Cefas

Centre for Environment Fisheries & Aquaculture Science

Annual Report and Accounts 2017-18

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Centre for Environment, Fisheries & Aquaculture Science

Annual Report and Accounts 2017-18

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1.1 Overview

The following section will help you understand Cefas, its purpose, the key risks to the achievement of its objectives, and how it has performed during the year.

1.1.1 Chief Executive Statement

The Annual Report and Accounts is an important point in our reporting calendar when, amid exciting plans for the future, we pause for reflection. This year I am pleased to report that Cefas has accomplished a great deal.

Since my last report, we have continued to work across UK government, providing expert scientific evidence, advice and policy guidance. This extremely busy reporting period has seen us support Defra's critical preparations for EU exit activities whilst contributing to many wider policy objectives, such as the recently launched 25 Year Environment Plan, combatting marine litter and enhancing marine protection and resilience internationally.

The 25 Year Plan sets out Defra's goals for improving our environment and leaving it in a better state than we find it. This requires Cefas to play a key role in its implementation, including, as we leave the Common Fisheries Policy, the implementation of a sustainable fisheries policy; achieving good environmental status of our seas, while allowing marine industries to thrive; and, completing our ecologically coherent network of well-managed marine protected areas (MPAs). Much of our effort during the year has been focussed on this work.

Over the period, the Government has taken an increasingly active role on marine litter and there is a growing public awareness of its impacts. Cefas' well established record of science and research informed the consultation and subsequent ban on microbead use (January 2018). More recently, in April 2018, Cefas hosted the UK Deputy Prime Minister and Heads of Government from St Lucia and Vanuatu on board the RV Cefas Endeavour, as part of the programme of events for the Commonwealth Heads of Government Meeting (CHOGM) in London. Following the UK Prime Minister's CHOGM announcement of the Commonwealth Clean Oceans Alliance (CCOA), an agreement between member states to join forces in the fight against plastic pollution, Cefas is playing an important role in supporting the UK and CCOA's efforts to tackle the scourge of marine litter overseas.

Internationally, we have continued delivering science for Defra, the Foreign and Commonwealth Office and Cabinet Office in an increasing number of high-profile international programmes. Delivery of the Commonwealth Marine Economies Programme, (in partnership with the UK Hydrographic Office and National Oceanographic Centre), and the UK Overseas Territories Blue Belt programme (in partnership with the Marine Management Organisation) continued throughout the year and, in the case of the Blue Belt, saw us expanding our international profile by working with regional governments and administrations responsible for, amongst others, Tristan da Cunha and St Helena.

In the Middle East, we are in the process of further developing our cooperation with the Kuwait Environment Public Authority and we have progressed a range of projects in support of the UK Gulf Marine Economies Programme (UKGMEP). In addition, we also increased our engagement with the international scientific and policy communities at a number of international meetings and conferences, from the UN Oceans SDG14 Conference to the Disease in Asian Aquaculture Conference.

Science is made stronger by collaborations, and our partnerships with other organisations remains fundamental to our success. In November, we took the next step in our long-standing strategic alliance with the University of Exeter and launched a new collaborative Centre. The 'Centre for Sustainable Aquaculture Futures' will help provide future generations with safe and sustainable farmed seafood by meeting the challenges faced by the rapidly growing aquaculture industry. The Centre is an excellent example of how we are developing links with academia to drive applied and research science forward. We will work closely with our colleagues at Exeter, and at our similar Collaborative Centre for Sustainable Use of the Seas at University of East Anglia to collaborate on more cutting-edge research to solve real-world problems to enable food security and sustainable blue growth.

1.1.1 Chief Executive Statement cont'd

In October, to further develop and strengthen our partnerships, we held our annual Science Conference at the Royal Society in London, with RV Cefas Endeavour moored on the Thames alongside HMS Belfast providing a platform for stakeholders. The event allowed us to present the work we do at home and abroad to a wide audience and to showcase our excellent science and passionate people. The event also provided an opportunity for wide ranging discussions as to how we can continue to provide essential scientific advice and services to Defra, other government departments and wider market customers in pursuit of their marine priorities.

We have also been actively developing new links with other national and international organisations such as the World Bank, and global development funds such as the Green Climate Fund. We are working with these multinational funding bodies and governments in regions including the Caribbean, Pacific, Middle East and South East Asia to make a real difference for society internationally and build capacity with our counterparts around the world.

A thriving organisation requires the right structure and working environment for its people to flourish. We pride ourselves in our approach to continuous improvement, increasing our customer focus, adaptability and organisational strength. There have been a number of important milestones on this journey, and we started the year by re-organising our business into an end-to-end, directorate based structure covering strategy, commercial, operations, corporate services and science, to better foster collaboration across the organisation, meet the needs of our customers and develop our scientific research.

In September, we were pleased to announce the beginning of a new era of marine science at Cefas, with planning permission granted for us to redevelop our headquarters site in Lowestoft. We have secured an investment of c£16 million from Defra and the New Anglia Local Enterprise Partnership to build a new and modern office facility and refurbish our laboratory facilities to create an efficient and engaging workplace for world-leading marine and freshwater science. As part of our commitment to new and smarter ways of working in buildings appropriate for our science and people, we have also invested in refurbishment of our Weymouth laboratory, reducing running costs. Work is now underway in Lowestoft and we look forward to a phased handover of the new facilities, planned for late 2019/20.

I am pleased to report that our key performance indicators have once again shown a positive trend. Highlights include:

- Scientific Excellence – we published 200 scientific papers (up on 2016-17)
- Employee engagement - in October, we increased our engagement score to 65%, taking us into the upper quartile of organisations across the Civil Service. This was based on a response rate of nearly 95%, which is amongst the top
- Customer Satisfaction – we achieved an annual customer satisfaction score of 88%

We remain well aware of the challenges ahead. The progress Cefas is making has not been possible without the continued commitment of our people, and I pay full tribute to their efforts. There is no doubt in my mind that their hard work, adaptability, resilience and professionalism underpin Cefas' science excellence and international leadership. Together we look towards an exciting new era for Cefas, with well-placed confidence and appropriate ambition.

Tom Karsten
Chief Executive
13 June 2018

1.1.2 Vision, Purpose and Activities

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

- Ensure sustainable food supplies in the UK and internationally through the provision of advice on sustainable marine and freshwater fisheries and by advising on sustainable development of aquaculture with an emphasis on disease prevention, treatment and management;
- Ensure safe seafood supplies by assessing risks to human health from natural (biotoxins, bacteria, viruses) and chemical hazards; and
- Support the UK government to ensure sustainable use of the marine environment through development and implementation of national and international marine management obligations in the UK, the Overseas Territories, the Commonwealth and beyond.

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

Ensuring safe and sustainable seafood

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

Each year the UK government uses Cefas advice to support international decisions associated with the EU's Common Fisheries Policy (CFP), leading to improvements in fish stocks, quota increases and a more profitable and sustainable UK fishing industry. Our science and advice are used to achieve environmental sustainability, while continuing to conserve fish stocks 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, including through advice on avoiding unwanted catch and discarding exemptions based on the survivability of a species if returned to the sea alive.

A particular focus of our work this year has been to support the preparations for EU Exit. When we leave the EU, we will no longer be bound by the Common Fisheries Policy or marine environmental and other directives. This raises the opportunity of developing future UK marine policy and regulation. Cefas has provided Defra scientific evidence and advice on a range of topics to support negotiations with the EU and the design of new policy underpinning the UK's vision of clean, healthy, safe, productive and biologically diverse oceans and seas.

Strong progress has been made to support our long-term goal of increased public availability of healthy, safe fish and shellfish. We have actively supported the European Commission throughout the year in our role as the EU Reference Laboratory for crustacean diseases and microbial contamination in shellfish. In preparation for our relinquishing Reference Laboratory status on EU Exit, Cefas has taken the opportunity to apply to the OIE (World Organisation for Animal Health) as an International Collaborative Centre for Emerging Aquatic Animal Diseases, and to FAO (Food and Agriculture Organisation) as an International Centre for Seafood Safety (production, consumption, and trade of safe seafood) to effectively transition our acknowledged capabilities to an international status. As recognition of Cefas strength in this field, our UK-Thailand partnership on future sustainable shrimp aquaculture was selected from a list of 150 Institutional Links projects across India, Malaysia, Vietnam and Thailand as the winner of the Chairman's Award, by Professor Sir Venkatraman Ramakrishnan (President of the Royal Society) at a ceremony at the British Embassy, Bangkok. The £200,000 prize will be spent on further development of cutting-edge molecular platforms for field diagnosis of important aquaculture pathogens.

In 2015, Cefas reported the first occurrence in Europe of Tetrodotoxins (TTXs) in bivalve molluscs, stimulating significant debate amongst European policy makers and regulators. Since our reports, TTXs have been found in Greece, Netherlands and Sicily. These toxins can cause serious harm to humans if consumed in large doses, increasing concerns for the safety of UK shellfish. In addition to detecting TTXs, we also linked their presence to high concentrations of Vibrio spp. bacteria, which are a significant emerging risk in the UK and Europe caused by high temperature, low salinity, and shallow estuarine waters. Cefas is now involved in a number of international projects to further investigate these food safety risks.

1.1.2 Vision, Purpose and Activities cont'd

Supporting sustainable blue growth

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

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

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

Our research in support of blue growth is increasingly targeted at defining options for the multiple sustainable use of living and non-living resources. We have begun to determine the main types of ecological, social and economic interactions and conflicts in the use of marine space. This work is exploring the extent to which growing maritime activities may or may not coexist with conservation measures and/or targets for other sectors. For example, by linking vessel activity, catch and economic data, Cefas has developed techniques that have been routinely used to provide advice to Defra on the distribution and intensity of fishing activity, catch weight and catch value in relation to proposed Marine Conservation Zones and European Marine sites.

The MSFD is a significant driver of marine status assessment and management. Over the year, Cefas staff have supported the completion of the UK MSFD measures and related monitoring programme. This ensured that national objectives can be achieved and included advice on the economic implications for stakeholders. We were also closely involved in drafting the Oslo and Paris Convention (OSPAR) Intermediate Assessment, published in 2017, describing the status of marine ecosystems across the NE Atlantic.

Our advice to UK Government extends further afield. Working with the Marine Management Organisation (MMO) and other partners, we have been actively supporting the delivery of a Blue Belt of Marine Protected Areas in the UK Overseas Territories. The Overseas Territories are together responsible for managing over 4 million km^2 of the world's oceans and those waters are home to a rich diversity of marine species. This year Cefas has advised on fishery management measures in the South Atlantic and Antarctic, undertaking projects to develop and improve the scientific understanding and sustainable management of the natural resources within the waters of the Overseas Territories.

Through the Commonwealth Marine Economies Programme, our work supporting prioritised Small Island Developing States in the Commonwealth focusses on working with local stakeholders to build the resilience and strength of their marine dominated economies through projects including: fisheries management, water quality assessments, environmental management and climate change adaptation. One example is the Cefas published Caribbean Marine Climate Change Report Card, the product of a year-long project with partners in the region. The card summarised local research into the effects of climate change on the marine environment to allow policy makers, ministers and marine managers to understand, in non-technical language, what is happening to the marine environment. The card provides an 'at-a-glance' view of climate change impacts, identifies key socio-economic impacts, knowledge gaps and research priorities and a range of example adaptation responses. The cards will be used to raise the profile of marine and coastal climate change in the Caribbean.

1.1.2 Vision, Purpose and Activities cont'd

Animal research

Cefas takes its' responsibilities for work with animals seriously and continue to play a leading role in cross-governmental work to reduce the use of animals in safety testing . Through Cefas-led research, the UK was the first country to replace outdated live animal tests to detect toxins in shellfish by applying new analytical chemistry techniques, saving the lives of thousands of laboratory mice as a consequence. As signatories of the Concordat on Openness on Animal Research we report a summary of our activities.

Most of our work does not directly involve the use of live animals. However in some situations, the use of animals is the only reliable source of information that can help us protect wild and farmed fish, public health and the environment, and is necessary to ensure that our advice is based on sound evidence. We recognise our duty to limit the number of animals we use, minimise their distress and improve their welfare. In light of this, all work carried out for a scientific purpose involving the use of fish and cephalopods is regulated by the Home Office under the Animals (Scientific Procedures) Act 1986 (ASPA). ASPA requires that our laboratories are licensed and have in place an approved, well documented, ethical review process that helps to promote a 'culture of care'. Cefas places great importance on ensuring compliance with ASPA in everything that we do. Cefas also has an established Animal Welfare Policy and publishes data annually on our activities (https://www.cefas.co.uk/about-us/policies-and-plans/)

Looking ahead

The Cefas Annual Science Conference, held in the Royal Society, was an opportunity to discuss future opportunities and partnership in the marine environment with a broad range of stakeholders. The conference included keynote talks from the Director of UK Government Office for Science (Dr Rupert Lewis) and the CEO of the Alan Turing Institute (Prof Sir Alan Wilson), and an address from the Secretary of State, Rt Hon Michael Gove. At the event we also launched our new collaboration with the University of Exeter, the Centre for Sustainable Aquaculture Futures (SAF), which will bring together top scientists from around the world to carry out research to support a safe and sustainable future aquaculture industry. This will help to ensure food security for future generations and continue to support our national, as well as international commitments to the environment.

The conference was also supported by a visit to the Thames by RV Cefas Endeavour. The RV welcomed a range of visitors and hosted Defra Ministers Thérèse Coffey and George Eustice who received briefings on the breadth of our science. We used the deck of HMS Belfast to hold a very successful evening reception with Cefas Endeavour's departure under Tower Bridge (returning to work after barely 15 hours alongside) forming a spectacular backdrop.

Work to refresh our current five-year plan to 2020 has continued during the year. This expects 'business as usual' work in Defra to be replaced by new activity to support Defra in their approach to EU Exit preparedness and new UK policy development, as well as growing work from other UK Government Departments and international governments in support of UK Government international objectives. In addition, we plan to grow our scientific impact and broaden our academic partnerships to ensure that research and development activity continues to comprise around 20% of our activity. To sustain this we intend to maintain healthy levels of self-investment.

We constantly strive to improve our science excellence. Strong progress has been made towards fully implementing the recommendations of our successful quinquennial science capability review, conducted on behalf of Defra in 2012, and preparations are now underway for our next review in June 2018. A key task following that review will be a refresh of our Science and Evidence Strategy (2012-2018), which has provided a clear focus for our applied science ambitions. It provides a framework to direct our strategic self-investment and reinforces our relevance to UK government marine policy delivery and our areas of significant international expertise.

Clear strategic direction, new business and a skilled and vibrant work-force are all essential if we are to retain our science profile through the changing demands and opportunities of EU Exit. Collaboration with Research Councils, and our Strategic Alliances with universities at Norwich and Exeter, will enable us to further maintain and strengthen our science reputation and prestige. Our network of more than 80 PhD students with Cefas supervisors, celebrated annually at Cefas Student Day, ensures ongoing Cefas relationships with over 30 higher educational establishments at any one time. We encourage Cefas staff to publish their work in respected peer-reviewed journals and in 2017, over 200 articles were published, including in a range of high impact journals.

1.1.2 Vision, Purpose and Activities cont'd

We continue to release open marine data through the innovative Cefas Data Hub. We now have information on 2,005 data holdings, with 5,520 data sets available for download detailing the health of our seas and marine wildlife and freely available to the public.

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

1.2 Performance Analysis

1.2.1 Performance Analysis

In 2017-18 Cefas delivered a core programme of work for Defra policy customers to a total allocated budget of £29.8 million (2016-17: £23.4 million). Our reported Net Operating Costs were £29.0 million (2016-17: £21.5 million). The net operating surplus generated was £0.8 million (2016-17: £1.9 million) which is an improvement over our Business Plan target to breakeven. Key variances in this performance to that planned include:

- Delivering 6% more customer activity;
- Incurring greater vessel costs due to dry docking activity and greater building maintenance and management costs in delivering the Lowestoft site redevelopment project; and
- A net historic tax recovery of £0.8m reflecting the increased taxable proportion of Cefas activities.

Defra activity increased £6.2m over the prior year due to increased work supporting EU Exit related evidence collection and advice as well as growth in activity for the Conflict, Security and Stability Fund aimed at providing the evidence and advice required to progress the implementation of a Blue Belt of Marine Protected Areas in UK Overseas Territories.

Non-Defra income decreased to £22.9 million (2016-17: £24.0 million) as a direct consequence of our delivery priorities for Defra. This work is important in continuing our long-term strategy of customer diversification to replace Defra income where it reduces. This strategy predominately supports other UK government Departments and sustains our operational breadth and financial critical mass, ensuring we maintain leading applied science capabilities and assets.

Other Non-core-Defra income came from:

- Other bodies across the Defra Group £3.5 million (2016-17: £4.2 million), most significantly supporting the Marine Management Organisation;
- Other UK Public Sector customers £11.3 million (2016-17: £11.0 million) and included activity for the Food Standards Agency in assuring the safety of shellfish for human consumption and environmental monitoring; the Foreign and Commonwealth Office in actively enhancing the marine economies of small island developing states from across the Commonwealth; and the Cabinet Office in actively enhancing marine economies across the Gulf Region;
- Research and development activity funded by the EU Commission £1.6 million (2016-17: £1.6 million).
- Industry and other income £6.5 million (2016-17: £7.2 million); and

Whilst work for Non-Government customers is vital for sustaining Cefas' strength, our primary customer base continues to be firmly UK government-related. Our total work for all UK Government bodies and related EU research and development now comprises 87% of our total activity (2016-17: 85%).

Total salary costs increased to £24.9 million over the prior year (2016-17: £22.6 million) and average full-time equivalent (FTE) staff numbers increased to 555 (2016-17: 509 FTE). A main driver of this growth in staff numbers was the requirement to provide additional support to Defra on EU Exit. Actual pay rates rose by an average of 1% per public-sector pay constraints.

External cost increases were generally in line with consumer price index inflation. There were no charitable donations made in the year (2016-17: £Nil).

1.2.1 Performance Analysis cont'd

Assets

Land and buildings were formally revalued on a desktop basis as at 31 March 2018 resulting in a £0.5 million increased valuation. This reflects the extension of the useful economic life of the Lowestoft site by one further year and £0.3 million of capital investment in our Weymouth facilities (2016-17: £1.7 million). A further £1.7 million of building asset under construction is held of which the majority is for our Lowestoft site redevelopment. This investment programme is expected to continue for another two financial years and will total around £15m of capital investment and will integrate a number of complementary maintenance projects ensuring that, by 2020, we will have a renewed headquarter site which will save us £1 million per annum in operating costs as well as avoiding growing capital expenditure on the existing site.

Capital investment in scientific equipment to meet contractual commitments was £0.5 million in the year, (2016–17: £0.8 million).

Cefas owns 100% of the share capital of Cefas Technology Limited (CTL). CTL provides a channel to wider markets for specific Cefas products and services. Examples include electronic data-storage tag production and fish disease testing. CTL accounts are not consolidated into Cefas' statements of accounts as they are outside the Departmental boundary. In 2017 –18, CTL traded at a loss, reflecting new product investments, making an, unaudited operating loss of £38,000 before tax (2016–17: £12,000 operating loss before tax) on income of £449,000 (2016–17: £427,000).

Cash management

Cefas consumed an operating cash outflow of £22.3 million (2016-17: £12.1 million). This increase over the prior year is primarily due to the significant, £6.4 million, increase in Defra Grant in Aid funded work. Investments in property, plant and equipment accounted for a further outflow of £2.4 million (2016-17: £3.2m). Having reviewed the cash requirements of the agency with Defra, we have drawn down £22.5 million (2016-17: £17.7 million) from them. Assuming the continued support from Defra for our budget allocation, we are in a sound cash position with sufficient liquid funds and customer contracts to meet all expected obligations within the coming financial year.

Financial risk

The primary financial instrument risk that we are exposed to is the receipt of payments from customers in foreign currencies. This risk is assessed as low, particularly given that 95% of payments are received in pounds sterling and only 5% in foreign currencies.

Bribery and corruption

Cefas follows the principles of The Bribery Act 2010 which underpin our Anti Fraud Policy. Cefas requires all staff to act honestly and with integrity, and to safeguard the public resources for which they are responsible including tangible property and intangibles such as intellectual property. Fraud is an ever-present threat to these resources, and Cefas remains alert to these risks.

Cefas is committed to maintaining an honest and open culture, balanced with the commitment to eliminate any fraud involving the organisation, and to rigorously investigate any such cases. The Board wishes to encourage anyone having reasonable suspicions of fraud to report them.

Social matters and human rights

As an Executive Agency of Defra Cefas is part of the Equality Diversity and Inclusion Strategy. This recognises that we need the skills and abilities of a truly diverse workforce that represents the communities we live in and serve - providing greater innovation and creativity, greater customer insight and where colleagues can be themselves and can use their whole range of talents. We aim to ensure that individuals and groups are treated fairly and equally. This involves taking into account the different experiences and needs of all, particularly in relation to protected characteristics. Being a diverse organisation means that we can show that action is taken on social matters where necessary and within our remit as well as providing respect for human rights in our workforce and any dealings we have with customers and stakeholders.

1.2.1 Performance Analysis cont'd

Future plans

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

Cefas continues to make good progress in delivering the investment programme at the Lowestoft site and also plans to enhance the working environment at the Weymouth site by 2020 to enable similar modern working patterns across both sites.

Events after the reporting date

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

1.2.2 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. Progress against these is reviewed monthly by the Senior Management Team.

We have worked to design a balanced scorecard of measures which allows us to manage our risks and uncertainty. This balanced scorecard approach aligns the indicators with Cefas' strategic objectives. Each indicator includes an assessment against an external metric and supports our strategic objectives, which aim to strengthen delivery and long-term capability. These combine into single measures, as detailed below.

This Annual Report and Accounts is published in the House of Commons and audited at the end of each financial year.

Metric	Measurement	Achievement
Finance	Securing income for the following year and a net financial return from our operations for Defra	2017-18 Achieved 2016-17 Achieved 2015-16 Achieved
Customer satisfaction	Annual customer satisfaction surveys weighted by income and delivery of Cefas impacts for Defra.	2017-18 Achieved 2016-17 Achieved 2015-16 Achieved
Scientific Excellence	Indicators include publication records and delivered ongoing investment in new science and capabilities.	2017-18 Achieved 2016-17 Achieved 2015-16 Achieved
Employee engagement	Relative performance in the annual questionnaire to all civil service staff.	2017-18 Achieved 2016-17 Achieved 2015-16 Achieved
Corporate responsibility	Health and Safety indicator performance and maintaining quality accreditations.	2017-18 Achieved 2016-17 Achieved 2015-16 Achieved

1.2.3 Sustainability Report

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 2017-18. The information contained within this section has not been subject to audit and does not form part of the auditor's opinion on the accounts.

About our data

The data in the following tables present the energy consumption, greenhouse gas emissions, waste arising, water use figures, and other target areas reported as part of the Greening Government Commitments (GGCs). Cost data is sourced from accounting records for the respective periods, adjusted to reflect end of year accruals. Energy, water, waste and paper data are provided by Defra (note: For Q3 2017-18, where Defra data are not yet available for energy and water, these have been calculated from raw meter readings recorded at Cefas by Interserve FM).

Figures from Q4 2016-17 have been used to account for the same quarter in 2017-18. 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 2016-17 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 possible comparison data.

Performance commentary

This report summarises progress against internal targets and the current GGC Framework. The GGCs are the main driver for sustainability improvement at Cefas and our targets are set by Defra.

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

Against a 2009-10 baseline, by 2019-20 the GGC Framework current during 2017-18 requires us to:

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

*Note: It has been agreed between Defra and BEIS towards the end of 2017, based on overall Defra group performance, to adopt a more challenging target on greenhouse gas emissions of 44% reduction by end 2019-20.

Targets on waste generated and proportion of waste going to landfill have not been met. Cefas has during 2017 embarked upon a major redevelopment of its Lowestoft headquarters site. Beginning in late 2016 with decluttering of existing premises in advance of these developments and through 2017-18, an unexpectedly large amount of waste has resulted from the clearance of storage areas in the buildings to be refurbished or replaced. Now that this phase of the project has been completed, no further such elevated waste disposal levels are expected.

1.2.3 Sustainability Report cont'd

Governance

Cefas' sustainable operations and procurement strategy are delivered through our Directors and key performance indicators are reported to the Cefas Operational Leadership Team (COLT) 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 14001:2015. 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

Carbon – greenhouse gas emissions			
	Since 2009-10 (baseline)	**2017-18 internal target**	**2019-20 GGC target**
CO2 emissions performance (GGC target 38% reduction)	27% reduction	Target met	Behind target currently[1]

Note

1. Refer to text for information on how GGC target is to be met

Cefas has achieved a 27% reduction in CO_2 emissions since 2009-10, exceeding the 2017-18 internal target of 15%. However, performance remains behind the GGC target of a 38% reduction to be achieved by 2019-2020.

In 2016-17, Cefas was allocated £5m over 5 years to address critical requirements at Lowestoft and Weymouth (e.g. improving laboratory infrastructure and working conditions). This included identifying initiatives to assist in meeting our CO_2 reduction targets, the shortfall being identified as our ageing laboratory infrastructure. Investments were made, e.g. new air handling units, chillers, boilers and air compressor at Weymouth and office LED lighting.

In 2017-18 the above identified initiatives have been augmented and in many respects superseded, by the extension of these Cefas 2020 programme improvements into the major Estates 2020 project to redevelop our Lowestoft headquarters site. This £16 million project has commenced and aims to create a leading centre for applied science, by building a new and modern office facility and by refurbishing our exiting Lowestoft laboratories.

The marked reduction in CO_2 in 2017-18, compared with the internal target set at the end of 2016-17, is believed to be owing to the postponement of some projects to temporarily relocate laboratories and other workplaces within our existing buildings. This effect is therefore likely to be transient as the postponed work recommences.

Our new and refurbished buildings will enable Cefas to continue to pursue its world class science for the marine and freshwater environment, in facilities updated for the 21st century with commensurate levels of environmental performance. The new office building at Lowestoft has been designed with the objective of obtaining a BREEAM Very Good rating. Planned for completion during 2019, this will facilitate the achievement of the GGC CO_2 targets.

1.2.3 Sustainability Report cont'd

Ongoing initiatives fall into the following categories:

- Staff behaviour change: 89% have had environmental awareness training (compared with 79% in 2016-17) and environmental performance and initiatives are discussed at Directorate meetings;
- Technological solutions (refer to Green ICT below);
- Replacement equipment chosen to be more efficient e.g. use of LED lighting in new/refurbished offices and labs;
- Continued use of improved ways of working (video/Skype for business/audio conferencing, multifunctional printing devices, centralised staff amenities); and
- 30kW photovoltaic array was installed at the Cefas, Weymouth laboratory in Q4 2017-18, as part of the Defra Breathe initiative.

Note: Regarding the CRC Energy Efficiency Scheme, data for this is not available within Cefas. Participation in this scheme is administered at Defra level.

ENERGY		[2,3]2017-2018	[1]2016-2017 (Restated)	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (kWh, '000)	**Total Energy Consumption**	**7,872**	**8,157**	**9,037**	**8,922**	**8,622**
No consumption of biomass, other CHP, WDHS, self generated renewables, LPG or other	**Total Electricity[4]**	**4,262**	**4,595**	**4,700**	**4,847**	**5,067**
	Electricity: Brown	1	1	1	6	102
	Electricity: Green	4,261	4,594	4,699	4,841	4,965
	Electricity: CHP	-	-	-	-	-
	Gas[4]	**3,610**	**3,562**	**4,337**	**4,064**	**3,555**
	Oil	-	-	-	11	-
Financial indicators (£'000)	**Total Energy Costs[6]**	**751**	**751**	**741**	**726**	**791**

GREEN HOUSE GAS EMISSIONS		[2,3]2017-2018	[1]2016-2017 (Restated)	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (tCO2e)	**Total Emissions**	**2,670**	**3,102**	**3,342**	**3,617**	**3,643**
	Scope 1: Direct Emissions from Buildings	688	719	758	755	654
	Scope 2: Indirect Emissions from Buildings	1,728	2,133	2,344	2,606	2,700
	Total Building Emissions	**2,416**	**2,852**	**3,102**	**3,361**	**3,354**
	Scope 1: Direct Emissions from Business Travel	154	169	163	173	188
	Scope 3: Emissions from Business Travel	100	81	77	83	101
	Total Travel Emissions[4]	**254**	**250**	**240**	**256**	**289**
Financial indicators (£'000)	**Expenditure on official business travel[5,6]**	**972**	**959**	**784**	**759**	**1,232**

Notes

1. 2016-17 updated with actual Q4 data (Q4 estimated in 2016-17 report)
2. 2017-18 Q3 & Q4 calculated from meter readings (Defra data not yet available)
3. 2017-18 Q4 uses 2016-17 Q4 data (2017-18 Q4 data not yet available)
4. Travel emission data does not include international travel, as per GGC reporting requirements
5. Includes overseas travel
6. Costs for 12 months (17-18 FY) estimated based on 9 months (Apr-Dec)

Waste

WASTE			
	Since 2009-10 (baseline)	**2017-18 internal target**	**2019-20 GGC target**
Waste Total	46% reduction	Target not met[2]	Behind target currently[1]
Waste to landfill (Internal & GGC targets <10%)	51% reduction[3]	Target not met[2]	Behind target currently[1]
Waste reused, recycled, composted (Internal target >40%)	18% increase	Target not met[2]	Behind target currently[1]

1.2.3 Sustainability Report cont'd

Notes
1. Refer to text for information on how GGC target is to be met
2. Unexpectedly high landfill waste in 2017-18 (refer to text)
3. Waste reduction through reuse, recycling, composting or incineration with energy recovery

A 46% reduction in waste generated has been achieved since 2009-10, although this is short of our 2017-18 internal target of 50%. GGC targets require continual reduction in waste generated, however waste has increased recently owing to our Estates 2020 programme, as described in the performance commentary above. Waste to landfill at 18%, is currently above our 2017-18 internal target of 12% and the GGC target of 10%. Waste reused, recycled or composted has increased by 18% since 2009-10, however this is below our 2017-18 internal target of 40%.

Standardised recycling facilities across Cefas (colour-coded bins and labelling) have made it easier for staff to identify the most appropriate waste or recycling bin, helping them to contribute in a responsible way. The provision of these facilities is being reassessed as part of the Estates 2020 project with respect to our new Lowestoft building, so that the best possible practices can be introduced across Cefas, to enable further improved recycling rates.

An initiative has commenced within Cefas to reduce and as far as feasible eliminate single-use, disposable items by promoting reusable alternatives, (i.e. drinks cups); particularly where disposable items include plastic materials and especially those that are non-recyclable. For example, the use of reusable beverage cups and water bottles is being actively encouraged, which should assist in reducing disposables waste overall and plastics in particular. Where some disposable items continue to be used, our preference will entail selecting biodegradable products.

WASTE		[2]2017-2018	[1]2016-2017 (Restated)	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (tonnes)	Hazardous Waste	29	29	17	9	14
	Total Waste (excluding hazardous waste)	**159**	**142**	**124**	**128**	**295**
	Reused, recycled, composted[3]	83	59	40	47	131
	Incinerated with energy recovery	45	60	66	50	53
	Incinerated without energy recovery	2	1	4	2	-
	Landfill	29	22	14	29	111
	% to Landfill	18	15	11	23	38
Financial indicators (£'000)	Total Disposal Costs	These are part of a central Defra contract and not available at Cefas level				

Notes
1. 2016-17 updated with actual Q4 data (Q4 estimated in 2016-17 report)
2. 2017-18 uses 2016-17 Q4 data (2017-18 Q4 data not available at time of reporting)
3. Includes food waste sent to anaerobic digestion

Water

WATER			
	Since 2009-10 (baseline)	**Internal target 2017-18**	**2019-20 GGC target**
Water consumption (GGC target, to reduce below 2014-15 level)	23% increase[1]	Target not met	Not on target

Notes
1. Water consumption directly linked to Cefas workload, e.g. aquarium operations

1.2.3 Sustainability Report cont'd

The GGC target is for a continual reduction in water consumption between 2009-10 and 2019-20 and to further reduce this below 2014-15 performance. However, the data for 2017-18 shows that we increased our water consumption by 23% against the 2009-10 baseline. This reflects the changing pattern of the scientific work that we are contracted to undertake, where substantial quantities of water are needed to operate our aquarium tanks and other laboratory facilities, which reflects the ongoing success of Cefas as a centre of aquatic science and expertise.

