed with the aim of improving accountability and transparency of the funding. Instead of the funding being recorded as Income within the Income Statement and inflating the income figure, it is now treated as financing via our Equity under Parliamentary funding. The Statement of Changes in Taxpayers Equity now clearly states the funding element and brings us into line with other Government Departments regarding

the treatment of funding. This was agreed by HM Treasury and therefore the 2015-16 SoCNE, Cash Flow & SoCTE have been restated to provide a meaningful comparison.

## 1.5 Property, plant and equipment

### 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 on-site revaluation took place at 31st March 2016 which was updated 31st March 2017 on a desktop basis. Valuations performed by Eleanor Cook, MRICS and signed off by Gary Howes, BSc MRICS, partner at Montagu Evans.

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

Non-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.

### 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.

Assets are depreciated over the following timescales:

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

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



# NOTES TO THE ACCOUNTS

## **Impairment**

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

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

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

### **1.6 Investments**

Investments are reported at market value or at cost where market value cannot be readily ascertained. In accordance with the FREM, the non-current asset investment in Cefas Technologies Limited (CTL) has not been consolidated as it is not listed within the Department boundary issued by the Office of National Statistics. The Cefas Management Board has considered the value of the investment and has recorded the investment at cost. This will be reviewed on a regular basis and provision made for any impairment in value. Additional disclosure of the net assets and results of the investment are reported in note 10.

### **1.7 Research and development (R&D)**

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

### **1.8 Operating income**

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

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

### **1.9 Financial instruments**

#### **Financial assets**

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

## **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.

### **1.10 Employee benefits**

#### **Pensions**

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

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

#### **Other employee benefits**

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

#### **Early retirement costs**

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

### **1.11 Provisions**

Cefas provides for obligations arising from past events where there is a present obligation at the date of the Statement of Financial Position, if it is probable that we will be required to settle the obligation and a reliable estimate can be made, in line with the requirements of IAS 37 (reported in note 15).

### **1.12 Leases**

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

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

# NOTES TO THE ACCOUNTS

Operating leases and the rentals thereon are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

## **1.13 Taxation**

### **Corporation Tax**

No corporation tax is payable on the surplus generated by Cefas.

### **Value-added tax (VAT)**

Most of Cefas' activities are outside the scope of VAT and therefore output tax does not apply and input tax on purchases is not recoverable. An element of recovery 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.

### **1.14 Contingent Assets and Liabilities**

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

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

Further information is provided in Note 19.

### **1.15 Notional charges**

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

### **1.16 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 Expenditure

### **1.17 Foreign exchange**

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

11.2).

### **1.18 Impending application of newly issued accounting standards not yet effective**

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

IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018. This standard replaces all existing IFRS guidance on revenue recognition.

IFRS 9 – Financial Instruments. This is effective from 1 January 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting.

IFRS 16 – Leases. This standard is effective from 1 January 2019. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.

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

# NOTES TO THE ACCOUNTS

## NOTE 2. STAFF-RELATED EXPENDITURE

### (a) Staff costs

	Permanently Employed staff £'000	Temporarily Employed staff £'000	2016-17 Total £'000	2015-16 Total £'000
Wages and salaries	17,599	0	17,599	17,183
Social Security costs	1,657	0	1,657	1,234
Other Pension costs	3,324	0	3,324	3,298
<b>Total staff expenditure</b>	<b>22,580</b>	<b>0</b>	<b>22,580</b>	<b>21,715</b>

Included in the permanently employed staff costs for 2016-17 is an accrual for untaken leave and leave in lieu of £1,057,000 (2015-16: £957,000).

The salary and pension entitlements of the 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 2012. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2016-17, employers' contributions of £3,300,000 were payable to the PCSPS (2015-16: £3,277,000) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands (the rates in 2015-16 were between 20% and 24.5%). The contribution rates are set to meet the cost of the benefits

accruing during 2016-17 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 £22,000 (2015-16: £20,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are aggregated and range from 8% to 14.75% of pensionable pay (the rates in 2015-16 were between 8% and 14.75%).

Cefas also matches employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the reporting date were £2,000 (2015-16 £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:

	2016-17 Total Numbers	2015-16 Total Numbers
Female	215	212
Male	294	300
<b>Total</b>	<b>509</b>	<b>512</b>

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

There were no redundancies and other departure costs paid in 2016-17 and 2015-16.

# NOTES TO THE ACCOUNTS

## NOTE 4. OTHER ADMINISTRATION COSTS

		2016-17 £'000	2015-16 £'000
	<b>Note</b>		
<b>Direct subcontracting costs</b>			
Technical Services		4,256	3,822
<b>Facilities management</b>			
Accommodation		229	194
Charters		162	302
Facilities Management		4,402	4,804
Vessel - Management		4,740	4,829
		<b>9,533</b>	<b>10,129</b>
<b>Others</b>			
Defra Management Overhead		194	170
Doubtful Debts		(212)	208
Effect of Exchange movement	11.2	(29)	12
IT and Communications		1,350	1,248
Laboratory Consumables		2,928	2,256
Library Purchases		253	224
Other Expenditure		105	54
Postage		255	239
Recruitment and Training		209	200
Relocation and Severance		1	5
Stationery and Printing		95	82
Telecommunications		90	117
Travel and Subsistence		1,979	1,482
		<b>7,218</b>	<b>6,297</b>
<b>Provisions</b>	15	236	699
<b>Quality, accreditation and internal audit costs</b>		73	79
<b>Charges related to the consumption of assets</b>			
Amortisation	8	0	23
Asset disposal		18	93
Depreciation	7	2,120	2,045
Impairment of Assets	9	117	1,674
<b>Total for charges related to the consumption of assets</b>		<b>2,255</b>	<b>3,835</b>
<b>Total for non-pay costs</b>		<b>23,571</b>	<b>24,861</b>
<b>External audit remuneration*</b>		45	46
<b>Total for other administrative costs</b>		<b>23,616</b>	<b>24,907</b>

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

# NOTES TO THE ACCOUNTS

## NOTE 5. OPERATING INCOME

	2016-17	2015-16
	£'000	£'000
		(Restated)
Advice, evidence and research	23,025	23,228
<b>European Union: (EU)</b>		
Expenditure met by Cefas	1,646	1,853
Cefas as agent for the EU	0	78
	<b>24,671</b>	<b>25,159</b>
EU outsourced work	0	(78)

## NOTE 6. INCOME ANALYSIS

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

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

	2016-17	2015-16
	£'000	£'000
		(Restated)
<b>Operating Income</b>		
Competed Defra	712	1,724
Defra Group Bodies	4,181	3,665
Public Sector	10,974	8,696
European Union (EU)	1,646	1,931
Industry and other	7,158	9,143
<b>Total</b>	<b>24,671</b>	<b>25,159</b>
<b>Contribution towards indirect overheads</b>		
Competed Defra	(20,914)	(19,273)
Defra Group Bodies	1,121	752
Public Sector	2,108	2,044
European Union (EU)	207	311
Industry and other	1,778	2,107
	<b>(15,700)</b>	<b>(14,059)</b>
<b>Indirect Overheads</b>	<b>(5,825)</b>	<b>(7,404)</b>
<b>Net Operating surplus</b>	<b>(21,525)</b>	<b>(21,463)</b>

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

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

Income from Defra in relation to our core activities is recognised as Grant in Aid financing – note 18 provides further detail of the impact of this change to the 2016-17 accounts.

# NOTES TO THE ACCOUNTS

## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vessels	Information technology	Scientific equipment	General equipment	Assets In course of construction	Total
NOTE								
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	768	26,097	23,233	287	6,086	253	0	56,724
Indexation	0	0	0	14	452	4	0	470
Revaluation	1&2	64	111	0	0	0	0	175
Impairment	3	0	(117)	0	0	0	0	(117)
Additions	0	1,664	0	0	811	0	500	2,975
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	(66)	(1,583)	(84)	0	(1,733)
<b>At 31 March 2017</b>	<b>832</b>	<b>27,755</b>	<b>23,233</b>	<b>235</b>	<b>5,766</b>	<b>173</b>	<b>500</b>	<b>58,494</b>
<b>Depreciation</b>								
<b>At 1 April 2016</b>	0	(19,447)	(15,983)	(204)	(3,310)	(209)	0	(39,153)
Indexation	0	0	0	(11)	(271)	(3)	0	(285)
Revaluation	0	0	0	0	0	0	0	0
Provided in year	0	(986)	(429)	(33)	(655)	(17)	0	(2,120)
Impairment	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	66	1,540	84	0	1,690
<b>At 31 March 2017</b>	<b>0</b>	<b>(20,433)</b>	<b>(16,412)</b>	<b>(182)</b>	<b>(2,696)</b>	<b>(145)</b>	<b>0</b>	<b>(39,868)</b>
<b>Net book value</b>								
<b>At 31 March 2017</b>	<b>832</b>	<b>7,322</b>	<b>6,821</b>	<b>53</b>	<b>3,070</b>	<b>28</b>	<b>500</b>	<b>18,626</b>
<b>At 31 March 2016</b>	<b>768</b>	<b>6,650</b>	<b>7,250</b>	<b>83</b>	<b>2,776</b>	<b>44</b>	<b>0</b>	<b>17,571</b>
<b>Owned</b>	<b>832</b>	<b>7,461</b>	<b>6,821</b>	<b>53</b>	<b>3,070</b>	<b>28</b>	<b>500</b>	<b>18,626</b>

1 The revaluation increase of £64,000 in land relates to our Lowestoft and Weymouth sites.

2 The revaluation increase of £111,000 in buildings relates to our Lowestoft site.

3 The impairment of £117,000 in buildings relates to our Weymouth site.

# NOTES TO THE ACCOUNTS

## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vessels	Information technology	Scientific equipment	General equipment	Assets In course of construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2015</b>	669	26,371	24,953	537	6,282	252	298	59,362
Indexation	0	0	0	3	200	1	0	204
Revaluation	107	(894)	0	0	40	0	0	(747)
Impairment	(8)	(71)	(1,720)	0	0	0	0	(1,799)
Additions	0	0	0	0	0	0	1,076	1,076
Transfers	0	691	0	17	683	0	(1,374)	17
Disposals	0	0	0	(56)	(218)	0	0	(274)
Disposals (Zero NBV)	0	0	0	(214)	(901)	0	0	(1,115)
<b>At 31 March 2016</b>	<b>768</b>	<b>26,097</b>	<b>23,233</b>	<b>287</b>	<b>6,086</b>	<b>253</b>	<b>0</b>	<b>56,724</b>
<b>Depreciation</b>								
<b>At 1 April 2015</b>	(125)	(18,693)	(15,453)	(409)	(3,608)	(178)	0	(38,466)
Indexation	0	0	0	(2)	(121)	(1)	0	(124)
Revaluation	0	0	0	0	0	0	0	0
Provided in year	0	(754)	(530)	(62)	(669)	(30)	0	(2,045)
Impairment	125	0	0	0	0	0	0	125
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	55	187	0	0	242
Disposals (Zero NBV)	0	0	0	214	901	0	0	1,115
<b>At 31 March 2016</b>	<b>0</b>	<b>(19,447)</b>	<b>(15,983)</b>	<b>(204)</b>	<b>(3,310)</b>	<b>(209)</b>	<b>0</b>	<b>(39,153)</b>
<b>Net book value</b>								
<b>At 31 March 2016</b>	<b>768</b>	<b>6,650</b>	<b>7,250</b>	<b>83</b>	<b>2,776</b>	<b>44</b>	<b>0</b>	<b>17,571</b>
<b>At 31 March 2015</b>	<b>544</b>	<b>7,678</b>	<b>9,500</b>	<b>128</b>	<b>2,674</b>	<b>74</b>	<b>298</b>	<b>20,896</b>
<b>Owned</b>	<b>768</b>	<b>6,650</b>	<b>7,250</b>	<b>83</b>	<b>2,776</b>	<b>44</b>	<b>0</b>	<b>17,571</b>

# NOTES TO THE ACCOUNTS

## NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise software licences. All intangible assets were disposed of within 2015-16.

	<b>Information technology</b>
<b>Cost or valuation</b>	<b>£'000</b>
<b>At 1 April 2015</b>	214
Indexation	0
Revaluation	40
Additions	0
Transfers	(17)
Disposals	(237)
<b>At 31 March 2016</b>	<b><u>0</u></b>
<b>Amortisation</b>	
<b>At 1 April 2015</b>	(153)
Indexation	0
Provided in year	(23)
Disposals	176
<b>At 31 March 2016</b>	<b><u>0</u></b>
<b>Net book value</b>	
<b>At 31 March 2017</b>	<b><u>0</u></b>
<b>At 31 March 2016</b>	<b><u>0</u></b>
<b>At 31 March 2015</b>	<b><u>61</u></b>
<b>Owned</b>	<b><u>0</u></b>



# NOTES TO THE ACCOUNTS

## NOTE 9. IMPAIRMENTS

<b>Property, plant and equipment</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Research vessel impairment</b>	0	1,720
<b>Land and Buildings (reversal) / impairment</b>	117	(46)
<b>Scientific equipment (reversal)</b>	0	0
	<u><b>117</b></u>	<u><b>1,674</b></u>

Reflects the valuations detailed in Note 7.

## NOTE 10. NON-CURRENT ASSET INVESTMENTS

<b>Cost and net book value</b>	<b>£'000</b>
At 1 April 2016 and at 31 March 2017	<u>150</u>

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

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

	<b>2016-17</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Audited</b>	<b>(Restated)</b>	<b>(Adj)</b>	<b>Audited</b>
Non-current assets	59	101		101
Other current assets	303	270	99	171
Cash and cash equivalents	1,288	1,302		1,302
Liabilities	(199)	(202)	(10)	(192)
<b>Net assets at 31 March 2017</b>	<u><b>1,451</b></u>	<u><b>1,471</b></u>	<u><b>89</b></u>	<u><b>1,382</b></u>
Turnover	427	436		436
Profit/Loss (before tax) for the year	(12)	24	(30)	54

CTL has adopted FRS 102 during 2016-17 in line with new accounting requirements. The 2015-16 results have been restated to apply FRS 102 respectively. This now requires that quoted investment shares be recorded at fair value and recognised in the profit or loss for the year. This has reduced the profit for the year ending 31 March 2016 and increased the value of the investment asset on the balance sheet.

# 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
<b>Balance at 31 March 2017</b>		
Cash and cash equivalents	8,223	0
Trade and other receivables	2,901	0
Trade and other payables	0	(1,895)
	<b>11,124</b>	<b>(1,895)</b>
	£'000	£'000
<b>Balance at 31 March 2016</b>		
Cash and cash equivalents	5,786	0
Trade and other receivables	3,525	0
Trade and other payables	0	(1,974)
	<b>9,311</b>	<b>(1,974)</b>

**Cash:** Represents money held with government banking services to minimise risk.

**Trade and other receivables:** Represents contracts for monies or services due. 51% of this total relates to non-government credit risk (2015-16: 69%). This amount is net of a doubtful debt provision of £56,000 (2015-16 £268,000) representing specific debts.

**Foreign exchange risk:** Around 8% of receipts from customers are in foreign currencies (2015-16: 8%), 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.

### NOTE 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 99% (2015-16 circa 95%).

No interest was paid in respect of late payment of commercial debt (2015-16: £NIL).

The trade payable outstanding at 31 March 2017 as a proportion of our total purchases from suppliers during the year was equivalent to 2 days trading (2015-16: 13 days).

# NOTES TO THE ACCOUNTS

## NOTE 11.2 Foreign Exchange

Exchange differences comprise:

	<b>2016-17</b>	<b>2015-16</b>
	<b>Gain / (loss)</b>	<b>Gain / (loss)</b>
	<b>£'000</b>	<b>£'000</b>
Resulting from translation	54	(57)
Arising at a transactional level	(25)	45

## NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	<b>As at 31</b>	<b>As at 31</b>
	<b>March 2017</b>	<b>March 2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	<u>2,863</u>	<u>3,116</u>
<b>Other receivables:</b>		
Defra	39	409
Accrued income - EU	744	958
Pre-payments and accrued income	2,956	2,859
Sundry receivables	0	3
	<u>3,739</u>	<u>4,229</u>

There are no receivables due after more than one year.

Intra-government receivable balances as at 31 March 2017 with the following bodies were: other central government bodies £3,244,000 (2015-16: £2,828,000), local authorities £1,000 (2015-16: £4,000), public corporations and trading funds, £155,000 (2015-16: £NIL), bodies external to government £3,203,000 (2015-16: £4,513,000).

# NOTES TO THE ACCOUNTS

## NOTE 13. CASH AND CASH EQUIVALENTS

	<b>2016-17</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	5,786	5,623
Net change in cash and cash equivalent balances	2,437	163
<b>Balance at 31 March</b>	<b><u>8,223</u></b>	<b><u>5,786</u></b>

The following balances at 31 March were held at:

Government banking services	8,223	5,786
<b>Balance at 31 March</b>	<b><u>8,223</u></b>	<b><u>5,786</u></b>

## NOTE 14. TRADE PAYABLES AND OTHER PAYABLES

	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
<b>Trade payables</b>	<b><u>146</u></b>	<b><u>716</u></b>
Other taxation and Social Security	422	361
Accruals	3,749	3,595
VAT	962	527
Other payables	365	370
Deferred income	3,086	2,884
Deferred income - Defra	0	0
	<b><u>8,584</u></b>	<b><u>7,737</u></b>
<b>Other current liabilities</b>		
<b>Amounts falling due after more than one year</b>		
Other payables	<b><u>0</u></b>	<b><u>194</u></b>

Other payables include employee pension contributions at 31 March 2017 totalling £360,000 (2015-16: £370,000)

Intra-government payable balances as at 31 March 2017 with the following bodies were: other central government bodies £2,372,000 (2015-16: £2,751,000), local authorities £NIL (2015-16: £NIL), public corporations and trading funds £65,000 (2015-16: £NIL), bodies external to government £6,294,000 (2015-16: £5,896,000).

# NOTES TO THE ACCOUNTS

## NOTE 15. PROVISIONS

	Facilities	Contract Provi- sions/ losses	Legal claims	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	1,446	1,030	208	2,684
Provided in the year	16	630	83	729
Provisions not required written back	(8)	(485)	0	(493)
Provisions Utilised in the year	0	(438)	0	(438)
<b>Balance at 31 March 2017</b>	<u>1,454</u>	<u>737</u>	<u>291</u>	<u>2,482</u>

### Analysis of expected timings of discounted flows

Not later than one year	115	676	148	939
Later than one year and not later than five years	1,339	61	143	1,543
Later than five years	0	0	0	0
<b>Balance at 31 March 2017</b>	<u>1454</u>	<u>737</u>	<u>291</u>	<u>2,482</u>

### Facilities

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

### Contract provisions/losses

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

### Legal and other claims

This represents legal claims expected to be incurred against Cefas where there is uncertainty over the timing and amounts. The amount provided reflects an estimate of the potential settlements that Cefas may incur, including costs of defending the case where it is known and on-going. No reimbursement is expected in relation to any of the amounts provided for.

# NOTES TO THE ACCOUNTS

## NOTE 16. CAPITAL COMMITMENTS

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Contracted capital commitments at 31 March 2017 not otherwise included in these accounts.		
Property, plant and equipment	68	0

## NOTE 17. COMMITMENTS UNDER LEASES

### NOTE 17.1 Operating leases

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Total future minimum lease payments under operating leases:	£'000	£'000

#### Obligations under operating leases comprise:

##### Land

Not later than one year	7	1
Later than one year and not later than five years	7	2
Later than five years	2	2

##### Total

<u>16</u>	<u>5</u>
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##### Buildings

Not later than one year	64	95
Later than one year and not later than five years	99	258
Later than five years	0	0

##### Total

<u>163</u>	<u>353</u>
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##### Other

Not later than one year	121	47
Later than one year and not later than five years	182	3
Later than five years	0	0

##### Total

<u>303</u>	<u>50</u>
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### NOTE 17.2 Other financial commitments

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

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
<b>Other financial commitments - Total</b>		
Other financial commitments - Not later than 1 year	2,107	2,441
Other financial commitments - 1 to 5 years	8,415	9,764
Other financial commitments - Later than years	4,219	7,336
	<u>14,741</u>	<u>19,541</u>

# NOTES TO THE ACCOUNTS

## NOTE 18. RESTATEMENT

The 2015-16 comparatives have been updated to reflect a change in accounting policy within the year whereby income from Defra of £22,252,000 within the SoCNE is now treated as financing via our Equity under Parliamentary funding.

This has been reflected in these accounts as follows:

<b>SoCNE</b>	<b>2015-16 £'000</b>
Operating Income as per 2015-16 ARA	(47,411)
Reclassification of Defra Funding	22,252
<b>Restated Operating Income per 2016-17 ARA</b>	<b><u>(25,159)</u></b>
Staff and Admin costs	46,622
<b>Restated Net Income/(Expenditure) per 2016-17 ARA</b>	<b><u>21,463</u></b>

The Cash Flow statement has also been updated to reflect the revised net expenditure.

<b>Reserves</b>	<b>As at 31 March 2016 £'000</b>	<b>As at 31 March 2016 £'000 (Restated)</b>
General fund b/f	20,039	20,039
Notional charges	4,466	4,466
Net Income/(Expenditure) as per 2015-16 ARA	789	
Restated Net Income/(Expenditure) per 2016-17 ARA		(21,463)
Transfers	231	231
Excess cash funding repayable to Defra	(7,600)	(7,600)
Defra Funding		<u>22,252</u>
<b>Balance at 31 March 2016</b>	<b><u>17,925</u></b>	<b><u>17,925</u></b>

<b>Restated based on historic presentation SoCNE</b>	<b>2016-17 £'000</b>
Operating Income as per 2015-16 ARA	(24,671)
Defra Funding	(23,403)
<b>Restated Operating Income</b>	<b><u>(48,074)</u></b>
Staff and Admin costs	22,580
Other Admin expenses	<u>23,616</u>
<b>Restated Net Financial Position</b>	<b><u>(1,878)</u></b>

# NOTES TO THE ACCOUNTS

## NOTE 19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Management consider that a risk exists relating to potential claims for historic events, however it is not possible to be certain regarding amounts, timing or possibility of recovery. In addition, a potential asset may exist relating to an ongoing case with HMRC and a probable VAT reclaim. The range of these contingent liabilities and contingent asset is currently believed to be between (£400,000) and £400,000. (2015-16: a range between (£300,000) and £300,000).

## NOTE 20. 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. All transactions have been undertaken on an arm's length basis.

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

Income from Defra of £24,112,000 was received as, Funding of £17,700,000 (Core Defra), £5,700,000 Notional Charges (Core Defra) & £712,000 (invoiced Defra) (2015-16: £23,976,000). At 31 March 2017, £39,000 was due from Defra (2015-16: £409,000) and £Nil was owed to Defra (2015-16: £Nil).

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

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

Finance Director, Tim Green, chaired the Bawdsey Coastal Partnership from 1 April 2016 to 9 February 2017.

No transactions have taken place with the partnership in the year.

CTL is a non-current asset investment (see Note 10). The shares are held by Tom Karsten as nominee of the trustees for Cefas. Income of £209,000 was derived from CTL (2015-16: £160,000) and costs of £221,000 were payable to CTL (2015-16: £86,000). At 31st March 2017, £132,000 was due from CTL (including £43,000 unbilled income) (2015-16: £127,000) and £17,000 was owed to CTL (2015-16: £NIL). Tim Green, Steve Millward and Steve Addison are Executive Directors of CTL and Cefas.

## NOTE 21. EVENTS AFTER THE REPORTING DATE

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

There are no events to report.



# ABBREVIATIONS

<b>ARAC</b>	Audit and Risk Committee
<b>CCSUS</b>	Collaborative Centre for the Sustainable use of the Seas
<b>CFP</b>	Common Fisheries Policy
<b>CMB</b>	Cefas Management Board
<b>CTL</b>	Cefas Technology Limited
<b>DEFRA</b>	Department for Environment Food & Rural Affairs
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>ExCO</b>	Executive Committee
<b>FSA</b>	Food Standards Agency
<b>MCZ</b>	Marine Conservation Zones
<b>MSFD</b>	Marine Strategy Framework Directive
<b>NED</b>	Non-Executive Director
<b>NOC</b>	National Oceanography Centre
<b>OIE</b>	World Organisation for Animal Health
<b>OSPAR</b>	Oslo and Paris Commission
<b>PCSPS</b>	Principal Civil Service Pension Scheme
<b>UEA</b>	University of East Anglia
<b>UKHO</b>	UK Hydrographic Office







# Centre for Environment Fisheries & Aquaculture Science



# Department for Environment Food & Rural Affairs

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Further information about Cefas, our activities and services,  
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[www.cefas.co.uk](http://www.cefas.co.uk)

Cefas is an executive agency of Defra

