



Centre for Environment
Fisheries & Aquaculture
Science

Annual Report and Accounts 2014-15

Centre for Environment, Fisheries & Aquaculture Science Annual Report and Accounts 2014-15

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CHIEF EXECUTIVE'S INTRODUCTION

In this, my last year in Cefas before retiring, I am thrilled to report another great performance from Cefas. We have continued to support Defra in the development of UK policy and made further strides in sustainable use of fishery resources and improving the environment. We have provided significant effort on designating Marine Conservation Zones (MCZ), reform of the Common Fisheries Policy (CFP), implementing the Marine Strategy Framework Directive (MSFD) and risk-based management of animal health.

Collecting data in support of characterisation of MCZs is a significant challenge. Over 1,200 sea-days of effort were required to survey 72 MCZs and were delivered in partnership with other Defra network bodies and industry. Proposals for designation of the second tranche of MCZs went out for consultation in January 2015.

The beginning of 2015 also saw the introduction of discard controls on fisheries with the Pelagic Landing Obligation coming into force on 1 January 2015 and a public consultation on how to implement the Demersal Landing Obligation later that month. Overall fish stock sustainability showed promising improvements allowing important increases to be agreed for many parts of the UK's fishing fleet. This includes larger quotas of cod and haddock in the North Sea, Nephrops (prawns) in the Celtic Sea, sole in the Western Channel and angler (monkfish) and haddock in the West of Scotland.

For the MSFD, the European Commission scored the quality of UK baseline assessment of environmental status as the highest in Europe of 25 countries that submitted data. As the next step in the process, Cefas staff have helped to design future monitoring programmes and begun work on a suitable programme of measures to ensure that the objective of Good Environmental Status can be achieved by 2020.

New challenges arise each year and in June 2014 Cefas was instrumental in evaluating the risk of an unusually large and persistent spring bloom of algae leading to Amnesic Shellfish Poison toxins in scallops in the English Channel. We advised the Food Standards Agency on closures of shellfisheries and monitoring for toxins to ensure safety of consumers.

Whilst acknowledging the continuing requirement for Cefas services, but given the tight restrictions on public spending, the status of Cefas was reviewed by Defra this year. Options included a merger with the other Defra Science Agencies or a more commercial future outside of Government. The outcome announced in December gives Cefas the mandate to continue in our Agency role and encourages us to engage in partnerships to pursue both academic excellence and grow our commercial income.

Fresh from our review we embark on a new growth strategy for the next five years with partnerships at the heart of what

we do. Examples of current partnership working include developing a joint research portfolio with Natural Environment Research Council (NERC) and Defra on ocean acidification, biogeochemistry, marine ecology, carbon sequestration and most recently a joint NERC/Biotechnology and Biological Sciences Research Council (BBSRC)/Cefas series of projects on aquaculture starting in 2015. Several PhD projects are associated with these programmes and there is now a healthy population of 81 PhD students in Cefas, with five graduating from our strategic partner, the University of East Anglia in the summer.

As our portfolio of international work expands, Cefas staff may be frequently encountered in locations across the globe. This year, amongst many places, our teams of scientists and technologists were assessing the legacy of shipwrecks in St Helena; monitoring biodiversity in the Virgin Islands; engaged in marine spatial planning in the Ascension Islands; and helping to manage the Toothfish fishery in the South Atlantic. In the Middle East we continued to work with the Kuwait Environment Public Authority (KEPA) and were awarded a multimillion pound contract to provide a comprehensive evaluation of the environmental status of Kuwait's waters and living marine resources. The scientific information collected on Kuwait's marine environment will support sustainable marine management of Kuwaiti waters.

Our financial performance is strong and we achieved all our ministerial indicators whose highlights include:

- ◆ ensuring none of our activities resulted in any lost time accidents to our staff;
- ◆ returning a healthy net operating surplus of £2.2 million (2013–14: £2.8 million);
- ◆ customer satisfaction scores remaining high at 91% (2013–14: 86%);
- ◆ our scientific publications output at 174 papers targeted in increasingly high-impact journals (2013: 184 papers); and
- ◆ staff engagement levels remaining high: with an engagement score through the civil service survey of 61% (2013-14: 62%).

In conclusion, once again, Cefas has adapted to change and risen to the demands and challenges that have come our way. We can now move forward with a renewed sense of purpose and direction and all staff should take a great deal of pride in their achievements and contributions to the organisation over the past year.



Mike Waldock
Chief Executive
13 May 2015



01 STRATEGIC REPORT

ABOUT CEFAS—OUR IMPACT

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

Our vision is to make a real difference for society by supporting the long-term prosperity and well-being of industries, communities and individuals that enjoy and depend on the rich natural assets found in our marine and freshwater environments. Our activities support the government’s ambitions for sustainable “blue” growth and associated marine industry sectors that contribute over £49 billion to the UK economy and bring wider socio-economic benefits.

Cefas’ governance arrangements and approach to business risk are covered in more detail in the Governance Statement (see pages 24-26). A five-year strategy sets the long-term direction, and a detailed annual plan is devised before the start of each year. Performance against these and performance indicators (see page 12) are reported on and reviewed quarterly by the Cefas Management Board (CMB).

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

COLLECTING EVIDENCE FOR MARINE CONSERVATION ZONE (MCZ) DESIGNATIONS

We have continued our focus on coordination and delivery of the data and evidence to support the Statutory Nature Conservation Bodies (SNCBs) in drafting their advice to Defra on future MCZ designations. We have continued to collaborate with partner agencies to collect high quality physical and biological data which is interpreted as high resolution sub-tidal habitat maps to inform statutory advice, consultation and designation of MCZs. A significant proportion of the necessary acoustic seabed surveys is commissioned through the commercial sector. Considerable quantities of data and evidence have been gathered during the programme; 260 days on Cefas Endeavour, 958 commercial charter days, 72 MCZs visited and a total of 60tb of data acquired. Data interpretation and reporting has been delivered primarily by Cefas, but with significant contribution from a number of collaborative research centres (National Oceanography Centre (NOC), British Geological Survey (BGS), Channel Coastal Observatory (CCO)) as well as the University of Newcastle. During 2014/15 the MCZ evidence collection programme has increased its scope and now provides support to SNCBs and Inshore Fisheries and Conservation Authorities (IFCAs) to support them in survey work required for the management and monitoring of MCZs as part of the wider Marine Protected Areas (MPA) network.

SUPPORTING FISHERIES POLICY, PROMOTING SUSTAINABILITY

With our advice, the UK government has delivered a fair deal for fishermen in Europe, striking the right balance between supporting businesses and conserving fish stocks to safeguard the future livelihoods of our fishing fleets and their local communities. This has meant taking decisions based on three clear principles: following the available scientific advice, achieving sustainability and continuing the need to reduce discards.

Our scientists have been leading on scientific appraisal of survivability of unwanted catch to justify returning fish to the sea alive to reduce fishing impact and the compulsory storage and landing of unwanted fish. We have supported Seafish in the development of a tool for use by the seafood industry to assess environmental and population risks to their catch. Seafish also published our report highlighting the potential economic impacts of proposed legislation from the European Commission (EC) on deep sea stocks which could potentially affect over 600 UK vessels.

MARINE PLANNING AND LICENSING

Cefas worked with the Welsh Government to present the evidence base to support the Welsh National Marine Plan. Cefas are developing an approach to allow public authorities to discharge section 126 of the Marine and Coastal Access Act (2009) which relates to the licensing of activities within Marine Conservation Zones where there may be a significant risk of the conservation objectives being compromised. This includes consideration of whether the benefit to the public of proceeding with the activity outweighs any environmental damage and measures of equivalent environmental benefit. Of interest to a large European community is our work with international partners to establish a common approach to cumulative effects assessments, 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 Oslo and Paris Convention (OSPAR) and London Conventions.

FOOD SECURITY AND SUSTAINABILITY

Good progress was made during the year to support our long-term goal of increased availability to the public of healthy, safe fish and shellfish. We are leading a UK-wide government partnership to successfully implement statutory controls for bivalve shellfish hygiene. This covers monitoring for biotoxins, phytoplankton, contaminants, the classification of shellfish production sites and sanitary surveys and specialist advice – under a Service Level Agreement with the Food Standards Agency (FSA). As the EU's designated Reference Laboratory for microbial contamination in shellfish, we were also active in supporting the European Commission (EC) in ring testing and validating a quantitative method for norovirus detection. Cefas scientists have also found technical solutions to the harmonisation of shellfish sanitary controls between the EU and the USA, opening the way to trade.

The high health status of UK aquatic animals was also sustained this year. A surveillance programme of fish and shellfish farms and fisheries, completed for all 18 EC-listed aquatic animal diseases, confirmed our high health status and our contingency planning and exercises ensured we will be prepared in the event of a listed disease outbreak. An economic model of the impact of disease outbreaks has been completed and will be used to inform Defra of the costs of competing disease control options. Cefas has made recommendations to the EC to solve problems associated with listing pathogens with strains of varying host specificity and pathogenicity. Further recommendations will be made once

research completed this year into phylogeny of a listed shellfish pathogen is published. Cefas has continued to advise Defra on changes in EU aquatic animal health legislation. Cefas has also delivered a major review on Europe-wide sustainable aquaculture compliant with EU environmental legislation. A proposed pilot marine fish farm in Cornwall did not find a suitable commercial operator but Cefas will continue to review methods to facilitate development of aquaculture in England and Wales. Future growth in our aquaculture projects will be dominated by overseas work. For example, Cefas is working with a commercial diagnostics company to address the management of shrimp diseases in SE Asia. Under its strategic alliance with the University of Exeter, Cefas has continued to co-fund PhD studentships under its strategic evidence theme of 'Aquatic Food Security and Safety'. Finally, Cefas has continued to give advice and provide evidence on the impacts of chemicals and chemical mixtures on aquatic animals in the aquatic environment.

ASSESSING AND MONITORING UK SEAS

The Marine Strategy Framework Directive (MSFD) is a significant driver of marine assessment and management. This year Cefas staff have supported the submission of the proposed UK MSFD monitoring programme and begun work on a suitable programme of measures to ensure that objectives can be achieved. In 2014 the Cefas Marine Climate Change Centre (MC3) worked with various government and industry bodies to assess risks and to identify actions for climate adaptation. Cefas scientists worked with the Marine Management Organisation (MMO) to provide spatial projections of climate variables, mapped against human activities in the East and South UK marine plan areas. Through the UK Marine Climate Change Impact Partnership (MCCIP), Cefas helped Seafish to determine risks impacting day-to-day activities within the fish catching sector, including both domestic and international fleets.

Cefas has begun contributing to the second UK Climate Change Risk Assessment, due to be published in 2017. We will co-author the 'Natural Environment' chapter as well as championing maritime industries and marine ecosystems. We will include results of our major research programme into the future implications of ocean acidification. Placing Ocean Acidification in a wider Fisheries Context is a multidisciplinary programme (PLACID) which has involved large-scale monitoring of pH and carbon chemistry in waters around the UK, laboratory experiments to determine the sensitivity of key commercial species to ocean acidification, in-depth modelling studies to 'scale up' from experiments to the population and ecosystem scale, and economic analysis to determine implications for regional communities.

FUTURE PLANS

A Defra review of Cefas in 2014 gives Cefas the future mandate to continue in our Agency role and encourages us to engage in partnerships to pursue both academic excellence and grow our commercial income. We have developed a Five-Year Plan to 2020 to deliver these joint ambitions. This expects Defra Network income to decline from 60% to 40% of our business with a corresponding planned growth in wider market income to secure a vibrant future for the organisation. In addition we plan growth in our scientific impact and partnerships so that; research and development continue to comprise of around 20% of our activity, we broaden our academic partnerships and maintain healthy self investment levels.

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

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

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

- ◆ enabling innovation in the fishing and aquaculture industries, continuing to work with Defra and the fishing industry to secure positive outcomes from Common Fisheries Policy (CFP) reform, and sustaining effective aquatic animal disease controls;
- ◆ leading on the national evidence base and providing trusted advice to support sustainable development of marine and coastal environments. We will continue to inform the implementation of Marine Plans and MCZs, and prepare Defra for cost-effective implementation of the MSFD;

- ◆ improving human health and well-being by supporting food safety and sustainable food production, working with the FSA and food producers; and
- ◆ supporting the “blue” economy and UK energy policy through our work on offshore renewables projects and providing leadership on marine climate change adaptation.

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

- ◆ strengthen career planning for our science staff using recent guidance from Government Science and Engineering and specific opportunities in Cefas to grow our skills to reflect customer priorities and future strategic needs;
- ◆ implement an action plan to ensure that we take forward the innovation challenges described in our new Science and Evidence Strategy (2014-18); and
- ◆ continue to drive effectiveness improvements through better project management that incorporates best-practice data management as a key factor in future development.

PERFORMANCE OVERVIEW

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

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

MEASUREMENTS OF ACHIEVEMENT

METRIC	TREND	MEASUREMENT	ACHIEVEMENT
Finance	Enhance	Securing income for the following year and net operating surplus performance.	2014-15 Achieved 2013-14 Achieved 2012-13 Achieved
Customer satisfaction	Sustain	Annual Customer satisfaction surveys weighted by turnover and delivery of Cefas impacts for Defra.	2014-15 Achieved 2013-14 Achieved 2012-13 Achieved
Scientific excellence	Grow	Indicators include publication records and delivered ongoing investment in new science and capabilities.	2014-15 Achieved 2013-14 Achieved 2012-13 Achieved
Employee engagement	Sustain	Relative performance in the annual Questionnaire to all civil service staff.	2014-15 Achieved 2013-14 Achieved 2012-13 Achieved
Corporate responsibility	Enhance	Health and Safety indicator performance and maintain quality accreditations.	2014-15 Achieved 2013-14 Achieved 2012-13 Achieved

FINANCIAL REVIEW

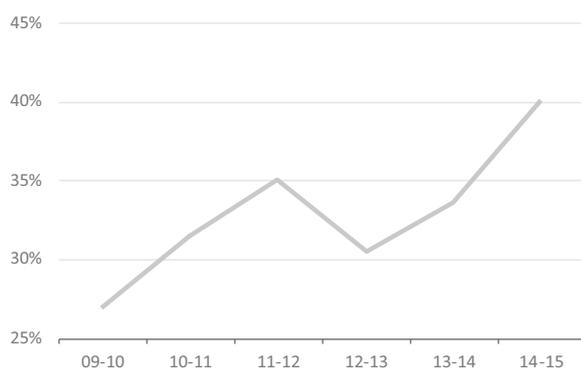
In 2014/15 Cefas made good progress with our strategy of growing our wider-market business. Significant new contracts were secured with international customers, income from beyond the Defra Network was up 13% on last year, reaching 40% of our business (2013-14: 34%) and a positive £2.2 million net financial surplus generated, ahead of our Business Plan target.

We recovered the full economic cost of the services we provided during 2014-15, generating a net operating income of £2.2 million (2013-14: £2.8 million). This operating income performance was above our Business Plan target of £2.0 million due to maintaining income levels in line with our plan whilst increasing resource utilisation and making cost reductions, particularly helped by reduced oil prices. This performance is in line with prior year after adjusting for property and vessel impairments which reduced the 2014-15 surplus by £0.8 million.

Turnover this year totalled £50.4 million (2013-14: £52.7 million), a £2.3 million decrease over the previous year due mainly to reductions in Defra income. However, we have continued to deliver on our long-term strategy of customer diversification to offset Departmental budget reductions and ensure we maintain our leading applied science capabilities and assets for our Defra customers.

Defra Network income decreased to 60% of our total income (2013-14: 66%) or £30.2 million (2013-14: £34.9 million). Of this, approximately £24.5 million reflects a strategic partnership between Cefas and Defra that secures essential services required by government. The significant £4.7 million decrease in income from the Defra Network over the prior year continues a decline which has seen a total 28% reduction over the last 5 years, from £41.9 million in 2009-10. These reductions have been offset by efficiency gains in Cefas combined with growth in our wider markets income which mitigate impact on Defra customer programmes.

PERCENTAGE OF INCOME FROM NON-DEFRA NETWORK CUSTOMERS



In 2014-15, turnover from sources other than the Defra Network grew to 40% of our total income (2013-14: 34%) or £20.2 million (2013-14: £17.7 million), providing a significant mitigation to the reductions in Defra income, as well as broadening our capabilities and experiences, demonstrating our competitiveness and contributing significantly to our fixed costs.

This increase in income in the year was primarily due to growth in work for UK industry £7.1 million (2013-14: £4.5 million) and overseas governments and businesses £1.3 million (2013-14: £1.0 million). We are particularly pleased with our growing relationship with Kuwait Environment Public Authority (KEPA), where, following the signing of a 10-year Memorandum of Understanding between Cefas and KEPA in September 2014 and the opening of a new permanent base in Kuwait staffed by Cefas scientists, we agreed a new contract which will support sustainable marine management in the state's coastal waters to be delivered over the next five years.

We are working hard to further deepen our relationship with KEPA and other governments within the geographic region of the Middle East.

Although wider-markets work is vital for sustaining Cefas' strength and critical capability, our primary customer base continues to be firmly UK government-related. Our second largest customer, after Defra, continues to be the Food Standards Agency. Work for them was slightly down on prior year at £6.2 million (2013-14: £6.5m). We expect this to decline further in the future as cyclical programmes end.

PERCENTAGE OF INCOME FROM ALL UK GOVERNMENT SOURCES



Defra, its Network and other UK public sector customers comprise 78% of our work and we expect this to remain higher than two-thirds of all our work into the foreseeable future.

External cost increases were generally flat, in line with consumer price index inflation, although specific savings were realised from the fall in the oil price which benefited our ship operations.

Total salary costs fell as full-time equivalent (FTE) staff numbers decreased to 522 (2013–14: 540 FTE), reflecting a managed reduction in line with turnover. Actual pay rates rose by 1% per public-sector pay constraints. There were no charitable donations made in the year (2013–14: £NIL).

ASSETS

Land and buildings were revalued as at 31 March 2015 which resulted in reductions of £0.2 million land and £4.7 million buildings, this is due to applying an office component to our laboratory facilities which had not been previously applied. £4.5 million of this reduction was applied to revaluation reserve balances resulting in a net £0.4 million impairment charge.

Additionally, the vessel was revalued as at 31 March 2015 which resulted in a reduction of £0.4 million which is treated as an impairment. This reduction was due to a softening of the offshore vessel market driven in part by the fall in the price of oil.

Capital investment in the business of £1.3 million (2013–14: £0.9 million) was principally incurred on our facilities, £0.9 million (2013–14: £0.3 million), and scientific equipment to meet contractual needs, £0.3 million (2013–14: £0.6 million). Investment levels continue to fall below depreciation and amortisation charged due to the tight controls over Government capital budgets. This increases the average age of our asset base.

Cefas owns 100% of the share capital of Cefas Technology Limited (CTL). CTL provides a channel to wider markets for specific Cefas products and services. Examples include electronic data-storage tag production and fish disease testing. CTL accounts are not consolidated into Cefas' statements of accounts as they are outside the Departmental boundary. In 2014–15, CTL traded profitably, making an operating profit of £85,000 before tax (2013–14: £78,000) on turnover of £421,000 (2013–14: £423,000).

CASH MANAGEMENT

The agency generated a positive operating cash flow of £3.9 million (2013–14: £8.3 million). This decrease over prior year is primarily due to an increase in working capital compared to decreases in 2013–14. Having reviewed the cash requirements of the agency with Defra, we have repaid £8.5 million (2013–14: £1.5 million) to them, which reduces the General Fund reserve balance. This leaves us in a sound cash position with sufficient liquid funds and customer contracts to meet all of our expected obligations within the coming financial year.

FINANCIAL RISK

The primary financial instrument risk that we are exposed to is the receipt of payments from customers, 92% in pounds sterling and 8% in foreign currencies; and the payment of certain goods and services in foreign currencies. This risk is assessed as low, and our policy is to accept net currency conversion risk of euros and US dollars or closely-linked currencies.

FUTURE PLANS

Our future plans were endorsed by Defra following a review of the Agency in 2014 and reflect further expected income reductions from Defra. That reduction should be offset by continued diversification and income growth from major marine capital projects, support to develop capabilities for international governments and, over a longer timescale, food security. Our commercial approach and customer focus enable us to face the future with confidence.

EVENTS AFTER THE REPORTING DATE

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

SUSTAINABILITY REPORT

Year ending 31 March 2015

Cefas' sustainability data and associated financial costs presented here are consistent with the requirements of HM Treasury's *Public Sector Annual Reports: Sustainability Reporting Guidance for 2013 to 2014*. The information contained within this section has not been subject to audit and does not form part of the auditor's opinion on the accounts.

ABOUT OUR DATA

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

Figures from Q4 2013-14 have been used to account for the same quarter in 2014-15. 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 2013-14 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. By 2015, against a 2009-10 baseline, Cefas aims to:

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

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

GOVERNANCE

Cefas' sustainable operations and procurement strategy are delivered through our Divisional Directors and key performance indicators are reported to the Senior

Management Team on a monthly basis. Performance is also reported to Defra's Executive Committee Operations Sub-Committee, 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.

OUR SUSTAINABILITY PERFORMANCE

Cefas has achieved a 4.2% reduction in CO₂ emissions since 2009-10. This is behind the target set which, starting from the baseline in 2009-10, aimed to deliver a 5% reduction in greenhouse gas emissions every year until 2015. Based on that assumption, the target for 2014-15 therefore was a 25% reduction (since 2009-10).

The shortfall in performance for greenhouse gas emissions is a consequence of ageing laboratory infrastructure. Investments have been made at our Weymouth facility with an updated Building Management System. For Lowestoft we are reviewing our future needs for improved laboratory infrastructure.

Operational efficiency on our vessel, RV Cefas Endeavour has been improved by combining monitoring requirements with Natural England and The Joint Nature Conservancy Committee. It is difficult to ascribe to a quantitative value to emissions savings, but overall efficiency has improved by more than £0.1 million.

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

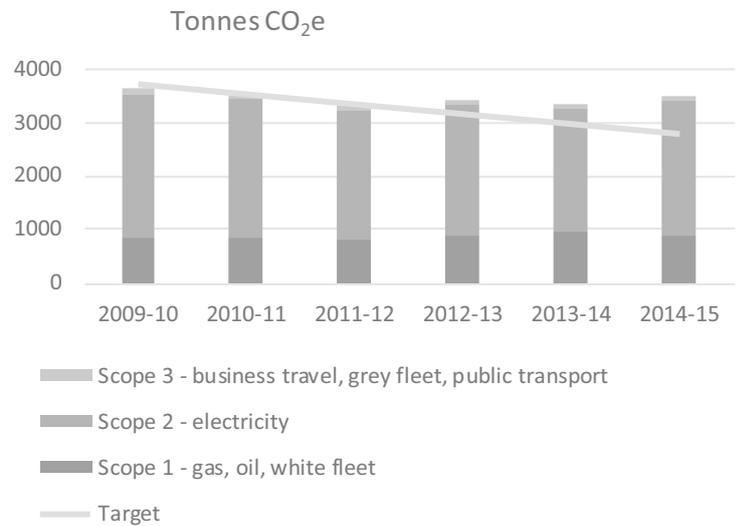
- ◆ staff behaviour change: 72% have had environmental awareness training, and environmental performance and initiatives are discussed at Divisional meetings;
- ◆ technological solutions: increased use of cloud services; replacement equipment more efficient e.g. advanced energy efficient circulating pumps; upgrades to building management system at Weymouth; condensing units; freezers; use of LED and T5 lighting;
- ◆ continued use of improved ways of working (video/ WebEx/audio conferencing, multifunctional printing devices, centralised staff amenities), and
- ◆ 19°C winter heating at both the Lowestoft and Weymouth sites, and a 24°C cooling policy (air conditioning in summer) at Weymouth.

GREENHOUSE GAS EMISSIONS

CO ₂ reduction since 2009-10	2014-15 performance
4.2%	Behind target

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

GREENHOUSE GAS EMISSIONS



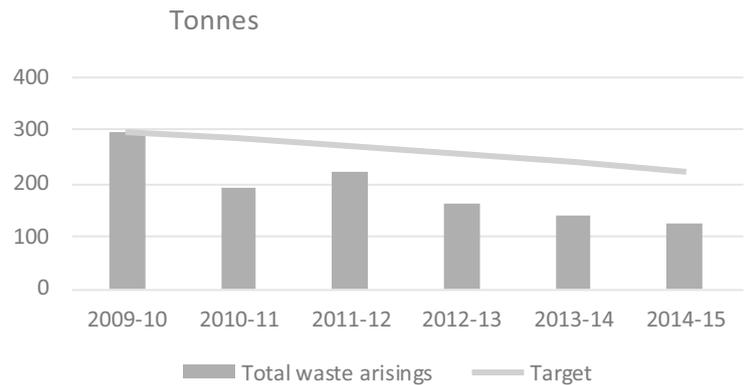
WASTE

Waste reduction since 2009-10	2014-15 performance
58%	Exceeding target

To reach an overall target of 25% waste reduction by 2015, the annual targets set assume a 5% reduction in waste every year starting from the 2009–10 baseline. The above indicates that we have significantly exceeded our target for 2014-15, by 33%.

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

TOTAL WASTE ARISING



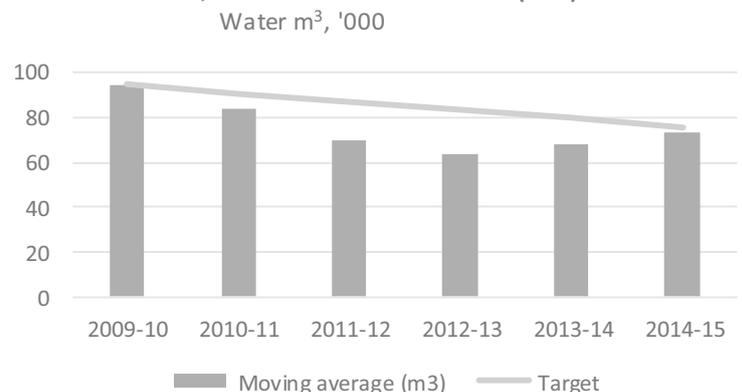
WATER

Water reduction since 2009-10 (using three year rolling average)	Overall performance to date
23%	Exceeding target

Using a three-year rolling average, we reduced water consumption by 23%, from the 2009–10 baseline. This exceeds the projected three-year rolling average target for water-use reduction of 20% by 2014-15.

However, the specific annual data for 2014-15 shows that we increased our water consumption by 27% this year (against the 2009–10 baseline). This reflects the changing pattern of the scientific work that we are contracted to undertake, where the need for water supporting our aquatic tanks and laboratory facilities can significantly change the overall performance of any one year.

WATER USE, MOVING AVERAGE (m³)



ENERGY—Consumption since 2009-10		2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (kWh, '000) No consumption of biomass, other CHP, WDHS, self generated renewables, LPG or other	Total Energy Consumption	8,585	8,844	8,734	8,245	8,588	8,622
	Total Electricity	4,832	4,790	4,959	4,984	4,927	5,067
	Electricity: Brown	4	1	29	11	56	102
	Electricity: Green	4,828	4,789	4,924	4,973	4,869	4,965
	Electricity: CHP	0	0	6	0	2	0
	Gas	3,672	3,917	3,775	3,261	3,661	3,555
	Oil	81	137	0	0	0	0
Financial indicators (£'000)	Total Energy Costs	726	720	674	678	705	791

GREEN HOUSE GAS EMISSIONS -		2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (tCO ₂ e)	Total Emissions	3,490	3,340	3,425	3,336	3,526	3,643
	Scope 1: Direct Emissions from Buildings	700	758	696	599	674	654
	Scope 2: Indirect Emissions from Buildings	2,534	2,316	2,461	2,446	2,584	2,700
	Total Building Emissions	3,234	3,074	3,157	3,045	3,258	3,354
	Scope 1: Direct Emissions from Business Travel ¹	173	183	177	194	179	188
	Scope 3: Emissions from Business Travel ¹	83	83	91	97	89	101
	Total Travel Emissions	256	266	268	291	268	289
	Emissions eligible for CRC scheme	n/a	3,309	2,925	3,266	n/a	n/a
Financial indicators (£'000)	CRC ²	n/a	40	35	39	n/a	n/a
	Expenditure on official business travel	728	725	716	704	714	1,232

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

2 The third CRC payment was made in 2013–14 by Defra, on behalf of Cefas. Payment for 2014–15 has not yet been made.

WASTE—Waste reduction since 2009-10		2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (tonnes)	Total waste	123	138	161	222	189	295
	Hazardous waste	3	3	4	12	33	14
	Reused, recycled, composted	56	84	94	96	95	131
	Incinerated with energy recovery	33	12	28	71	17	53
	Incinerated without energy recovery	6	7	4	21	5	0
	Landfill	25	32	31	22	39	97
Financial indicators (£'000)	Total disposal cost		These are part of a central Defra contract and not available at Cefas level				

WATER—Water reduction since 2009-10 (using three year rolling average)		2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (m3)	Total Water Consumption¹	76,105	79,816	63,379	61,313	65,703	59,723
	Supplied (Office Estate)	11	14	23	23	15	1
	Supplied (Non Office Estate)	76,094	79,802	63,356	61,290	65,688	59,722
Financial indicators (£'000)	Water Supply Costs	369	305	212	145	220	183

¹ Abstracted water data is not reported under GGCs.

Abbreviations used on pp 15–18

kWh: kilowatt hours

CHP: combined heat and power

LPG: liquefied petroleum gas

tCO₂e: carbon dioxide emissions, in tonnes

CRC: Carbon-Reduction Commitment Energy Efficiency Scheme

SUSTAINABLE PROCUREMENT

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

GREEN ICT

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

- ◆ continuing to implement the UK Government's Cloud First programme by migrating the organisation to 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 will be increase 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; and
- ◆ increasing migration to Cloud based services and continuing assessment of PC and server assets is steadily reducing ICT assets and reducing 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.



Mike Waldock
Chief Executive
13 May 2015

PEOPLE

The Cefas Connects volunteering Scheme and changes to our health and safety systems are described on p 20.

In 2014-15 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 17020 and ISO 17025; certification to ISO 9001, ISO 14001 and OHSAS 18001; and approval for Good Laboratory 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

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

This signature covers pages 9-18 (Strategic Report) as required by the 2014-15 Government Financial Reporting Manual (FRoM).

02 DIRECTORS' REPORT

OUR PEOPLE

Our 93% staff-response level to the annual civil service People Survey exceeded both our local target (83%) and far exceeded the average response rate for the entire civil service (77%).

The survey is designed to measure staff engagement, and our overall engagement index was 61% (2013–14: 62%). It remains a highlight that 95% of staff are interested in their work.

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

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

The average number of working days lost due to sickness was 3.1 days (2013–14: 3.1 days), which continues to compare favourably to the 7.3 average working days lost across the wider civil service.

The Equality Act 2010 requires Cefas to consider the needs of all individuals in their day-to-day work, how we develop our policies, deliver our services and manage our people. The Act places additional statutory duties on public-sector organisations through the Public Sector Equality Duty, which requires us to publish equality information on our workforce. This information is freely available within the *2014 Workforce Monitoring* report, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385672/workforce-monitoring-2014.pdf

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

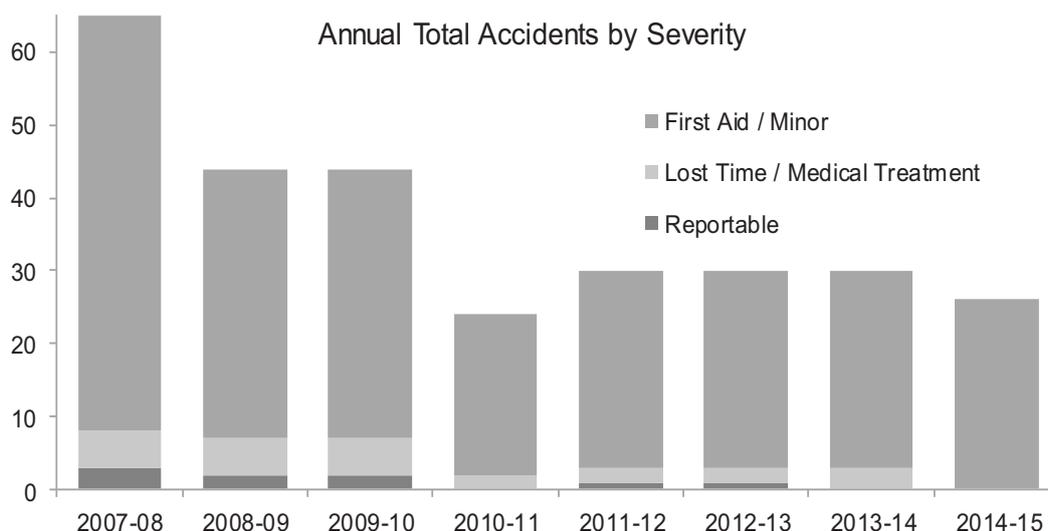
The integrated Health and Safety, Environmental and Quality systems at Cefas have continued to develop to meet our changing requirements. A flexible, accessible and intuitive cloud based system now exists to manage our documents, incidents, actions and audits. With a healthy foundation of online training courses also available via a web application, all staff are able to work effectively to meet our high standard in Health and Safety from any work environment.

Leading on Culture Change in Health and Safety

Cefas has implemented its behavioural safety programme across the organisation in a phased, risk based approach. This includes training and coaching for 'role models' and workshops on improving attention through mindfulness. The 'safety behaviours in science' programme appears to be having a positive effect on performance already.

Reported incidents and accidents

Cefas has reduced numbers of lost time or medical treatment accidents whilst increasing numbers of proactive "risk flags" (identified near-misses that have not led to injury or ill-health). Our overall performance, (Accident Frequency Rate of 0; 2013-14: 3.3) benchmarks positively against other Government Laboratory Agencies (2.31; 2013-14: 5.21). 1 in almost 2 staff members took the opportunity to raise a risk flag to improve Health and Safety in 2014-15 (another indicator of a healthy safety culture).



OUR AUDITOR

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

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

The cost of work performed by the external auditor is £46,000 (2013-14: £45,000). No other fees were paid to the external auditor. As far as I, the Accounting Officer, am aware, there is no relevant information of which the auditors are unaware.

The Accounting Officer has taken all the steps that ought to have been taken to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information.

Mike Waldock
Chief Executive
13 May 2015

This signature covers pages 19-20 (Directors' Report) as required by the 2014-15 Government Financial Reporting Manual (FRoM).

03 REMUNERATION REPORT

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

Steve Addison was appointed as Commercial Director and joined the CMB on 14 July 2014 replacing Reg Eayrs who resigned on 30 April 2014.

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

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

Lee McDonough, Defra's Director for Animal Health and

Welfare (Disease control), resigned as a Defra board member on 31 December 2014. Defra assumes all the costs of their attendance at the Board.

Andrew Field ended his non-executive term of office on 31 May 2014 and Michael Gates resigned as non-executive director on 31 July 2014. Bruce Macaulay and Jane Smallman joined as non-executive directors on 1 October 2014. Nicholas Owens resigned as a non-executive director on 31 March 2015. 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

	Notes	Salary for period		Performance pay		Pension benefits ¹⁵		Total	
		2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
CMB executive directors									
Chief Executive									
Mike Waldock		85 - 90	80 - 85	10 - 15	5 - 10	19	55	110 - 115	145 - 150
Chief Scientist									
Stuart Rogers		65 - 70	65 - 70	0 - 5	0 - 5	25	39	95 - 100	105 - 110
Finance Director									
Tim Green	1	70 - 75	50 - 55	10 - 15	5 - 10	25	15	105 - 110	75 - 80
Commercial Director									
Steve Addison (from 14 July 2014)	2	50 - 55	0	0	0	19	0	65 - 70	0
Reg Eayrs (to 30 April 2014)	3	5 - 10	70 - 75	0	0	6	27	10 - 15	95 - 100
Director of Human Resources and Organisational Development									
Karin Rundle		60 - 65	60 - 65	5 - 10	5 - 10	29	31	95 - 100	95 - 100
Operations Director									
Steve Millward (from 1st August 2013)	4	65 - 70	40 - 45	0 - 5	0	32	20	100 - 105	60 - 65

REMUNERATION MEDIAN AND RATIOS

	2014-15	2013-14
Band of highest paid employee total remuneration excluding pension benefits (£'000)	95 - 100	90 - 95
Median Total Remuneration	£29,868	£29,212
Ratio	3.21	3.2

The above individuals were executive directors during the year. Salaries include gross salaries, performance pay, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private-office allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance payments were capped in 2014-15 and 2013-14.

No CMB executive directors were in receipt of any benefits in kind (2013-14: 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 executives and non-executive directors are made through the PAYE system.

	Notes	Fee band		Performance pay		Pension benefits ¹⁵		Total	
		2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
CMB non-executive directors									
Andrew Field to 31 May 2014	5	0 - 5	10 - 15	0	0	0	0	0 - 5	10 - 15
Michael Gates to 31 July 2014	6	0 - 5	10 - 15	0	0	0	0	0 - 5	10 - 15
Sue Sharland		10 - 15	10 - 15	0	0	0	0	10 - 15	10 - 15
Nicholas Owens to 31 March 2015	7	10 - 15	10 - 15	0	0	0	0	10 - 15	10 - 15
Bruce Macaulay from 1 October 2014	8	0 - 5	0	0	0	0	0	0 - 5	0
Jane Smallman from 1 October 2014	9	0 - 5	0	0	0	0	0	0 - 5	0
CMB Defra board members									
Ulrike Hotopp to 3 April 2013	10	0	0	0	0	0	0	0	0
Martin Nesbit to 29 January 2014	11	0	0	0	0	0	0	0	0
Lee McDonough to 31 December 2014	12	0	0	0	0	0	0	0	0

PENSION ENTITLEMENTS OF CEFAS DIRECTORS

	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension and related lump sum at age 60 £'000	CETV ¹³ at 31 March 2015 £'000	CETV ¹⁴ at 31 March 2014 £'000	Real increase in CETV £'000
CMB executive directors					
Chief Executive					
Mike Waldock	0 - 2.5 plus 2.5 - 5 lump sum	37.5 - 40 plus 115 - 117.5 lump sum	884	863	18
Chief Scientist					
Stuart Rogers	0 - 2.5 plus 3 - 4 lump sum	25 - 27.5 plus 75 - 77.5 lump sum	508	462	21
Finance Director					
Tim Green	0 - 2.5	10 - 12.5	160	134	14
Commercial Director					
Steve Addison (from 14th July 2014)	0 - 2.5	0 - 2.5	16	0	11
Director of Human Resources and Organisational Development					
Karin Rundle	0 - 2.5	7.5 - 10	115	84	12
Operations Director					
Steve Millward (from 1st August 2013)	0 - 2.5	12.5 - 15	191	158	21



Mike Waldock
Chief Executive
13 May 2015

This signature covers pages 21-23 (Remuneration Report) as required by the 2014-15 Government Financial Reporting Manual (FReM).

Notes to tables on pp 21-23

1. Tim Green's salary as Finance Director for 2013-14 reflects a period of unpaid leave. His full year salary equivalent was in the band £70,000-£75,000.
2. Steve Addison joined the CMB on 14th July 2014 as Commercial Director.
3. Reg Eayrs resigned as Commercial Director on 30th April 2014.
4. Steve Millward's salary as Operations Director is shown from 1st August 2013 only. The full year equivalent was in the band £65,000-£70,000.
5. Andrew Field resigned as a non-executive director on 31st May 2014.
6. Michael Gates resigned as a non-executive director on 31st July 2014.
7. Nicholas Owens resigned as a non-executive director on 31st March 2015.
8. Bruce Macaulay joined the CMB as a non-executive director on 1st October 2014.
9. Jane Smallman joined the CMB as a non-executive director on 1st October 2014.
10. Ulrike Hotopp resigned as a Defra board member on 3rd April 2013.
11. Martin Nesbit resigned as a Defra board member on 29th January 2014.
12. Lee McDonough resigned as a Defra board member on 31st December 2014.
13. CETV: cash equivalent transfer value.
14. The figures in this column may be different from the closing figures in last year's accounts. This is because CETV factors have been updated, to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
15. 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.

04 STATEMENTS BY THE ACCOUNTING OFFICER

GOVERNANCE STATEMENT

This statement sets out the governance arrangements and performance of the Centre for Environment, Fisheries & Aquaculture Science (Cefas) in 2014–15. Cefas is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and as such it is fully accountable to Parliament through ministers.

1. GOVERNANCE ARRANGEMENTS

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

Ministers nominate a member of the Executive Committee (ExCo) to act on their behalf in all ownership matters and to be line manager for the Chief Executive. Throughout 2014–15 this role was fulfilled by Defra’s Chief Operating Officer. Their responsibilities include providing oversight of Cefas and assurance to the Defra ExCo that appropriate governance arrangements are in place for the agency.

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

The Chief Executive and Accounting Officer has personal responsibility and accountability to Parliament for the organisation and quality of management within Cefas, including its use and stewardship of public assets. In delivering this role, the Chief Executive is supported and challenged by the 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 officials provides the appropriate skills, experience, independence

and knowledge to enable the Board to discharge its duties and responsibilities. One NED is appointed as a “lead NED” and is Chair of the Board. This 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 fraud.

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 continuing to implement recommendations from the 2012 independent review of Cefas’ science capabilities.

People 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 people development, improving diversity and action responses to the 2014 civil service People Survey.

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 2014–15 (for details visit the Cefas website).

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

2. EFFECTIVENESS OF CEFAS MANAGEMENT BOARD PERFORMANCE

The Board conducts an annual review of its terms of reference and an evaluation of its own performance and effectiveness, led by the lead NED. The performance evaluation approach for the year 2014–15 was based on the Cabinet Office assessment scope and was conducted in January 2014. This concluded that the Board operates effectively. Enhancement actions were agreed and focused on: continuing NED engagement and visibility within Cefas and influencing on strategic matters with Defra; strengthened subcommittee focus and reporting into CMB; maintaining a relevant Board skill set for the future through NED succession; providing some wider discussion time within Board meeting times to draw in collective experience.

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

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

- ◆ Providing evidence and advice on catch quotas, scallop stock assessments, otter trawl designs and landing obligation monitoring to support reform of the CFP;
- ◆ Supplying further evidence to enable the designation of MCZs;
- ◆ Supporting the submission to the EC of the UK's marine monitoring programme that will be necessary to implement the MSFD;
- ◆ Advising policy on the fate and distribution of norovirus in shellfish waters to mitigate impacts from contaminated shellfish; and

- ◆ The signing of a four year, multi-million pound contract with the KEPA to provide a comprehensive evaluation of the environmental status of Kuwait's waters and living marine resources.

Progress in strengthening our science quality was made through the delivery of actions identified in the 2012 Defra-led independent science review. The achievements in 2014-15 include:

- ◆ Publication of a five-year Science and Evidence Strategy highlighting future opportunities and guiding our future investment in innovation;
- ◆ Completion of the 'Data Management in Cefas' project to ensure Cefas data are correctly archived and fulfil the requirements of ISO9001;
- ◆ Extend joint working with the research councils to win new work on detection of pathogenic viruses;
- ◆ Continued growth in the numbers and impact of scientific publications; and
- ◆ Partnership working to strengthen UK research capability and academic relationships through engagement with the doctoral training programme.

No new performance issues were identified in the year however the control weaknesses identified in the previous financial year in the management of the facilities management contract continue and are raised as a 'significant issue'.

3. RISK APPETITE

Cefas' principal managed risk would be the delivery of poor scientific evidence or advice resulting in reputational damage. Cefas depends on its reputation for scientific excellence to retain and grow its customer base. All work is conducted through a significant number of contracts varying in size and duration. Contracts may be short-term or can extend for up to three or more years. Whereas resources to deliver contracts to meet customer requirements are broadly within Cefas' control, increased government constraints on pay and resources increase these risks. While some 78% of sales are for UK government (2013-14: 84%), the longer term trend sees an increasing proportion of income from private-sector and overseas customers. The proportion for all UK Government work, however, is expected to remain higher than two-thirds of our work into the foreseeable future. This diversification of income contributes to the UK Government's ability to maintain access to world class capability for its own purposes, during a period of reduced government expenditure; however, it also increases the organisation's commercial risks.

Other significant risk priorities managed during the year included:

- ◆ The loss of major project opportunities and renewals from wider market customers and the Defra network at a time when dependence on growing this customer base increases;

- ◆ Capital budget restrictions which impact on availability of business critical facilities;
- ◆ Securing support to progress the replacement of laboratory facilities that are nearing the end of their acceptable life;
- ◆ Ensuring IT developments continue to support effective scientific leadership, including upgrading our core management information system; and
- ◆ Readiness to deal with national marine and aquatic emergencies was challenged by overall reductions to Defra budgets.

In managing Cefas risks there are also opportunities which are actively pursued through a carefully managed self-investment in research and development. This helps create the new methods, services and intellectual property which will be required by customers into 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 Audit and Risk Assurance Committee (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 *positive* assurance over the controls reviewed in the year although this assurance did not cover the operation of the facilities management contract which was not tested in year.

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), ISO 18001 (Occupational Health and Safety), ISO 14001 (Environmental) and ISO 17025 (Laboratory Testing and Calibration Competence). Assurance is also taken from the work of external audit. Cefas operates several scientific models, used to advise critical government decision-making regarding fish stocks and environmental status. All of these models are subject to appropriate quality assurance procedures and no significant issues were identified in the year. There were no significant lapses of corporate or personal protected data and no ministerial directions received in the year.

4. SIGNIFICANT ISSUES

Good progress continued against our long-term strategic plans in 2014-15 however one issue required management through the year and going forwards being:

- ◆ Continued process weaknesses in the control of the Defra facilities management contract with Interserve which have resulted in the payment of invoices to Defra without assurance that the service received is as prescribed per the contract. Wider analytical assurance has been necessary to obtain reasonable comfort over the validity of payments for the year. Process improvements are planned by Defra as the contract manager.

5. CONCLUSION

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



Mike Waldock
Chief Executive
13 May 2015

This signature covers pages 24-26 (Governance Statement) as required by the 2014-15 Government Financial Reporting Manual (FRoM).

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

05 AUDIT 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 (Cefas) for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Cefas' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Cefas; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

OPINION ON REGULARITY

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

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- ◆ the financial statements give a true and fair view of the state of Cefas' affairs as at 31 March 2015 and of the net operating income for the year then ended; and
- ◆ the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

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

MATTERS ON WHICH I REPORT BY EXCEPTION

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

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

REPORT

I have no observations to make on these financial statements.

Sir Amyas C E Morse 5 June 2015

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

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06 THE ANNUAL ACCOUNTS

STATEMENT OF COMPREHENSIVE NET INCOME

FOR THE YEAR ENDED 31 MARCH 2015

		<u>2014-15</u> £'000	<u>2013-14</u> £'000
	Note		
Staff costs	2	21,740	21,935
Other administration costs	4	26,538	27,968
Operating income	5	(50,448)	(52,733)
Net operating income		<u>(2,170)</u>	<u>(2,830)</u>
Other comprehensive expenditure			
Net loss on revaluation of property, plant and equipment	7	4,367	392
Net (gain) on revaluation of intangibles	8	0	(43)
		<u>4,367</u>	<u>349</u>
Total comprehensive expenditure/(income) for the year ended 31 March 2015		<u>2,197</u>	<u>(2,481)</u>

All income and expenditure relates to continuing operations.

The Notes on pages 36-54 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Note	31 March 2015		31 March 2014
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	7		20,896	27,649
Intangible assets	8		61	84
Investments	10		150	150
Total non-current assets			21,107	27,883
Current assets				
Trade receivables	12	3,592		2,852
Other current assets	12	5,047		4,127
Cash and cash equivalents	13	5,623		11,035
Total current assets			14,262	18,014
Total assets			35,369	45,897
Current liabilities				
Trade payables	14	(849)		(216)
Other current liabilities	14	(9,447)		(10,022)
Provisions	15	(712)		(468)
Total current liabilities			(11,008)	(10,706)
Non-current assets plus net current assets			24,361	35,191
Non-current liabilities				
Provisions	15		(1,707)	(1,632)
Other payables	14		(161)	(148)
Assets less liabilities			22,493	33,411
Taxpayers' equity				
General Fund	See page 35		20,039	26,590
Revaluation Reserve	See page 35		2,454	6,821
Total taxpayers' equity			22,493	33,411



Mike Waldock
Chief Executive
13 May 2015

The Notes on pages 36-54 form part of these accounts.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

		2014-15		2013-14	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net operating income			2,170		2,830
Adjustments for non-cash transactions					
Depreciation charge	7	2,662		2,619	
Amortisation	8	40		50	
Impairment	9	822		(7)	
Auditor's remuneration	4	46		45	
Facilities management contract refund		(267)		0	
Loss on disposal	4	173		65	
			3,476		2,772
(Increase)/ Decrease in receivables		(1,660)		1,930	
(Decrease)/Increase in payables		(363)		999	
Increase/(Decrease) in provisions		319		(273)	
			(1,704)		2,656
Net cash inflow from operating activities			3,942		8,258
Cash flows from investing activities					
Purchase of property, plant and equipment		(855)		(1,268)	
Proceeds of disposal of property, plant and equipment		1		0	
Net cash flow from investing activities			(854)		(1,268)
Cash flows from financing activities					
Excess cash funding repaid to Defra			(8,500)		(1,500)
Net financing					
Net (decrease)/increase in cash and cash equivalents in the year			(5,412)		5,490
Cash and cash equivalents at the beginning of the year	13		11,035		5,545
Cash and cash equivalents at the end of the year	13		5,623		11,035

The Notes on pages 36-54 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2013		25,215	7,170	32,385
Comprehensive income				
Non-cash adjustments				
Notional charges				
Auditor's remuneration	4	45	0	45
Movements in reserves				
Net operating income		2,830	0	2,830
Recognised in Statement of Comprehensive Net Income revaluation		0	(349)	(349)
Total recognised income and expense for 2013-14		2,875	(349)	2,526
Excess cash funding repayable to Defra		(1,500)	0	(1,500)
Balance at 31 March 2014		26,590	6,821	33,411
Comprehensive income				
Non-cash adjustments				
Notional charges				
Auditor's remuneration	4	46	0	46
Notional credit				
Facilities management contract refund		(267)	0	(267)
Movements in reserves				
Net operating income		2,170	0	2,170
Recognised in Statement of Comprehensive Net Income revaluation		0	(4,367)	(4,367)
Total recognised income and expense for 2014-15		1,949	(4,367)	(2,418)
Excess cash funding repayable to Defra		(8,500)	0	(8,500)
Balance at 31 March 2015		20,039	2,454	22,493

The Notes on pages 36-54 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2014–15 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 accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

1.3 Scheme costs and grants

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

1.4 Property, plant and equipment

1.4.1 Freehold land and buildings

Due to the specialised nature of the laboratory premises used by Cefas, freehold land and buildings are stated at their depreciated replacement cost and are professionally revalued at least every five years at existing use value, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The last revaluation took place in 2015.

Non-specialised properties are revised annually by means of a desk-top review, undertaken by the Valuation Office, where every valuation is reviewed having regard to local and national indices and local knowledge. Specialised properties are updated annually by adopting the Building Cost Information Service All-in Tender Price Index supplied by the Royal Institute of Chartered Surveyors.

1.4.2 Non-property assets

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

With effect from 1st April 2011 as agreed with Defra, the minimum level of capitalisation in Cefas is £10,000.

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

1.4.3 Depreciation

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

Lives are normally in the following ranges:

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

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

1.5 Intangible assets

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

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

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

1.6 Amortisation

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

Lives are normally in the following ranges:

Information Technology	2–12 years
------------------------	------------

1.7 Impairment

The carrying amounts of Cefas' property, plant and equipment and finite-life intangible assets are reviewed at each reporting date and the estimated recoverable amount of the assets is compared to their carrying amounts. If the carrying amounts exceed the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value less costs to sell, and the value in use. The value in use is an estimate of the future cash-flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time-value of money and the risks specific to the asset. Any impairments arising from

NOTES TO THE ACCOUNTS

the consumption of economic benefits are recognised directly in the SoCNI. The impairment is first met by a reduction from the Revaluation Reserve for that asset and charged through other comprehensive expenditure. Any impairments arising from the consumption of economic benefits are recognised directly in the SoCNI. Once the Revaluation Reserve for that asset is exhausted then such further amount is charged to other administration costs.

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

1.8 Investments

Investments are reported at market value or at cost where market value cannot be readily ascertained.

In accordance with the FReM, the non-current asset investment has not been consolidated as it is not listed within the Department boundary issued by the Office of National Statistics. Additional disclosure of the net assets and results of the investment are provided in Note 10.

1.9 Research and development (R&D)

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

1.10 Operating income (turnover)

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

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

1.11 Financial instruments

1.11.1 Financial assets

Cefas only holds receivables in this category.

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

1.11.2 Financial liabilities

These comprise trade and other payables, and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

1.12 Employee benefits

1.12.1 Pensions

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

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

1.12.2 Other employee benefits

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

1.12.3 Early retirement costs

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

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.

Further information is provided in Note 15.

1.13 Judgments

In the process of applying Cefas' accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

1.13.1 Indexation of non-current assets

Cefas restates the property, plant and equipment and intangible assets using the Modified Historic Cost Adjustment each year. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgment.

1.13.2 Deferred and Accrued income from contracts

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

1.14 Provisions

Cefas provides for obligations arising from past events where it has a present obligation at the reporting date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. See Note 15.

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

1.15 Leases

A finance lease is one that transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Cefas evaluates contractual arrangements in accordance with the above criteria.

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

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

1.16 Taxation

No taxation is payable on the surplus generated by Cefas.

1.16.1 Value-added tax (VAT)

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

1.17 Contingent liabilities and contingent assets

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 18.

1.18 Notional charges

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

The audit fee is the only notional charge.

1.19 Insurance

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

1.20 Doubtful debt provision

A provision is held against specific debtor balances.

1.21 Foreign exchange

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

1.22 Impending application of newly issued accounting standards not yet effective

Cefas has reviewed the IFRSs in issue but not yet effective to determine if it needs to make any disclosures in respect of those that are or will be applicable. It has been determined that IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers) are relevant to Cefas but will have no significant impact on the financial statements.

NOTE 2. STAFF-RELATED EXPENDITURE

(a) Staff costs

	Permanently Employed staff	Temporarily Employed staff	2014-15 Total	2013-14 Total
	£'000	£'000	£'000	£'000
Wages and salaries	17,491	3	17,494	17,636
Social Security costs	1,255	0	1,255	1,287
Superannuation	2,991	0	2,991	3,012
Total staff expenditure	21,737	3	21,740	21,935

Included in the permanently employed staff costs for 2014-15 is an accrual for untaken leave and leave in lieu of £1,083,000 (2013-14: £938,000).

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

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

For 2014-15, employers' contributions of £2,973,000 were payable to the PCSPS (2013-14: £2,998,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2013-14 were between 16.7% and 24.3%).

The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 £18,000 (2013-14: £14,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are aggregated and range from 3% to 12.5% of pensionable pay. Cefas also matches employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the reporting date were £1,000 (2013-14: £NIL) and contributions prepaid at that date were £1,000 (2013-14: £NIL).

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

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

	2014-15 Total Numbers	2013-14 Total Numbers
Female	211	213
Male	310	327
Total	521	540

NOTES TO THE ACCOUNTS

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

There were no redundancies and other departure costs paid in 2014-15 and 2013-14.

NOTE 4. OTHER ADMINISTRATION COSTS

	Note	2014-15 £'000	2013-14 £'000
Direct subcontracting costs			
Technical Services		<u>5,730</u>	<u>8,244</u>
Facilities management			
Accommodation		110	104
Charters		325	316
Facilities Management		4,085	4,437
Vessel - Management		5,023	4,931
		<u>9,543</u>	<u>9,788</u>
Others			
Defra Management Overhead		43	149
Doubtful Debts		58	(78)
Effect of Exchange movement		147	(2)
IT and Communications		1,069	1,272
Laboratory Consumables		2,753	2,892
Library Purchases		253	269
Other Expenditure		80	29
Postage		279	280
Recruitment and Training		268	244
Relocation and Severance		16	8
Stationery and Printing		132	148
Telecommunications		116	108
Travel and Subsistence		1,563	1,519
		<u>6,777</u>	<u>6,838</u>
Provisions	15	677	247
Quality, accreditation and internal audit costs		68	79
Charges related to the consumption of assets			
Amortisation	8	40	50
Asset disposal		173	65
Depreciation	7	2,662	2,619
Impairment of Assets/(impairment reversal)	9	822	(7)
Total for charges related to the consumption of assets		<u>3,697</u>	<u>2,727</u>
Total for non-pay costs		<u>26,492</u>	<u>27,923</u>
External audit remuneration*		46	45
Total for other administrative costs		<u>26,538</u>	<u>27,968</u>

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

NOTES TO THE ACCOUNTS

NOTE 5. OPERATING INCOME

	2014-15 £'000	2013-14 £'000
Advice, evidence and research	47,869	49,610
European Union:		
Expenditure met by Cefas	1,882	1,910
Cefas as agent for the European Union	697	1,213
	<u>50,448</u>	<u>52,733</u>
European Union outsourced work	<u>(697)</u>	<u>(1,213)</u>

NOTE 6. SEGMENTAL REPORT

Income was earned from the following business segments:

	2014-15	2013-14
	£'000	£'000
Operating Income		
Core Defra	28,147	31,492
Defra Network	2,084	3,386
Public Sector	9,207	9,250
European Union	2,579	3,123
Industry and other	8,431	5,482
Total	<u>50,448</u>	<u>52,733</u>
Contribution towards indirect overheads		
Core Defra	3,485	3,506
Defra Network	456	613
Public Sector	2,154	2,677
European Union	118	(291)
Industry and other	2,107	1,753
	<u>8,320</u>	<u>8,258</u>
Indirect Overheads	(6,150)	(5,428)
Net Operating surplus	<u>2,170</u>	<u>2,830</u>

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.

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
At 1 April 2014	743	30,142	24,953	581	7,052	253	0	63,724
Indexation	0	0	0	11	358	6	0	375
Revaluation	¹ (71)	¹ (4,402)	0	0	0	0	0	(4,473)
Additions	0	0	0	0	0	0	1,289	1,289
Transfers	0	645	0	17	312	0	(991)	(17)
Disposals	(3)	(14)	0	0	(515)	(7)	0	(539)
Disposals (Zero NBV)	0	0	0	(72)	(925)	0	0	(997)
At 31 March 2015	669	26,371	24,953	537	6,282	252	298	59,362
Depreciation								
At 1 April 2014	0	(17,273)	(14,453)	(390)	(3,811)	(148)	0	(36,075)
Indexation	0	0	0	(8)	(257)	(4)	0	(269)
Provided in year	0	(1,131)	(555)	(83)	(864)	(29)	0	(2,662)
Impairment	¹ (125)	¹ (297)	² (445)	0	45	0	0	(822)
Disposals	0	8	0	0	354	3	0	365
Disposals (Zero NBV)	0	0	0	72	925	0	0	997
At 31 March 2015	(125)	(18,693)	(15,453)	(409)	(3,608)	(178)	0	(38,466)
Net book value								
At 31 March 2015	544	7,678	9,500	128	2,674	74	298	20,896
At 31 March 2014	743	12,869	10,500	191	3,241	105	0	27,649
Owned	544	7,678	9,500	128	2,674	74	298	20,896

1 The revaluation reduction of £4,473,000 and the impairment reduction of £125,000 and £297,000 in land and buildings represents a change in the valuation methodology to componentise our laboratories and reflects the split between office space and specialised laboratory space.

2 The impairment reduction of £445,000 in our research vessel reflects the softening of the offshore vessel market.

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
At 1 April 2013	743	29,977	24,953	993	7,932	296	188	65,082
Indexation	0	0	0	(54)	(270)	(3)	0	(327)
Revaluation	0	(302)	0	0	0	0	0	(302)
Additions	0	359	0	0	580	0	0	939
Transfers	0	108	0	0	80	0	(188)	0
Disposals	0	0	0	(28)	(248)	0	0	(276)
Disposals (Zero NBV)	0	0	0	(330)	(1,022)	(40)	0	(1,392)
At 31 March 2014	743	30,142	24,953	581	7,052	253	0	63,724
Depreciation								
At 1 April 2013	0	(16,212)	(13,953)	(664)	(4,316)	(158)	0	(35,303)
Indexation	0	0	0	35	201	1	0	237
Provided in year	0	(1,061)	(552)	(108)	(867)	(31)	0	(2,619)
Impairment	0	0	52	0	(45)	0	0	7
Disposals	0	0	0	17	194	0	0	211
Disposals (Zero NBV)	0	0	0	330	1,022	40	0	1,392
At 31 March 2014	0	(17,273)	(14,453)	(390)	(3,811)	(148)	0	(36,075)
Net book value								
At 31 March 2014	743	12,869	10,500	191	3,241	105	0	27,649
At 31 March 2013	743	13,765	11,000	329	3,616	138	188	29,779
Owned	743	12,869	10,500	191	3,241	105	0	27,649

Land and buildings were revalued on a "depreciated replacement cost" basis with effect from 31 March 2015 by Montague Evans, 5 Bolton Street, London, W1J 8BA. The research vessel was revalued on a "market value" basis with effect from 31 March 2015 by Burness Corlett Three Quays, 19–21 Great Tower Street, London EC3R 5AR. Details of impairments and subsequent reversals of value are explained in Note 9. These valuations and, where applicable, management judgments of impairment have been used in preparing the accounts up to 31 March 2015.

NOTES TO THE ACCOUNTS

NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise software licences

	Information technology
	£'000
Cost or valuation	
At 1 April 2014	202
Indexation	2
Transfers	17
Disposals (zero net book value)	(7)
At 31 March 2015	<u>214</u>
Amortisation	
At 1 April 2014	(118)
Indexation	(2)
Provided in year	(40)
Disposals (zero net book value)	7
At 31 March 2015	<u>(153)</u>
Net book value	
At 31 March 2015	<u>61</u>
At 31 March 2014	<u>84</u>
Owned	<u>61</u>
Cost or valuation	£'000
At 1 April 2013	610
Indexation	5
Revaluation	40
Disposals (zero net book value)	(453)
At 31 March 2014	<u>202</u>
Amortisation	
At 1 April 2013	(519)
Indexation	(2)
Provided in year	(50)
Disposals (zero net book value)	453
At 31 March 2014	<u>(118)</u>
Transfers	
Net book value	
At 31 March 2014	<u>84</u>
At 31 March 2013	<u>91</u>
Owned	<u>84</u>

NOTE 9. IMPAIRMENTS

Property, plant and equipment	2014-15 £'000	2013-14 £'000
Research vessel impairment/(reversal) ₁	445	(52)
Land and Buildings impairment ₁	422	0
Scientific equipment (reversal)/impairment	<u>(45)</u>	<u>45</u>
	<u>822</u>	<u>(7)</u>

₁ 2014-15 Reflects the valuations detailed in Note 7.

NOTE 10. NON-CURRENT ASSET INVESTMENTS

Cost and net book value	£'000
At 1 April 2014 and at 31 March 2015	<u>150</u>

In 2001, Cefas purchased the entire share capital of Cefas Technology Limited (CTL) for £150,000. Management has considered the value of the investment and has recorded the investment at cost. This is reviewed on a regular basis and provision made for any impairment in value. Since purchase there have been no movements in the value of this investment.

In accordance with the FReM, the non-current asset investment has not been consolidated as it is not listed within the Department boundary issued by the Office of National Statistics.

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

	2014-15 £'000 Draft	2013-14 £'000 Audited
Non-current assets	125	45
Other current assets	227	237
Cash and cash equivalents	1,160	1,176
Liabilities	<u>(163)</u>	<u>(193)</u>
Net assets at 31 March	<u>1,349</u>	<u>1,265</u>
Turnover	421	423
Profit (before tax) for the year	<u>85</u>	<u>78</u>

NOTES TO THE ACCOUNTS

NOTE 11. FINANCIAL INSTRUMENTS

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

	Receivables	Other Financial Liabilities
	£'000	£'000
Balance at 31 March 2015		
Cash and cash equivalents	5,623	0
Trade and other receivables	4,888	0
Trade and other payables	0	(2,096)
	10,511	(2,096)
	£'000	£'000
Balance at 31 March 2014		
Cash and cash equivalents	11,035	0
Trade and other receivables	4,502	0
Trade and other payables	0	(1,420)
	15,537	(1,420)

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

Trade and other receivables: Represents contracts for monies or services due. 61% of this total relates to non-government credit risk. This amount is net of a doubtful debt provision of £60,000 (2013-14: £2,000) representing specific debts.

Foreign exchange risk: Around 8% of receipts from customers are in foreign currencies, and certain goods and services are purchased in foreign currencies. This is believed to be a low-level risk, and the policy is to accept the net conversion risk of euros and US dollars, or closely linked currencies. Cefas manages its own collections risk and reduces its exposure to foreign currencies by netting receipts and payments in the same currencies before translating any remaining funds to pounds sterling.

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 100% (2013-14 :100%).

No interest was paid in respect of late payment of commercial debt (2013-14: £NIL).

The trade payable outstanding at 31 March 2015 as a proportion of our total purchases from suppliers during the year was equivalent to 14 days trading (2013-14: 3 days).

NOTE 11.2 FOREIGN EXCHANGE

Exchange differences comprise:

	2014-15 Gain / (loss)	2013-14 Gain / (loss)
	£'000	£'000
Resulting from translation	(120)	(9)
Arising at a transactional level	(27)	11

NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Amounts falling due within one year:		
Trade receivables	<u>3,592</u>	<u>2,852</u>
Other receivables:		
Defra	1,296	1,650
Accrued income - EU	1,792	889
Pre-payments and accrued income	1,956	1,584
Sundry receivables	3	4
	<u>5,047</u>	<u>4,127</u>

There are no receivables due after more than one year.

Intra-government receivable balances as at 31 March 2015 with the following bodies were: other central government bodies £3,240,000 (2013–14: £4,226,000), local authorities £27,000 (2013–14: £7,000), bodies external to government £5,372,000 (2013–14: £2,746,000).

NOTES TO THE ACCOUNTS

NOTE 13. CASH AND CASH EQUIVALENTS

	2014-15	2013-14
	£'000	£'000
Balance at 1 April	11,035	5,545
Net change in cash and cash equivalent balances	(5,412)	5,490
Balance at 31 March 2015	<u>5,623</u>	<u>11,035</u>

The following balances at 31 March were held at:

Government banking services	5,623	11,035
Balance at 31 March 2015	<u>5,623</u>	<u>11,035</u>

NOTE 14. TRADE PAYABLES AND OTHER CURRENT PAYABLES

	As at 31 March	As at 31 March
	2015	2014
	£'000	£'000
Amounts falling due within one year		
Trade payables	<u>849</u>	<u>216</u>
Other taxation and Social Security	363	384
Accruals	5,865	6,344
VAT	552	490
Other payables	332	330
Deferred income	2,335	2,351
Deferred income - Defra	0	123
	<u>9,447</u>	<u>10,022</u>
Other current liabilities		
Amounts falling due after more than one year		
Other payables	<u>161</u>	<u>148</u>

Other payables include employee pension contributions at 31 March 2015 totalling £332,000 (2013-14: £329,000).

Intra-government payable balances as at 31 March 2015 with the following bodies were: other central government bodies £4,441,000 (2013-14: £3,200,000), local authorities £NIL (2013-14: £NIL), public corporations and trading funds £NIL (2013-14: £NIL), bodies external to government £6,016,000 (2013-14: £7,186,000).

NOTE 15. PROVISIONS

	Early retirement	Facility	Contract Provisions/ losses	Legal claims	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	69	1,379	428	224	2,100
Provided in the year	0	92	688	9	789
Provisions not required written back	(17)	0	(15)	(80)	(112)
Provisions Utilised in the year	0	0	(358)	0	(358)
Balance at 31 March 2015	<u>52</u>	<u>1,471</u>	<u>743</u>	<u>153</u>	<u>2,419</u>
Analysis of expected timings of discounted flows					
Not later than one year	0	163	449	100	712
Later than one year and not later than five years	52	1,308	294	53	1,707
Balance at 31 March 2015	<u>52</u>	<u>1,471</u>	<u>743</u>	<u>153</u>	<u>2,419</u>

NOTES TO THE ACCOUNTS

NOTE 15.1 Early-departure costs

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

NOTE 15.2 Facilities

This relates to existing leases on properties that include terms that require Cefas to make good the respective sites into the state in which the leases were entered into. The provision is based on estimates as to the potential cost of making good the premises at the end of the lease. Further amounts are also provided to maintain the suitability of the research vessel and the Lowestoft site, and to prepare for decommissioning of that site prior to relocation.

NOTE 15.3 Contract provisions/losses

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

NOTE 15.4 Legal and other claims

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

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

NOTE 16. CAPITAL COMMITMENTS

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Contracted capital commitments at 31 March 2015 not otherwise included in these accounts.		
Property, plant and equipment	<u>304</u>	<u>34</u>

NOTE 17. COMMITMENTS UNDER LEASES

NOTE 17.1 Operating leases

Total future minimum lease payments under operating leases:

Obligations under operating leases comprise:	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Land		
Not later than one year	1	1
Later than one year and not later than five years	2	2
Later than five years	3	4
Total	<u>6</u>	<u>7</u>
Buildings		
Not later than one year	118	91
Later than one year and not later than five years	175	16
Later than five years	0	0
Total	<u>293</u>	<u>107</u>
Other		
Not later than one year	74	60
Later than one year and not later than five years	55	94
Later than five years	0	0
Total	<u>129</u>	<u>154</u>

NOTE 17.2 Other financial commitments

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

Other financial commitments - Total	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Other financial commitments - Not later than 1 year	2,669	2,759
Other financial commitments - 1 to 5 years	10,676	11,036
Other financial commitments - Later than years	10,676	13,795
	<u>24,021</u>	<u>27,590</u>

NOTES TO THE ACCOUNTS

NOTE 18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Management consider specific risks exist relating to potential claim liabilities and that a potential asset may exist relating to past events. The range of these contingent liabilities and contingent asset is currently believed to be between £0 and £300,000 (2013-14: a range between no claim and £150,000).

NOTE 19. RELATED PARTY TRANSACTIONS

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

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

Turnover of £28,147,000 was derived from core Defra (2013-14: £31,492,000) and £43,000 costs were payable to core Defra (2013-14: £85,000). At 31 March 2015, £1,296,000 was due from core Defra (2013-14: £1,650,000) and £Nil was owed to core Defra (2013-14: £123,000).

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

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

- ◆ Non-executive director, Nicholas Owens, was the Director of the Sir Alister Hardy Foundation for Ocean Science (SAHFOS) throughout the year. Transactions between Cefas and SAHFOS totalled £Nil for the year (2013-14: £Nil) and Nicholas Owens took no part in relation to this work for Cefas or SAHFOS.
- ◆ Non-executive director, Sue Sharland, worked for HR Wallingford Group Ltd as a non-executive director throughout the year. Non-executive director Jane Smallman worked for HR Wallingford Group Ltd as an executive director from her appointment on 1 October 2014 until 23 January 2015. Turnover of £Nil was derived from HR Wallingford (2013-14: £Nil) and £Nil costs were payable to HR Wallingford (2013-14: £Nil). At 31 March 2015, £Nil was due from HR Wallingford.

CTL is a non-current asset investment (see Note 10). The shares are held by Mike Waldock as nominee of the trustees for Cefas. Turnover of £107,000 was derived from CTL (2013-14: £227,000) and costs of £130,000 were payable to CTL (2013-14: £133,000). At 31 March 2015, £103,000 was due from CTL (2013-14: £144,000) and £78,000 was owed to CTL (2013-14: £Nil).

NOTE 20. EVENTS AFTER THE REPORTING DATE

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

NOTE 21. LOSSES AND SPECIAL PAYMENTS

Losses Statement

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

Special payments

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

ABBREVIATIONS

ARAC	Audit and Risk Assurance Committee
BBSRC	Biotechnology and Biological Sciences Research Council
BGS	British Geological Survey
CCO	Channel Coastal Observatory
Cefas	The Centre for Environment, Fisheries and Aquaculture Science
CFP	Common Fisheries Policy
CMB	Cefas Management Board
CTL	Cefas Technology Limited
Defra	Department for Environment Food & Rural Affairs
EC	European Commission
FReM	Government Financial Reporting Manual
FSA	Food Standards Agency
GGC	Greening Government Commitments
ICT	Information and Communications Technology
IFCA	Inshore Fisheries and Conservation Authorities
KEPA	Kuwait Environment Public Authority
MCZ	Marine Conservation Zones
MMO	Marine Management Organisation
MPA	Marine Protected Areas
MSFD	Marine Framework Strategy Directive
NDPB	Non-Departmental Public Body
NED	Non-executive director
NERC	Natural Environment Research Council
NOC	National Oceanography Centre
OSPAR	Oslo and Paris Convention
PCSPS	Principal Civil Service Pension Scheme
PLACID	Placing Ocean Acidification in a wider Fisheries Context
SAHFOS	Sir Alister Hardy Foundation for Ocean Science
SNCBS	Statutory Nature Conservation Bodies



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Further information about Cefas, our activities and services,
and news of recent developments can be found on our website:

www.cefas.co.uk

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