WATER		[2,3]2017-2018	[1]2016-2017 (Restated)	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators (m3)	**Total Water Consumption[5]**	**73,167**	**69,069**	**68,434**	**71,872**	**59,723**
	Supplied (Office Estate)[4]	46	13	10	9	1
	Supplied (Non-Office Estate)	73,121	69,056	68,424	71,863	59,722
Financial indicators (£'000)	**Water Supply Costs[6]**	**551**	**419**	**385**	**369**	**183**

Notes
1. 2016-17 updated with actual Q4 data (Q4 estimated in 2016-17 report)
2. 2017-18 Q3 & Q4 calculated from meter readings (Defra data not yet available)
3. 2017-18 Q4 uses 2016-17 Q4 data (2017-18 Q4 data not yet available)
4. Office Estate 2017-18 Q3 & Q4 estimated (average of previous 4 quarters)
5. Abstracted water usage is not reported under GGCs
6. Costs for 12 months (17-18 FY) estimated based on 9 months (Apr-Dec)

Other target areas

OTHER TARGET AREAS			
	Since baseline year	**2017-18 internal target**	**2019-20 GGC target**
Domestic flights since 2014-15 (GGC target 30% reduction)	20% reduction	Target met	On target to meet
Paper use since 2009-10 (GGC target 50% reduction)	57% increase[1]	Target met	Behind target currently[2]

Notes
1. Paper usage reduced by 20% in 2017-18 compared with 2016-17
2. Refer to text for information on how GGC target is to be met

There has been a 57% increase in paper use since 2009-10, however since 2016-17 paper use has decreased by 20%. The introduction of multifunctional printing devices for document printing at centralised locations, rather than individuals and offices having local printers and therefore maintaining local stocks of printer paper, together with the encouragement of paperless office working have assisted with this, (i.e. using more than one display screen), so that multiple documents can be readily compared and reviewed without the need for printing in hardcopy form.

OTHER TARGET AREAS		[2]2017-2018	[1]2016-2017 (Restated)	2015-2016	2014-2015	2009-2010 (Baseline)
Non financial indicators	Number of domestic flights	188	218	162	236	N/A
	Paper use (Reams)[3]	1,568	1,957	1,893	2,510	1,000

Notes
1. 2016-17 updated with actual Q4 data (Q4 estimated in 2016-17 report)
2. 2017-18 uses 2016-17 Q4 data (2017-18 Q4 data not available at time of reporting)
3. Paper consumption uses 2016-17 Q3 & Q4 data (2017-18 Q3 & Q4 data not available at time of reporting)

1.2.3 Sustainability Report cont'd

Sustainable procurement

A large proportion of our contracts are awarded through Crown Commercial Service frameworks or Defra network contracts and these are actively preferred. 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 align with 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 and Azure hosting, as well as implementing and rolling out cloud based telephony services to optimise local ICT infrastructure and enabling and supporting more flexible and mobile working practices;

- Migrating to Office 365 has increased availability and usage of web-based messaging, audio and video conferencing and increased collaboration facilities, enabling staff to share and collaborate on documents with other staff, partners and customers; reducing face-to-face meetings and their travel related emissions; and

- Continuing assessment and optimisation of PC and server assets to reduce ICT assets and Cefas' carbon footprint, in particular rolling out lighter and more energy efficient laptops.

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

People

The Cefas Connects volunteering scheme and our approach to our health and safety systems are described on page 31. In 2017-18 we achieved 142 days booked to Cefas Connects, an increase of 12% on 2016-17.

In 2017-18, 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 etc.). We have also promoted the Employee Assistance Programme. This is an independent, confidential service offering staff positive and proactive support for, and advice about, a variety of health, lifestyle and financial issues.

Building assurance

Cefas maintain accreditation to ISO 17025; certification to ISO 9001, ISO 14001 and OHSAS 18001; and approval for Good Laboratory Practice and Good Manufacturing Practice. By maintaining these standards, we have a strong platform to ensure our processes remain robust and our outputs are highly reliable.

Biodiversity

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

Adaptation to climate change

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

1.2.3 Sustainability Report cont'd

Sustainable construction

Construction works being undertaken for the new-build office and major refurbishment of laboratory facilities at Lowestoft have been planned and the contractor appointed with due attention to sustainability, both during the works and after completion, in the fabric and function of the buildings. Tendering for the construction was conducted under Suffolk County Council's 2015 Construction Framework Contract, which includes requirements on sustainability in accordance with current central Government guidance and standards.

Future strategy
Future plans are described on page 10.

Tom Karsten
Chief Executive
13 June 2018

2.1 Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives. The Governance Statement sets out how we have managed and controlled our resources during the year. It provides assurance on how we have carried out our corporate governance, how we have managed significant organisational risks and how we have addressed control issues. The requirements of the Accountability Report are based on the matters required to be dealt with in a Directors' Report.

The Remuneration and Staff Report provides information on people in Cefas and sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors.

2.1.1 Directors' Report

Cefas Board Members

Non-Executive Board Members

Non-Executive Board Member	Role
Jane Smallman	Non-Executive Director
Andrew Watkinson	Non-Executive Director
Anne MacColl (from 1 April 2016 to 31 August 2017)	Non-Executive Director
Alison Pritchard (from 8 August 2016 to 31 July 2017)	Defra Board Member
Shirley Trundle	Defra Board Member

Directors

Director	Role
Tom Karsten	Chief Executive
Tim Green	Deputy Chief Executive and Finance Director
Stuart Rogers	Chief Scientific Advisor
Steve Addison	Commercial Director
Karin Rundle	Director of Human Resources and Organisational Development
Steve Millward	Operations Director
Sian Limpenny and then, from 1 July 2017, David Righton	Director of Strategy, Transformation and Partnerships

Conflicts of Interest

A system is in place to record and manage conflicts of interest of Board Members and a register is maintained. Details of any potential conflicts of interest are set out in Note 14.

Personal data related incidents

There have been no incidents of data loss involving personal information over the reporting period that required formal reporting to the Information Commissioner's Office

2.1.2 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 responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Cefas' assets, are set out in Managing Public Money issued by HM Treasury.

The Accounting Officer of Defra has designated the Chief Executive of Cefas as Accounting Officer of Cefas. The Accounting Officer confirms the following:

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

2.1.3 Governance Statement

This statement sets out the governance arrangements and performance of the Centre for Environment, Fisheries & Aquaculture Science (Cefas) in 2017-18. Cefas is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and as such it is fully accountable to Parliament through ministers.

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

Ministers nominate a member of the Defra Executive Committee (ExCo) to act on their behalf in all ownership matters and to be line manager for the Chief Executive. During 2017-18 this role was fulfilled by Defra's Director General for Environment, Rural and Marine. Their responsibilities include providing oversight of Cefas and assurance to the Defra ExCo that appropriate governance arrangements are in place for the agency. Regular performance reports, risk assessments and other management information flows from Cefas to Defra, which are appropriately reported to ExCo. There are numerous other informal links with the Department, including between Non-Executive directors (NEDs) and in functional areas such as science, finance and human resources.

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

2.1.3 Governance Statement cont'd

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 role was fulfilled by Jane Smallman throughout the year. The lead NED 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.

Audit and Risk Assurance Committee (ARAC): meets at least 4 times per year. This committee monitors corporate governance and control systems and advises on internal and external audit matters, risk and governance in the organisation, including health and safety. Key subjects of focus in the year have been the delivery of the annual audit programme, management of cyber security, reviewing the implementation of the new organisational structure and the major redevelopment of the Lowestoft site.

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

People Development Committee: meets at least 2 times per year. This committee provides independent scrutiny and advice to the Board on the quality and relevance of the agency's leadership development, succession planning, reward strategies and employee relations. This year the key subjects of focus were taking an in-depth look at issues from the 2017 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. No material conflicts have been reported in 2017-18. One significant issue that raised governance concerns during the year was a temporary reduction in Non-Executive Directors caused by approval timings and delays through the General Election and Ministerial changes. This meant that the Board and the ARAC were not fully quorate during the year however the Lead NED was always in attendance and the net risks raised from this reduction in governance has been accepted by the Accounting Officer. Two new Non Executive Directors have now been appointed and will joined Cefas in May 2018.

The Board's assessment of the Corporate Governance in Central Government Departments: Code of good practice 2017, 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 other known exceptions than the temporary shortage of NEDs.

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 2017-18 took place in January 2018. Enhancement actions were agreed which include: a focus of time and effort onto identified priorities, the raising of NED profiles internally and increased support from NEDs with customers beyond Defra.

2.1.3 Governance Statement cont'd

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

Cefas has performed well through the year, achieving all performance indicators and continuing to deliver on its plans with notable successes being reflected in Section 1, Performance Report.

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

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

Risk appetite

Cefas' principal managed risk is the delivery of poor scientific evidence or advice resulting in reputational damage. Cefas depends on its reputation for scientific excellence to support all customer delivery. All work is conducted through a significant number of contracts varying in size and duration. Contracts may be short-term or can extend for up to three or more years. Whereas resources to deliver contracts to meet customer requirements are broadly within Cefas' control, increased government constraints on pay and resources increase these risks. 87% of all our activity is for UK Government bodies and related EU research and development programmes (2016-17: 85%). Within this there is a requirement to diversify our activity beyond Defra contribute to the UK Government's ability to maintain access to world class capability but requires Cefas to manage additional business complexity from cross-Department agreements, international government to government contracts and wider market contracts.

Other significant risk priorities managed during the year included:

- Loss of major government customer opportunities and renewals beyond Defra to maintain operational and financial critical mass;

- International delivery for both the UK Government and international government to government customers with a focus in year on building the relationship with the Kuwait Environmental Protection Agency. Risks include health and safety, security, currency and political; and

- Delivery of significant estates infrastructure refurbishment and new building development and the related business continuity impacts.

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

2.1.3 Governance Statement cont'd

Risk management overview

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

The ARAC provides the primary assurance mechanism. This operates in accordance with the Audit Committee Handbook, published by HM Treasury. For 2017-18, the ARAC has been supported by the Government Internal Audit Agency (GIAA) which is led by a Head of Internal Audit based in Defra and supported by an internal audit subcontractor. An agreed annual risk-based plan operating to government internal audit standards has been delivered and the annual opinion from the Head of Internal Audit provided moderate assurance over the controls reviewed in the year. A rating of moderate assurance identifies that Cefas has a sound system of internal control designed to meet our objectives, and that controls are being applied consistently. We recognise that some improvements are required to enhance the effectiveness of risk management, control and governance.

Responses to agreed actions have been satisfactorily completed. Assurance reviews conducted in year included project management, cyber security, GDPR implementation, science quality and risk, the Lowestoft site re-development programme, strategic workforce planning and governance and risk management. