



Centre for Environment
Fisheries & Aquaculture
Science



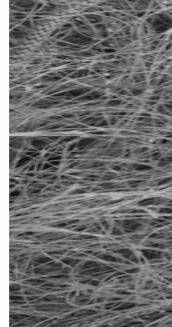
Annual Report and Accounts 2015-16

HC 5

Centre for Environment, Fisheries & Aquaculture Science Annual Report and Accounts 2015-16

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

Ordered by the House of Commons to be printed on 18th July 2016



Front cover image reproduced with kind permission of Paul Nichols.



© Crown copyright [2016]

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/organisations/centre-for-environment-fisheries-and-aquaculture-science

Any enquiries regarding this publication should be sent to us at www.cefas.co.uk

Where third party material has been identified, permission from the respective copyright holder must be sought.

Print ISBN	9781474127417
Web ISBN	9781474127424

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

ID 14011603 06/16

Printed on paper containing 75% recycled fibre content minimum

CONTENTS

01 PERFORMANCE REPORT

Overview

CHIEF EXECUTIVE'S STATEMENT	6-7
VISION, PURPOSE AND ACTIVITIES	8-10

Performance Analysis

PERFORMANCE AGAINST BUSINESS PLAN INDICATORS	10
PERFORMANCE ANALYSIS	11-12
SUSTAINABILITY REPORT	13-16

02 ACCOUNTABILITY REPORT

Corporate Governance Report

DIRECTORS' REPORT	17
THE STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES	18
THE GOVERNANCE STATEMENT	19-21
REMUNERATION AND STAFF REPORT	22-25

Parliamentary Accountability and Audit Report

PARLIAMENTARY ACCOUNTABILITY REPORT	25
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS	26-27

03 FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET INCOME	28
STATEMENT OF FINANCIAL POSITION	29
STATEMENT OF CASH FLOWS	30
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY/ MOVEMENT IN RESERVES	31
NOTES TO THE ACCOUNTS	32-48

ABBREVIATIONS

49

01 PERFORMANCE REPORT: OVERVIEW

CHIEF EXECUTIVE'S STATEMENT

In this performance report, my first since taking over as Chief Executive in September 2015, I am delighted to report on a confident organisation increasing in profile, reputation and impact providing world class science for the marine and freshwater environment. Cefas' core business of supporting Defra in the development of UK policy has been delivered to great effect, with important policy outcomes in sustainable use of fishery resources and improving the environment. Our work directly supports the Defra vision 'to create a great place for living' particularly this year, where we have committed significant resource to implementing the Marine Strategy Framework Directive (MSFD), designating Marine Conservation Zones (MCZ), reforming the Common Fisheries Policy (CFP) and delivering risk-based management of aquatic animal health.

Our Science and Evidence Strategy has provided us with the opportunity to refocus our work in two key areas: food security through the provision of safe and sustainable aquatic food, and evidence and advice to support a sustainable blue economy. Cefas' expertise in these areas directly aligns with Defra's 5-year strategy, and now drives future wider market activity, particularly Government to Government sector growth. Our science output and profile in these topics is growing strongly, evidenced through our annual Science Conference, high impact publications and media stories.

In the year that we successfully launched the Cefas data hub, collecting data to support the characterisation of MCZs continued to be a key task for Cefas, requiring a significant contribution from Research Vessel Cefas Endeavour and collaboration with industry and Defra. Proposals to designate the second and third tranches of MCZs are in hand, and will see the completion of the network by 2018. Our collaboration this year with other arms-length bodies to develop an integrated offshore marine monitoring programme will be key to the success of this programme.

With regard to our fisheries management work, our Minister, George Eustice MP, expressed his thanks for our work preparing for the launch of the demersal fisheries discard ban, and in supporting his negotiations in Brussels. He recognised our real

achievements in developing solutions to implement the legislation that gained both stakeholder agreement and receive positive feedback from the fishing industry.

The high health status of UK aquatic animals has also been a priority this year. A surveillance programme of fish and shellfish farms and fisheries provided continued assurance that they were free from important listed diseases which maintains the productivity of the industry. We have continued to play a key part in Defra's contingency plans for aquatic animal diseases including involvement in successful exercises with wider stakeholders, to test Defra's response to an outbreak.

Developing strategic partnerships to support our strategy for growth is at the heart of what we do. In December, I was delighted to sign an agreement with the vice-chancellor of the University of East Anglia to create a Collaborative Centre for the Sustainable use of the Seas (CCSUS) on their campus in Norwich. Opening in 2016, the new Centre will combine innovative science and practical expertise to support UK and international marine policy. Together with a strong Strategic Alliance at the University of Exeter, and relationships with over 30 other UK universities, Cefas is now well connected with other outstanding UK science organisations, helping to grow our reputation and profile for excellent applied marine and aquatic science.

We continue to build an international profile and excellent partnerships, in December we were proud to contribute to the Prime Minister's climate change announcement at the Commonwealth Heads of Government Summit. Cefas, together with the United Kingdom Hydrographic Office (UKHO) and National Oceanography Centre (NOC), are developing a comprehensive package of support for targeted small island developing states to make the most of their maritime economies and help them adapt to the challenges of climate change. Specific Cefas activities, to strengthen capacity to manage their local fisheries, support biodiversity and improve water quality, will make excellent use of our existing capabilities and allow us to develop expanded expertise and capacity for UK government.



CHIEF EXECUTIVE'S STATEMENT cont'd

Our science output in 2015 remained strong, with 235 peer-reviewed papers published in the scientific press. Of particular note this year is the publication, with Dutch colleagues, of the Fish Atlas of the Celtic Sea, North Sea and Baltic Sea. This comprehensive volume uses fish catch data from European research vessels since 1977 to describe the distribution and biology of over 200 taxa. The dedication required to produce this 'once in a generation' atlas was impressive, and highlights the continued importance of our expert, passionate and enthusiastic staff.

In a challenging year, where income reduced by £3 million from the previous year, mainly due to reductions in income from Defra and the Food Standards Agency (FSA), we have still managed to achieve all our ministerial indicators including:

- ensuring people and our activities are safe with our three-year rolling average Accident Frequency Rate of 1.6 (2014-15: 3.3);
- returning a healthy operating surplus of £2.5 million (2014-15: £3.0 million) before asset impairments charges of £1.7 million;
- customer satisfaction scores remaining high at 92% (2014-15: 91%);
- our scientific publications output at 235 papers targeted in increasingly high-impact journals (2014: 174 papers); and
- staff engagement levels remaining high: with an engagement score through the civil service survey of 63% (2014-15: 61%).

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 success of the organisation over the past year.

In conclusion, I feel enormously privileged to have taken over at the helm of this impressive organisation and I take this opportunity to fully acknowledge my predecessors' hard work in achieving so much. Clearly, we face a number of challenges ahead, not least the reduction in funding following the ongoing Spending Review. However, Cefas has genuine potential, and consequently we face the coming year with a real belief that we can make an increasingly significant contribution to achieving our vision; to make a real difference for society.

Tom Karsten
Chief Executive
7 July 2016

VISION, PURPOSE AND ACTIVITIES

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

- Ensure a sustainable UK food supply through the provision of advice on sustainable marine finfish and shellfish, freshwater (salmon and eel) fisheries, and advise on sustainable development and disease risk of aquaculture.
- Ensure a safe UK seafood supply by assessing risks to human health from bacteria, viruses, toxins and contaminants.
- Ensure sustainable use of fishery resources and improving the environment through implementing the Marine Strategy Framework Directive (MSFD), Designating Marine Conservation Zones (MCZ), and Reforming the Common Fisheries Policy (CFP).

Our vision is to make a real difference for society by supporting the long-term prosperity and well-being of industries, communities and individuals that enjoy and depend on the rich natural assets found in our marine and freshwater environments. Cefas priorities are directly aligned with Defra's strategic objectives, and support the government's ambitions for sustainable "blue growth" and associated marine industry sectors that contribute over £38.5 billion to the UK economy and bring wider socio-economic benefits.

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

Ensure safe and sustainable food safety

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

With our advice, the UK government has driven international decisions to reform the EU's Common Fisheries Policy (CFP), leading to improvements in fish stocks, substantial quota increases and a more profitable industry. Such impact is achieved through making best use of the available scientific advice in achieving sustainability, while continuing to conserve fish stocks in order to safeguard the future livelihoods of our fishing fleets and coastal communities. Following the successful introduction of the pelagic landing obligation in January 2015, the demersal discard ban is now being implemented with our assistance, for example through advice on avoiding unwanted catch and discarding exemptions based on the survivability of a species if returned to the sea alive. Our advice to UK Government extends further afield. Working with international partners, we steered the adoption of bottom fishery closures around all sea mounts in the NW Atlantic and we advise on fisheries management in the South Atlantic, Antarctic and British Overseas Territories. We are building a global portfolio of projects applying science to solve food security and blue growth for diverse marine and fresh water customers.

We continue collaborations with the fishing industry, involving fishers in our work such as Shark By-Watch UK, a project where fishers and scientists work together to improve fishing practices and knowledge for sustainable shark, skate and ray fisheries. Cefas scientists are leading innovation into monitoring the whole marine ecosystem to make this more effective and efficient.

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

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

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

VISION, PURPOSE AND ACTIVITIES cont'd

Future growth in our aquaculture science will be dominated by overseas work. For example, an Innovate project to develop pond side rapid tests for shrimp diseases has started and field testing in Thailand will begin next year. A project awarded to Cefas under the Biotechnology and Biological Sciences Research Council (BBSRC)/ Newton Fund Global Research Partnership to develop new molecular approaches to mitigate disease outbreaks in small-scale aquaculture farms in Bangladesh and Malawi will begin in February 2016. 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'.

Support sustainable blue growth

The Marine Strategy Framework Directive (MSFD) is a significant driver of marine assessment and management. Cefas staff have supported the final submission to the EU of the proposed UK MSFD monitoring programme and programme of measures to ensure that objectives can be achieved, including advice on the economic implications for stakeholders.

Adapting to, and understanding the effects of climate change remains a major focus of work at Cefas. The Cefas Marine Climate Change Centre (MC3) continues to occupy a pivotal role within the UK and in Europe in collating evidence and explaining how environmental change might impact society and commercial businesses. The MC3 has worked closely with industry and government to identify key risks as well as possible adaptation measures. Most notably, Cefas has helped Seafish and the insurance sector to determine risks impacting day-to-day activities within the fish catching sector, including both domestic and international fleets. In 2015, through its role as secretariat to the UK Marine Climate Change Impacts Partnership (MCCIP), Cefas published a report on implications of climate change for the implementation of marine biodiversity legislation. This report highlighted consequences for achieving environmental targets as well as the long-term success of management measures, such as marine protected areas. Cefas has worked in partnership with the Met Office to generate a brand new set of climate change projections for UK shelf seas, providing estimates of uncertainty and applying these outputs to model the future distribution of non-native invasive species as well as important harmful algal bloom species. Under the Defra-funded 'MINERVA' (Maritime Industries - Environmental Risk and Vulnerability Assessment) project Cefas has examined the potential impact of multiple

interacting stressors, most notably how ocean acidification and rising seawater temperatures could interact with metal toxicity in areas of contaminated sediments. Cefas staff have made strong efforts to grow our profile internationally through major participation in the Third International Symposium on the Effects of Climate Change on the World's Oceans held in Santos (Brazil), as lead authors of the forthcoming OSPAR QSR Intermediate Assessment (for the entire NE Atlantic Region) and as co-chair of the joint ICES/PICES (North Pacific Marine Science Organization) Strategic Initiative on Climate Change in the Marine Environment, encompassing both the Atlantic and Pacific oceans.

During 2015, Cefas and the University of East Anglia (UEA) signed a new Strategic Alliance agreement that will see the establishment of a new Collaborative Centre for Sustainable Use of the Seas (CCSUS). This new Centre, due to be opened in summer 2016, marks 50 years since the laboratory at Lowestoft was first affiliated with the new University in the 1960's. Based in offices on the Norwich campus, The Centre, will provide an opportunity to bring together excellent UEA research and applied science at Cefas to generate new collaborative programmes.

Cefas continues to support the Welsh Government to present the evidence base to support the Welsh National Marine Plan. 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.

A Defra review of Cefas in 2014 gave us the mandate to continue in our Agency role and encouraged us to engage in partnerships to pursue both academic excellence and grow our non-Defra 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 to grow our scientific impact and partnerships so that research and development continue to comprise around 20% of our activity as we broaden our academic partnerships and maintain healthy self-investment levels.

We constantly strive to improve our science. We have made

VISION, PURPOSE AND ACTIVITIES cont'd

good progress with the implementation of our Science and Evidence Strategy, which was a recommendation from our successful science capability review, conducted on behalf of Defra in 2012. We are using the Strategy to create a new focus to our applied science, reinforcing our relevance to UK government marine policy delivery, and using it to highlight areas of significant expertise and thereby attract new UK and international customers to Cefas. This will be essential if we are to retain our science profile in the face of declining Defra R&D budgets. Collaborating with Research Councils, and our Strategic Alliance with universities at Norwich and Exeter, will enable us to further maintain and strengthen our science reputation and prestige. This year, particular progress has been made to release open marine data through the innovative new Cefas Data Hub. Over 500 marine data sets, collected over decades, detailing the health of our seas and marine wildlife are now freely available to

the public. This large-scale data release takes forward Secretary of State Liz Truss' commitment to harness the potential of Defra's data reserves to create opportunities for people and businesses in the UK.

We will continue to nurture partnerships within the Defra Group and wider government, particularly to encourage a unified approach to marine monitoring, enabling a more integrated response across the sectors in which we operate to drive value for money. 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.

PERFORMANCE AGAINST BUSINESS PLAN INDICATORS

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

They are announced in the House of Commons and audited 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.

METRIC	TREND	MEASUREMENT	ACHIEVEMENT
Finance	Sustain	Securing income for the following year and a net operating surplus for Defra Owner.	2015-16 Achieved 2014-15 Achieved 2013-14 Achieved
Customer satisfaction	Sustain	Annual customer satisfaction surveys weighted by income and delivery of Cefas impacts for Defra.	2015-16 Achieved 2014-15 Achieved 2013-14 Achieved
Scientific excellence	Grow	Indicators include publication records and delivered ongoing investment in new science and capabilities.	2015-16 Achieved 2014-15 Achieved 2013-14 Achieved
Employee engagement	Enhance	Relative performance in the annual questionnaire to all civil service staff.	2015-16 Achieved 2014-15 Achieved 2013-14 Achieved
Corporate responsibility	Enhance	Health and Safety indicator performance and maintain quality accreditations.	2015-16 Achieved 2014-15 Achieved 2013-14 Achieved

PERFORMANCE ANALYSIS

In 2015-16 Cefas maintained its financial strength despite a decline in top line income of 6% to £47.4 million (2014-15: £50.4 million). Significant declines in income from UK Government to £36.3 million (2014-15: £39.4 million) and income from the EU to £1.9 million (2014-15: £2.6 million) were offset by strong growth, 8%, from our industry and other customers to £9.1 million (2014-15: £8.4 million). Capacity and capability was maintained for government with staff levels of 512 average FTE (2014-15: 521 average FTE) and a positive £2.5 million net operating surplus was generated before impairments.

The net operating surplus of £0.8 million (2014-15: £2.2 million) was impacted by one off asset impairment charges of £1.7m (2014-15: £0.8 million) primarily due to the lower valuation of the Research Vessel in a soft market for vessels driven by the significantly reduced demand in the oil and gas sector. Before these exceptional impairments which are treated as Annually Managed Expenditure, the operating surplus was £2.5 million (2014-15: £3 million) which was above the Business Plan target of £2.0 million due to higher utilisation levels of our staff resources, a managed reduction in external costs, including efficiencies, and assisted by the reduction in oil prices.

Income this year totalled £47.4 million (2014-15: £50.4 million), a £3.0 million decrease over the previous year mainly due to reductions in income from Defra and the Food Standards Agency. In response to this, we continued to deliver on our long-term strategy of customer diversification to ensure we maintain our leading applied science capabilities and assets for our Defra customers.

Combined Defra Group income decreased to 58% of our total income (2014-15: 60%) or £27.6 million (2014-15: £30.2 million).

Of this, approximately £22.9 million reflects a strategic partnership between Cefas and Defra that secures essential services required by government. The significant £2.6 million decrease in income from the Defra Group over the prior year continues a decline which has seen a total 34% reduction over the last 6 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 reduce the impact on Defra customer programmes.

Income from sources other than the Defra Group grew to 42% of our total income (2014-15: 40%) but fell in absolute terms to £19.8 million (2014-15: £20.2 million). This contribution provides a significant mitigation to the reductions in Defra income, as well as broadening our capabilities and experiences, demonstrating our competitiveness and contributing to our fixed costs.

The increase in our Industry and Other income in the year was primarily due to growth in work for overseas governments which grew substantially to around £2.0 million (2014-15: £1.3 million). We are pleased to further diversify our customer base and we continue to pursue these opportunities.

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 (FSA). Income from the FSA was lower than the prior year at £5.3 million (2014-15: £6.2m) in line with our expectations as cyclical programmes ended. Defra, and the wider Defra Group and other UK public sector customers, comprise 77% of our work (2014-15: 78%) 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 were level with prior year as full-time equivalent (FTE) staff numbers decreased to 512 (2014-15: 521 FTE), reflecting a partial reduction in line with income. Actual pay rates rose by 1% per public-sector pay constraints and increased employer pension contributions were absorbed. There were no charitable donations made in the year (2014-15: £NIL).

Assets

Land and buildings were formally revalued as at 31 March 2016 refreshing the desktop valuation of prior year, this resulted in net increases of £0.1 million to land and net decreases of £1.0 million to buildings. The majority of the decrease was applied to revaluation reserve balances. Additionally, the vessel was revalued as at 31 March 2016 which resulted in a reduction of £1.7 million which is treated as an impairment charge. This reduction was due to a softening of the offshore vessel market, driven by reduced demand in the oil and gas sector, which resulted from a fall in the price of oil.

Capital investment in the business was £1.1 million (2014-15: £1.3 million). This was incurred on staff facilities, £0.6 million (2014-15: £0.9 million), and scientific equipment to meet contractual needs, £0.5 million (2014-15: £0.3 million). Investment levels continue to be 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

PERFORMANCE ANALYSIS cont'd

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 2015–16, CTL traded profitably, making an operating profit of £50,000 before tax (2014–15: £92,000) on income of £437,000 (2014–15: £407,000).

Cash management

Cefas generated a positive operating cash flow of £9.2 million (2014–15: £3.9 million). This increase over prior year is primarily due to intra-Group charges from Defra for our facilities management and other services of £4.4m being notional. Having reviewed the cash requirements of the agency with Defra, we have repaid £7.6 million (2014–15: £8.5 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 in foreign currencies. This risk is assessed as low, particularly given that 92% of payments are received in pounds sterling and only 8% in foreign currencies.

Future plans

Our future plans were endorsed by Defra following a review of the Agency in 2014 and reflect further expected income reductions from Defra. That reduction is planned to be offset by continued diversification to deliver income growth from major marine capital projects, support to develop capabilities for international governments and, over a longer timescale, food security. Additionally, Cefas has been allocated £5m over 5 years to address critical requirements at Lowestoft and Weymouth (e.g. improving laboratory infrastructure and working conditions). Our business approach and customer focus enable us to face the future with confidence.

Events after the reporting date

The Accounting Officer authorised these financial statements for issue on the same date that the Comptroller and Auditor General signed his certificate. From 2016-17 Cefas will be treated as a Gross Executive Agency rather than as a Net Executive Agency which has been the case since 1997. The accounting presentation will be amended to reflect this new status from the year ended 31 March 2017.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Cefas conducts significant work within the Defra portfolio relating to EU Directives and has significant scientific interaction with EU colleagues. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. More details on the Cefas' financial interaction with Defra and the EU can be found in the Notes 5 and 6. In accordance with IAS 10 this is a non-adjusting event and a reasonable estimate of the financial effect of this event cannot be made.

There were no other 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 2016

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 2015-16*. 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 2014-15 have been used to account for the same quarter in 2015-16. 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 2014-15 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. The original GGC framework by 2015 against a 2009-10 baseline required,

- 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 more sustainable and efficient products, and
- engage with our suppliers to understand and reduce the impacts of our supply chain.

During 2016 Cefas has continued efforts under the original GGC framework, to close the gap where targets were missed and to strive for continued improvement where they were met.

Further information on the GGCs is available at www.gov.uk/government/publications/greening-government-commitments-2014-to-2015-annual-report.

Governance

Cefas' sustainable operations and procurement strategy are delivered through our Divisional Directors and key performance

indicators are reported to the Senior Management Team on a monthly basis. Performance is also reported to Defra's Senior Leaders on a quarterly basis.

Environmental management system

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

CARBON – greenhouse gas emissions

<u>CO₂ reduction since 2009-10</u>	<u>2014-15 performance</u>
4.2%	Behind target

Cefas has achieved a 5.6% reduction in CO₂ emissions since 2009-10. This is behind the target of a 25% reduction by 2014-15. However it has closed the gap since 2014-15, where the reduction (with updated data for Q4) was 0.7%.

The shortfall in performance for greenhouse gas emissions is a consequence of ageing laboratory infrastructure. Investments have been made with two boilers being replaced by a new single one in the North Extension at Lowestoft; also, as offices are being refurbished, LED lighting is replacing existing.

Cefas has been allocated £5m over 5 years to address critical requirements at Lowestoft and Weymouth (e.g. improving laboratory infrastructure and working conditions). This will include identifying and reviewing opportunities for improving energy efficiency and implementing initiatives that will assist in meeting our CO₂ reduction targets. 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. use of LED and T5 lighting;
- continued use of improved ways of working (video/Skype for business/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.

A supplementary milestone in achieving the overall CO₂ reduction target is to cut domestic business travel flights by 20% compared to 2009-10 baseline. Cefas achieved a 31% reduction in 2015-16 compared to 2014-15.

SUSTAINABILITY REPORT cont'd

ENERGY		2015-16	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	9,039	8,922	8,844	8,734	8,245	8,588	8,622
	Total Electricity	4,702	4,847	4,790	4,959	4,984	4,927	5,067
	Electricity: Brown	3	6	1	29	11	56	102
	Electricity: Green	4,699	4,841	4,789	4,924	4,973	4,869	4,965
	Electricity: CHP	0	0	0	6	0	2	0
	Gas	4,337	4,064	3,917	3,775	3,261	3,661	3,555
	Oil	0	11	137	0	0	0	0
Financial indicators (£'000)	Total Energy Costs	741	726	720	674	678	705	791

GREEN HOUSE GAS EMISSIONS		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (tCO ₂ e)	Total Emissions	3,439	3,617	3,340	3,425	3,336	3,526	3,643
	Scope 1: Direct Emissions from Buildings	801	755	758	696	599	674	654
	Scope 2: Indirect Emissions from Buildings	2,398	2,606	2,316	2,461	2,446	2,584	2,700
	Total Building Emissions	3,199	3,361	3,074	3,157	3,045	3,258	3,354
	Scope 1: Direct Emissions from Business Travel ¹	163	173	183	177	194	179	188
	Scope 3: Emissions from Business Travel ¹	77	83	83	91	97	89	101
	Total Travel Emissions	240	256	266	268	291	268	289
	Emissions eligible for CRC scheme	n/a	n/a	3,309	2,925	3,266	n/a	n/a
	Financial indicators (£'000)	CRC ²	n/a	61	40	35	39	n/a
	Expenditure on official business travel	784	759	725	716	704	714	1,232

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

² CRC payment for 2015-16 has not yet been made.

SUSTAINABILITY REPORT cont'd

WASTE

Waste reduction since 2009-10	2015-16 performance
56%	Exceeding target

The 25% waste reduction by 2015, has been met. Continued improvements have resulted in a 56% waste reduction since 2009-10. All of our waste is managed according to the waste hierarchy – prevention, preparing for re-use, recycling, other recovery and disposal. From October 2015 one category of waste was diverted from landfill to incineration with energy recovery. This option is being considered for other waste streams. In 2015-16 one tonne of IT waste was recycled. 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.

WASTE		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (tonnes)	Total waste	129	128	138	161	222	189	295
	Hazardous waste	1	4	3	4	12	33	14
	Reused, recycled, composted	39	47	84	94	96	95	131
	Incinerated with energy recovery	71	50	12	28	71	17	53
	Incinerated without energy recovery	2	2	7	4	21	5	0
	Landfill	16	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)	Overall performance to date
20%	Target met

Using a three-year rolling average, we reduced water consumption by 20%, from our target of 94713.

However, the specific annual data for 2015-16 shows that we increased our water consumption by 17% 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		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Non financial indicators (m3)	Total Water Consumption¹	69,945	71,872	79,816	63,379	61,313	65,703	59,723
	Supplied (Office Estate)	9	9	14	23	23	15	1
	Supplied (Non Office Estate)	69,936	71,863	79,802	63,356	61,290	65,688	59,722
Financial indicators (£'000)	Water Supply Costs	385	369	305	212	145	220	183

¹ Abstracted water data is not reported under GGCs.

SUSTAINABILITY REPORT cont'd

Sustainable procurement

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

Green ICT

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

- continuing to implement the UK Government's Cloud First programme by expanding Cefas' use of Microsoft's Office 365 Services to optimise local ICT infrastructure as well as enable and support more flexible and mobile working practices;
- migrating to Office 365 has increased availability and usage of web-based messaging, audio and video conference facilities, enabling staff to share and collaborate on documents with participants located on and off-site; and
- further 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.



Tom Karsten
Chief Executive
07 July 2016

This signature covers the Performance Report

People

The Cefas Connects volunteering scheme and changes to our health and safety systems are described on p 17.

In 2015-16 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 and Good Manufacturing Practice. By maintaining these standards, we have a strong platform to ensure our processes remain robust and our outputs are highly reliable.

Biodiversity

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

Adaptation to climate change

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

Future strategy

We are currently reviewing options for the £5m allocated over five years to improve our facilities. The outcomes of that review will necessarily inform any further energy and water-reduction measures.



02 ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT DIRECTORS' REPORT

Our 89% staff-response rate 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 63% (2014–15: 61%). Our 89% staff-response rate 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%). It remains a highlight that 89% 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 and a variety of business and science-related workshops and roadshows. There are formal trade union meetings carried out in association with a Facilities Time agreement in accordance with Cabinet Office guidance.

The Cefas Connects volunteering scheme supports community-based initiatives, with staff raising funds for charities, and undertaking beach clean-ups and 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 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 *2015 Workforce Monitoring* report, available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/492067/workforce-monitoring-2015.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 (HSEQ) systems at Cefas have continued to be developed to make further efficiencies for users in new working environments. A new cloud-based training system has been introduced allowing an easily accessible single repository for all HSEQ training. We have also maintained our accreditation to OHSAS 18001 and are continuously striving to improve our systems and performance.

Leading on Culture Change in Health and Safety

The behavioural safety programme has reached its second phase where working group feedback is being transformed into initiatives which will improve the H&S culture, a key ingredient in the mission to protect the health, safety and welfare of our staff, partners and others.

Reported incidents and accidents

Proactive “risk flags” (non-injury incidents with the potential to cause injury/ill-health and/or opportunities to reduce risks further) numbers have remained strong with 1 raised for every 2.5 staff. This demonstrates good staff engagement and reflects our improving H&S culture. Our overall performance (three-year rolling average Accident Frequency Rate per million FTE of 1.5 (2014-15:3.3)) benchmarks positively against other Government Laboratory Agencies (2.9).

THE 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, include:

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

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

THE GOVERNANCE STATEMENT

This statement sets out the governance arrangements and performance of the Centre for Environment, Fisheries & Aquaculture Science (Cefas) in 2015-16. Cefas is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and as such it is fully accountable to Parliament through ministers.

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

Ministers nominate a member of the Defra Executive Committee (ExCo) to act on their behalf in all ownership matters and to be line manager for the Chief Executive. Throughout 2015-16 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. In 2015-16, Defra's Chief Operating Officer oversaw the appointment of Tom Karsten as Cefas Chief Executive and Accounting Officer. 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 as Accounting Officer has personal responsibility and accountability to Parliament for the organisation and quality of management within Cefas, including its use and stewardship of public assets. In delivering this role, the Chief Executive is supported and challenged by the Cefas Management Board (the Board). The Board provides strategic leadership for Cefas within a framework of prudent and effective controls, which enables risk to be assessed and managed. It is collectively responsible for the long-term success of the agency. The Board operates within the strategic context and authorities set by Defra. Its remit includes setting strategic aims, objectives and risk appetite; ensuring that necessary leadership and resources are in place to deliver its aims; challenging and supporting management performance; providing assurance on effective controls and risk management. A balance of executives, NEDs and a Defra senior official provides the appropriate skills, experience, independence and knowledge to enable the Board to discharge its duties and responsibilities. One NED is appointed as a "lead NED" and is Chair of the Board. This individual provides a sounding board for the Chief Executive and serves as an intermediary for other NEDs, when necessary.

The Board has three committees routinely reporting to it with individual terms of reference that are approved by the Board.

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

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

Science Advisory Committee: meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's science strategy and operations. The main focus this year has been continuing to implement recommendations from the 2012 independent review of Cefas' science capabilities.

People Development Committee: meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's leadership development, succession planning, reward strategies and employee relations. This year the key subjects of focus were taking an in-depth look at issues from the 2015 Civil Service People Survey, developing the people strategy aligned to Cefas' future business needs and recommending improvements to learning and development opportunities.

Conflicts of interest declared by Board members are managed by the Chair of the Board to ensure any necessary separation of the topic and the individual. During the year no material conflicts have been reported. Attendance at the Board and its committees' meetings has ensured quoracy requirements have been met throughout 2015-16 (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.

THE GOVERNANCE STATEMENT cont'd

Effectiveness of Cefas Management Board performance

The Board conducts an annual review of its terms of reference and an evaluation of its own performance and effectiveness. The performance evaluation approach for the year 2015-16 was based on an internally developed range of questions, recognising that income in Board membership in the year would not provide a balanced backward review which the Cabinet Office assessment scope covers. Enhancement actions were agreed which focused on strengthening the value from collective attention through channelling more NED time and experience to strategic objectives whilst achieving effective and efficient emphasis on their roles of assurance and challenge and on the delegation of some activities to Board sub-committees.

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 reflected in Section 1, Our Performance Report.

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

Risk appetite

Cefas' principal managed risk would be the delivery of poor scientific evidence or advice resulting in reputational damage. Cefas depends on its reputation for scientific excellence to 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 77% of sales are for UK government (2014-15: 78%), 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 business risks for commensurate return on investment.

Other significant risk priorities managed during the year included:

- the loss of major project opportunities and renewals from wider market customers and the Defra Group at a time when dependence on growing these customer bases increases;
- the increase of business risks with accompanying currency and political risks with overseas customers as the ratio of UK government work to wider market declines;
- capital budget restrictions which impact on availability of business critical facilities including sufficient investment to renovate laboratory facilities that are nearing the end of their acceptable life; 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 substantial assurance over the controls reviewed in the year. Responses to agreed actions have been satisfactorily completed. Assurance in year included compliance with Managing Public Money giving growing wider market activities. Further work on the management of the facilities

THE GOVERNANCE STATEMENT cont'd

management contract is planned in conjunction with Defra Estates, focusing on service delivery assurance which will work towards closing out the significant issue below.

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 as described in the UK government AQuA principles and no significant issues were identified in the year. A whistleblowing policy is in place and operated throughout the organisation. The Board has not assessed the effectiveness of the whistleblowing policy in the current year but plan to do so within the next year. There were no reported incidents over this reporting period. There were no significant lapses of corporate or personal protected data and no ministerial directions received in the year. Regular internal communications continue to provide an effective way of maintaining awareness amongst staff of obligations and reporting arrangements for dealing with potential fraud, bribery, information security and whistleblowing matters.

Significant issues and risks

Good progress continued against our long-term strategic plans in 2015-16 however one issue required continued management through the year and going forward:

- 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 being implemented by Defra Estates as Contract Manager and we expect to see remedy of this process weakness by Q1 2016-17.

Conclusion

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

REMUNERATION AND STAFF

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

Tom Karsten was appointed as Chief Executive on 7 September 2015 replacing Mike Waldoock who retired on the 5 June 2015. Tim Green was Chief Executive in the interim period and is currently Deputy Chief Executive and Finance Director. Tom Karsten, 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.

James Lowen joined the CMB on 8 April 2015 as a Defra board member and resigned on 6 January 2016. Tanya Arkle joined CMB on 4 February 2016 as a Defra board member. Defra assumed all costs of their attendance at the Board. Andrew Watkinson joined as non-executive director on 1 July 2015. Sue Sharland ended her non-executive term of office on 31 December 2015. Anne MacColl joined as a non-executive director on 1 April 2016. All non-executive directors are contracted by Cefas and have notice periods of three months, from either Cefas or the individual. No awards for early termination were made to existing or former directors in the year.

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

REMUNERATION OF CEFAS DIRECTORS

		Salary for period		Performance pay		Pension benefits		Total	
		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
CMB executive directors									
Chief Executive									
Tom Karsten (from 7 September 2015)	1	70-75	0	0	0	28	0	95-100	0
Mike Waldoock (to 5 June 2015)	2	15-20	85-90	0	10-15	5	19	20-25	110-115
Deputy Chief Executive and Finance Director									
Tim Green	3	75-80	70-75	10-15	10-15	32	25	120-125	105-110
Chief Scientific Advisor									
Stuart Rogers		70-75	65-70	0-5	0-5	26	25	95-100	95-100
Commercial Director									
Steve Addison (from 14 July 2014)		70-75	50-55	10-15	0	28	19	110-115	65-70
Reg Eayrs (to 30 April 2014)		0	5-10	0	0	0	6	0	10-15
Director of Human Resources and Organisational Development									
Karin Rundle		55-60	60-65	5-10	5-10	28	29	90-95	95-100
Operations Director									
Steve Millward		70-75	65-70	0-5	0-5	32	32	105-110	100-105

REMUNERATION MEDIAN AND RATIOS

Band of highest paid employee total remuneration excluding pension benefits (£'000)	125-130	95-100
Median Total Remuneration	30,528	29,868
Ratio	4.09	3.21

REMUNERATION AND STAFF cont'd

The individuals in **REMUNERATION OF CEFAS DIRECTORS table** (page 22) 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 2015-16 and 2014-15.

No CMB executive directors were in receipt of any benefits in kind (2014–15: Nil); nor did they hold any company directorships or other significant interests that may have conflicted with their management responsibilities. All salary or fee-related payments to CMB executive and non-executive directors are made through the PAYE system.

REMUNERATION OF CEFAS DIRECTORS

	Fee band		Performance pay		Pension benefits		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
CMB non-executive directors								
Andrew Field (to 31 May 2014)	0	0-5	0	0	0	0	0	0-5
Michael Gates (to 31 July 2014)	0	0-5	0	0	0	0	0	0-5
Sue Sharland (to 31 December 2015)	4	5-10	10-15	0	0	0	5-10	10-15
Nicholas Owens (to 31 March 2015)	0	10-15	0	0	0	0	0	10-15
Bruce Macaulay (from 1 October 2014)	10-15	0-5	0	0	0	0	10-15	0-5
Jane Smallman (from 1 October 2014)	10-15	0-5	0	0	0	0	10-15	0-5
Andrew Watkinson (from July 2015)	5	5-10	0	0	0	0	5-10	0
CMB Defra board members								
Lee McDonough (to 31 December 2014)	0	0	0	0	0	0	0	0
James Lowen (from 8 April 2015 to 6 January 2016)	6	0	0	0	0	0	0	0
Tanya Arkle (from 4 February 2016)	7	0	0	0	0	0	0	0

REMUNERATION AND STAFF cont'd

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 at 31 March 2016 Note 8 £'000	CETV at 31 March 2015 Note 9 £'000	Real increase in CETV £'000
CMB executive directors					
Chief Executive					
Tom Karsten (from 7 September 2015)	0 - 2.5 plus 0 lump sum	0 - 2.5 plus 0 lump sum	20	0	15
Deputy Chief Executive and Finance Director					
Tim Green	0 - 2.5 plus 0 lump sum	12.5 - 15 plus 0 lump sum	204	160	15
Chief Scientist					
Stuart Rogers	0 - 2.5 plus 2.5 - 5 lump sum	25 - 27.5 plus 80 - 82.5 lump sum	573	508	24
Commercial Director					
Steve Addison	0 - 2.5 plus 0 lump sum	2.5 - 5 plus 0 lump sum	40	16	17
Director of Human Resources and Organisational Development					
Karin Rundle	0 - 2.5 plus 0 lump sum	10 - 12.5 plus 0 lump sum	149	112	11
Operations Director					
Steve Millward	0 - 2.5 plus 0 lump sum	15 - 17.5 plus 0 lump sum	229	191	16

Notes to tables on pp 21-23

1. Tom Karsten commenced as Chief Executive on 7 September 2015. His full year salary equivalent was in the band £125,000-£130,000.
2. Mike Waldock retired with effect from 5 June 2015. His full year salary equivalent was in the band £85,000-£90,000.
3. Tim Green was Chief Executive during the period from 6 June 2015 to 6 September 2015 and his salary reflects an increment for this period. His normal full year salary equivalent is in the band £70,000-£75,000.
4. Sue Sharland's term of office as a non-executive director ended on 31 December 2015.
5. Andrew Watkinson joined the CMB as a non-executive director on 1 July 2015.
6. James Lowen joined the CMB as a Defra board member on 8 April 2015 and resigned on 6 January 2016.
7. Tanya Arkle joined the CMB as a Defra board member on 4 February 2016.
8. CETV: cash equivalent transfer value.
9. The figures in this column may be different from the closing figures in last year's accounts. This is because CETV factors have been updated, to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
10. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

REMUNERATION AND STAFF cont'd

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

	2015-16			2014-15		
	Male	Female	Total Numbers	Male	Female	Total
Directors—SCS 1	2	0	2	2	0	2
Directors—SCS 2	1	0	1	1	0	1
Directors—Other	2	1	3	2	1	3
Other Permanently employed staff	295	211	506	305	210	515
Total	300	212	512	310	211	521

Staff costs

	Permanently	Temporarily	Total	Total
	Employed staff	Employed staff	2015-16	2014-15
	£'000	£'000	£'000	£'000
Wages and salaries	17,180	3	17,183	17,494
Social Security costs	1,235	0	1,235	1,255
Superannuation	3,297	0	3,297	2,991
Total staff expenditure	21,712	3	21,715	21,740

The average number of working days lost due to sickness was 3.5 days (2014-15: 3.1 days), which compares favourably to the 7.3 average working days lost across the wider Civil Service.

No off-payroll arrangements, no consultancy and temporary staff costs totalling £3,000 (0.2 FTE) were incurred during the year. Cefas operates the "Two Ticks" disability symbol in recruitment and employment. "Two Ticks" is a commitment to guarantee an interview to any candidate who has disclosed a disability, as defined under the Equality Act 2010, and meets the minimum (essential eligibility) criteria for the post. Comprehensive guidance on making reasonable adjustments at work and supporting disabled employees is provided to managers. All line managers are required to complete unconscious bias training which was introduced in September 2013. Disability leave enables disabled employees to take paid time off work for assessment, treatment and rehabilitation. All other employment policies are adopted where employment law or Civil Service Employment Policy dictate.

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

Parliamentary Accountability Report

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

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

Contingencies and Liabilities—Note 18 to the Accounts details our contingencies and liabilities, which are all IAS 37 compliant.

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



Tom Karsten
Chief Executive
7 July 2016

This signature covers the Accountability Report

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

I certify that I have audited the financial statements of the Centre for Environment, Fisheries and Aquaculture Science (Cefas) for the year ended 31 March 2016 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 and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

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

with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Cefas' affairs as at 31 March 2016 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.

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

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

July 2016

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London SW1W 9SP

03 FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET INCOME FOR THE YEAR ENDED 31 MARCH 2016

		<u>2015-16</u> £'000	<u>2014-15</u> £'000
	Note		
Staff costs	2	21,715	21,740
Other administration costs	4	24,907	26,538
Operating income	5	(47,411)	(50,448)
Net operating income		<u>(789)</u>	<u>(2,170)</u>
Other comprehensive expenditure			
Net loss on revaluation of property, plant and equipment	7	667	4,367
Net (gain) on revaluation of intangibles	8	(40)	0
		<u>627</u>	<u>4,367</u>
Total comprehensive (income)/expenditure for the year ended 31 March 2016		<u>(162)</u>	<u>2,197</u>

All income and expenditure relates to continuing operations.

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

		<u>31 March 2016</u>	<u>31 March 2015</u>
	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	7	17,571	20,896
Intangible assets	8	0	61
Investments	10	150	150
Total non-current assets		17,721	21,107
Current assets			
Trade receivables	12	3,116	3,592
Other current assets	12	4,229	5,047
Cash and cash equivalents	13	5,786	5,623
Total current assets		13,131	14,262
Total assets		30,852	35,369
Current liabilities			
Trade payables	14	(716)	(849)
Other current liabilities	14	(7,737)	(9,447)
Provisions	15	(944)	(712)
Total current liabilities		(9,397)	(11,008)
Non-current assets plus net current assets		21,455	24,361
Non-current liabilities			
Provisions	15	(1,740)	(1,707)
Other payables	14	(194)	(161)
Assets less liabilities		19,521	22,493
Taxpayers' equity			
General Fund	See page 31	17,925	20,039
Revaluation Reserve	See page 31	1,596	2,454
Total taxpayers' equity		19,521	22,493



Tom Karsten
Chief Executive
7 July 2016

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2015-16		2014-15	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net operating income			789		2,170
Adjustments for non-cash transactions					
Depreciation charge	7	2,045		2,662	
Amortisation	8	23		40	
Impairment	9	1,674		822	
Auditor's remuneration	4	46		46	
Facilities management contract		4,220		(267)	
Defra management charges		200			
Loss on disposal	4	93		173	
			8,301		3,476
Decrease/(Increase) in receivables		1,295		(1,660)	
(Decrease) in payables		(1,454)		(363)	
Increase in provisions		265		319	
			106		(1,704)
Net cash inflow from operating activities			9,196		3,942
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,433)		(855)	
Proceeds of disposal of property, plant and equipment		0		1	
Net cash flow from investing activities			(1,433)		(854)
Cash flows from financing activities					
Excess cash funding repaid to Defra			(7,600)		(8,500)
Net financing					
Net increase / (decrease) in cash and cash equivalents in the year			163		(5,412)
Cash and cash equivalents at the beginning of the year	13		5,623		11,035
Cash and cash equivalents at the end of the year	13		5,786		5,623

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

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY/ MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 MARCH 2016

		General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2014	Note	<u>26,590</u>	<u>6,821</u>	<u>33,411</u>
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		<u>1,949</u>	<u>(4,367)</u>	<u>(2,418)</u>
Excess cash funding repayable to Defra		(8,500)	0	(8,500)
Balance at 31 March 2015		<u>20,039</u>	<u>2,454</u>	<u>22,493</u>
Comprehensive income				
Non-cash adjustments				
Notional charges				
Auditor's remuneration	4	46	0	46
Facilities management contract		4,220	0	4,220
Defra management charges		200	0	200
Notional credit				
Facilities management contract refund		0	0	0
Depreciation adjustment		0	0	0
Movements in reserves				
Net operating income		789	0	789
Transfers between reserves		231	(231)	0
Recognised in Statement of Comprehensive Net Income revaluation		0	(627)	(627)
Total recognised income and expense for 2015-16		<u>5,486</u>	<u>(858)</u>	<u>4,628</u>
Excess cash funding repayable to Defra		(7,600)	0	(7,600)
Balance at 31 March 2016		<u>17,925</u>	<u>1,596</u>	<u>19,521</u>

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

NOTES TO THE ACCOUNTS

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 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

NOTES TO THE ACCOUNTS

expected to derive from the asset, discounted by a rate that reflects current market assessments of the time-value of money and the risks specific to the asset. Any impairments arising from the consumption of economic benefits are recognised directly in the SoCNI. The impairment is first met by a reduction from the Revaluation Reserve for that asset and charged through other comprehensive expenditure. 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 (income)

Operating income (income) 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.

Income 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.

NOTES TO THE ACCOUNTS

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 1.3%) 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.

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.

NOTES TO THE ACCOUNTS

NOTE 2. STAFF-RELATED EXPENDITURE

(a) Staff costs

	Permanently Employed staff	Temporarily Employed staff	Total 2015-16	Total 2014-15
	£'000	£'000	£'000	£'000
Wages and salaries	17,180	3	17,183	17,494
Social Security costs	1,235	0	1,235	1,255
Superannuation	3,297	0	3,297	2,991
Total staff expenditure	21,712	3	21,715	21,740

Included in the permanently employed staff costs for 2015-16 is an accrual for untaken leave and leave in lieu of £957,000 (2014-15: £1,083,000).

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 2015-16, employers' contributions of £3,277,000 were payable to the PCSPS (2014-15: £2,973,000) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands (the rates in 2014-15 were between 16.7% and 24.3%).

The contribution rates are set to meet the cost of the benefits accruing during 2015-2016 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 £20,000 (2014-15: £18,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are aggregated and range from 8% to 14.75% of pensionable pay (the rates in 2014-15 were between 3% and 12.5%). 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 (2014-15: £1,000) and contributions prepaid at that date were £1,000 (2014-15: £1,000).

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

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

	2015-16 Total Numbers	2014-15 Total Numbers
Female	212	211
Male	300	310
Total	512	521

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

There were no redundancies and other departure costs paid in 2015-16 and 2014-15.

NOTES TO THE ACCOUNTS

NOTE 4. OTHER ADMINISTRATION COSTS

		2015-16 £'000	2014-15 £'000
	Note		
Direct subcontracting costs			
Technical Services		<u>3,822</u>	<u>5,730</u>
Facilities management			
Accommodation		194	110
Charters		302	325
Facilities Management		4,804	4,085
Vessel Management		4,829	5,023
		<u>10,129</u>	<u>9,543</u>
Others			
Defra Management Overhead		170	43
Doubtful Debts		208	58
Effect of Exchange movement		12	147
IT and Communications		1,248	1,069
Laboratory Consumables		2,256	2,753
Library Purchases		224	253
Other Expenditure		54	80
Postage		239	279
Recruitment and Training		200	268
Relocation and Severance		5	16
Stationery and Printing		82	132
Telecommunications		117	116
Travel and Subsistence		1,482	1,563
		<u>6,297</u>	<u>6,777</u>
Provisions	15	699	677
Quality, accreditation and internal audit costs		79	68
Charges related to the consumption of assets			
Amortisation	8	23	40
Asset disposal		93	173
Depreciation	7	2,045	2,662
Impairment of Assets	9	1,674	822
Total for charges related to the consumption of assets		<u>3,835</u>	<u>3,697</u>
Total for non-pay costs		<u>24,861</u>	<u>26,492</u>
External audit remuneration*		46	46
Total for other administrative costs		<u>24,907</u>	<u>26,538</u>

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

NOTES TO THE ACCOUNTS

NOTE 5. OPERATING INCOME

	2015-16	2014-15
	£'000	£'000
Advice, evidence and research	45,480	47,869
European Union:		
Delivered by Cefas	1,853	1,882
Cefas as agent for the European Union	78	697
	<u>47,411</u>	<u>50,448</u>
European Union outsourced work	<u>(78)</u>	<u>(697)</u>

NOTE 6. SEGMENTAL REPORT

Income was earned from the following business segments:

	2015-16	2014-15
	£'000	£'000
Operating Income		
Core Defra	23,976	28,147
Defra Network	3,665	2,084
Public Sector	8,696	9,207
European Union	1,931	2,579
Industry and other	9,143	8,431
Total	<u>47,411</u>	<u>50,448</u>
Contribution towards indirect overheads		
Core Defra	2,979	3,485
Defra Network	752	456
Public Sector	2,044	2,154
European Union	311	118
Industry and other	<u>2,107</u>	<u>2,107</u>
	<u>8,193</u>	<u>8,320</u>
Indirect Overheads	<u>(7,404)</u>	<u>(6,150)</u>
Net Operating surplus	<u>789</u>	<u>2,170</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 2015	669	26,371	24,953	537	6,282	252	298	59,362
Indexation	0	0	0	3	200	1	0	204
Revaluation	1 107	(894)	0	0	40	0	0	(747)
Impairment	2 (8)	(71)	(1,720)	0	0	0	0	(1,799)
Additions	0	0	0	0	0	0	1,076	1,076
Transfers	0	691	0	17	683	0	(1,374)	17
Disposals	0	0	0	(56)	(218)	0	0	(274)
Disposals (Zero NBV)	0	0	0	(214)	(901)	0	0	(1,115)
At 31 March 2016	768	26,097	23,233	287	6,086	253	0	56,724
Depreciation								
At 1 April 2015	(125)	(18,693)	(15,453)	(409)	(3,608)	(178)	0	(38,466)
Indexation	0	0	0	(2)	(121)	(1)	0	(124)
Revaluation	0	0	0	0	0	0	0	0
Provided in year	0	(754)	(530)	(62)	(669)	(30)	0	(2,045)
Impairment	3 125	0	0	0	0	0	0	125
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	55	187	0	0	242
Disposals (Zero NBV)	0	0	0	214	901	0	0	1,115
At 31 March 2016	0	(19,447)	(15,983)	(204)	(3,310)	(209)	0	(39,153)
Net book value								
At 31 March 2016	768	6,650	7,250	83	2,776	44	0	17,571
At 31 March 2015	544	7,678	9,500	128	2,674	74	298	20,896
Owned	768	6,650	7,250	83	2,776	44	0	17,571

1 The revaluation reduction of £894,000 in buildings represents a further adjustment to our Weymouth site.

2 The impairment reduction of £1,720,000 in our research vessel reflects the further softening of the offshore vessel market.

3 The impairment movement of £125,000 represents the reversal of previous years valuations.

4 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.

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

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	4 (71)	(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)
Revaluation	0	0	0	0	0	0	0	0
Provided in year	0	(1,131)	(555)	(83)	(864)	(29)	0	(2,662)
Impairment	4&5 (125)	(297)	(445)	0	45	0	0	(822)
Transfers	0	0	0	0	0	0	0	0
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

Land and buildings were revalued on a "depreciated replacement cost" basis with effect from 31 March 2016 by Montagu Evans, 5, Bolton Street, London W1J 8BA.

The research vessel was revalued on a "market value" basis with effect from 31 March 2016 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 March 2016.

NOTES TO THE ACCOUNTS

NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise software licences.

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

	Information technology
Cost or valuation	£'000
At 1 April 2014	202
Indexation	2
Transfers	17
Disposals (zero net book value)	(7)
At 31 March 2015	214
Amortisation	
At 1 April 2014	(118)
Indexation	(2)
Provided in year	(40)
Disposals (zero net book value)	7
At 31 March 2015	(153)
Net book value	
At 31 March 2015	61
At 31 March 2014	84
Owned	61

NOTES TO THE ACCOUNTS

NOTE 9. IMPAIRMENTS

Property, plant and equipment	2015-16	2014-15
	£'000	£'000
Research vessel impairment	1,720	445
Land and Buildings (reversal) impairment	(46)	422
Scientific equipment (reversal)	0	(45)
	<u>1,674</u>	<u>822</u>

Reflects the valuations detailed in Note 7.

NOTE 10. NON-CURRENT ASSET INVESTMENTS

Cost and net book value	£'000
At 1 April 2015 and at 31 March 2016	<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 will be reviewed on a regular basis and provision made for any impairment in value.

In accordance with the FReM, the non-current asset investment has not been consolidated as it is 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:

	2015-16	2014-15
	£'000	£'000
	Draft	Audited
Non-current assets	101	125
Other current assets	177	227
Cash and cash equivalents	1,302	1,161
Liabilities	(192)	(176)
Net assets at 31 March	<u>1,388</u>	<u>1,337</u>
Income	437	407
Profit (before tax) for the year	50	92

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 £'000	Other Financial Liabilities £'000
Balance at 31 March 2016		
Cash and cash equivalents	5,786	0
Trade and other receivables	3,525	0
Trade and other payables	0	(1,974)
	9,311	(1,974)
	£'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)

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. 69% of this total relates to non-government credit risk. This amount is net of a doubtful debt provision of £268,000 (2014-15: £60,000) 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 95% (2014-15: circa 100%).

No interest was paid in respect of late payment of debt (2014-15: £NIL).

The trade payable outstanding at 31 March 2016 as a proportion of our total purchases from suppliers during the year was equivalent to 13 days trading (2014-15: 14 days).

NOTES TO THE ACCOUNTS

NOTE 11.2 FOREIGN EXCHANGE

Exchange differences comprise:

	2015-16	2014-15
	Gain / (loss)	Gain / (loss)
	£'000	£'000
Resulting from translation	(57)	(120)
Arising at a transactional level	45	(27)

NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	As at 31 March	As at 31 March
	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	<u>3,116</u>	<u>3,592</u>
Other receivables:		
Defra	409	1,296
Accrued income - EU	958	1,792
Pre-payments and accrued income	2,859	1,956
Sundry receivables	3	3
	<u>4,229</u>	<u>5,047</u>

There are no receivables due after more than one year.

Intra-government receivable balances as at 31 March 2016 with the following bodies were: other central government bodies £2,828,000 (2014-15: £3,240,000), local authorities £4,000 (2014-15: £27,000), bodies external to government £4,513,000 (2014-15: £5,372,000).

NOTES TO THE ACCOUNTS

NOTE 13. CASH AND CASH EQUIVALENTS

	2015-16	2014-15
	£'000	£'000
Balance at 1 April	5,623	11,035
Net change in cash and cash equivalent balances	163	(5,412)
Balance at 31 March 2016	<u>5,786</u>	<u>5,623</u>
The following balances at 31 March were held at:		
Government banking services	5,786	5,623
Balance at 31 March 2016	<u>5,786</u>	<u>5,623</u>

NOTE 14. TRADE PAYABLES AND OTHER CURRENT PAYABLES

NOTE 14. Trade payables and other current payables

	As at 31 March 2016	As at 31 March 2015
	£'000	£'000
Amounts falling due within one year		
Trade payables	<u>716</u>	<u>849</u>
Other taxation and Social Security	361	363
Accruals	3,595	5,865
VAT	527	552
Other payables	370	332
Deferred income	2,884	2,335
	<u>7,737</u>	<u>9,447</u>
Other current liabilities		
Amounts falling due after more than one year		
Other payables	<u>194</u>	<u>161</u>

Other payables include employee pension contributions at 31 March 2016 totalling £370,000 (2014-15: £332,000).

Intra-government payable balances as at 31 March 2016 with the following bodies were: other central government bodies £2,751,000 (2014-15: £4,441,000) and bodies external to government £5,896,000 (2014- 15: £6,016,000).

NOTES TO THE ACCOUNTS

NOTE 15. PROVISIONS

	Facility	Contract Provisions/ losses	Legal claims	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2015	1,471	743	205	2,419
Provided in the year	7	724	112	843
Provisions not required written back	0	(35)	(109)	(144)
Provisions Utilised in the year	(32)	(402)	0	(434)
Balance at 31 March 2016	<u>1,446</u>	<u>1,030</u>	<u>208</u>	<u>2,684</u>
Analysis of expected timings of discounted flows				
Not later than one year	123	736	85	944
Later than one year and not later than five years	267	294	123	684
Later than five years	<u>1,056</u>	<u>0</u>	<u>0</u>	<u>1,056</u>
Balance at 31 March 2016	<u>1,446</u>	<u>1,030</u>	<u>208</u>	<u>2,684</u>

NOTES TO THE ACCOUNTS

NOTE 15.1 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 15.2 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 15.3 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

	2015-16	2014-15
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these accounts.		
Property, plant and equipment	<u>0</u>	<u>304</u>

NOTES TO THE ACCOUNTS

NOTE 17. COMMITMENTS UNDER LEASES

NOTE 17.1 Operating leases

Total future minimum lease payments under operating leases:

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Obligations under operating leases comprise:		
Land		
Not later than one year	1	1
Later than one year and not later than five years	2	2
Later than five years	2	3
Total	5	6
Buildings		
Not later than one year	95	118
Later than one year and not later than five years	258	175
Later than five years	0	0
Total	353	293
Other		
Not later than one year	47	74
Later than one year and not later than five years	3	55
Later than five years	0	0
Total	50	129

NOTE 17.2 Other financial commitments

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

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Other financial commitments - Total		
Other financial commitments - Not later than 1 year	2,441	2,669
Other financial commitments - 1 to 5 years	9,764	10,676
Other financial commitments - Later than years	7,336	10,676
	19,541	24,021

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 (£300,000) and £300,000 (2014-15: a range between (£300,000) and £300,000).

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, NDPBs (Non-Departmental Public Bodies) and Joint Ventures including the Marine Management Organisation, Natural England, the Joint Nature Conservation Committee and the Environment Agency.

Income of £23,976,000 was derived from core Defra (2014-15: £28,147,000) and £200,000 costs were payable to core Defra (2014-15: £43,000). At 31 March 2016, £409,000 was due from core Defra (2014-15: £1,296,000) and £NIL was owed to core Defra (2014-15: £61,000).

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, 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.

Income of £Nil was derived from HR Wallingford (2014-15: £Nil) and £Nil costs were payable to HR Wallingford (2014-15: £Nil). At 31 March 2016, £Nil was due from or owed to HR Wallingford.

CTL is a non-current asset investment (see Note 10). The shares are held by Tom Karsten as nominee of the trustees for Cefas. Income of £160,000 was derived from CTL (2014-15: £107,000) and costs of £86,000 were payable to CTL (2014-15: £130,000). At 31 March 2016, £127,000 was due from CTL (2014-14: £103,000) and £NIL was owed to CTL (2014-15: £78,000).

NOTE 20. EVENTS AFTER THE REPORTING DATE

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue by Tom Karsten as Accounting Officer. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

- From 1 April 2016, Cefas will be treated as a Gross Executive Agency rather than as a Net Executive Agency which has been the case since 1997. The accounting presentation will be amended to reflect this new status for the year ended 31 March 2017.
- On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Cefas conducts significant work within the Defra portfolio relating to EU Directives and has significant scientific interaction with EU colleagues. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU.
More details on the Cefas' financial interaction with Defra and the EU can be found in the Notes 5 and 6. In accordance with IAS 10 this is a non-adjusting event and a reasonable estimate of the financial effect of this event cannot be made.

There were no other events to report.

ABBREVIATIONS

ARAC	Audit and Risk Committee
BBSRC	Biotechnology and Biological Sciences Research Council
CCSUS	Collaborative Centre for the Sustainable use of the Seas
CFP	Common Fisheries Policy
CMB	Cefas Management Board
CTL	Cefas Technology Limited
DEFRA	Department for Environment Food & Rural Affairs
EC	European Commission
ExCO	Executive Committee
FSA	Food Standards Agency
HSEQ	Health, Safety, Environment and Quality
ICES	International Council for the Exploration of the Sea
MC3	Marine Climate Change Centre
MCCIP	UK Marine Climate Change Impacts Partnership
MCZ	Marine Conservation Zones
MSFD	Marine Strategy Framework Directive
NDPB	Non-Departmental Public Body
NED	Non-Executive Director
NOC	National Oceanography Centre
OIE	World Organisation for Animal Health
OSPAR	Oslo and Paris Commission
PICES	North Pacific Marine Science Organization
RV	Research Vessel
UEA	University of East Anglia
UKHO	UK Hydrographic Office



Centre for Environment Fisheries & Aquaculture Science



Department for Environment Food & Rural Affairs

Our laboratories:

Lowestoft
Pakefield Road
Lowestoft
Suffolk NR33 0HT
UK
Tel: +44 (0) 1502 562 244
Fax: +44 (0) 1502 513 865

Weymouth
Barrack Road, The Nothe
Weymouth
Dorset DT4 8UB
UK
Tel: +44 (0) 1305 206 600
Fax: +44 (0) 1305 206 601

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

www.cefas.co.uk

Cefas is an executive agency of Defra

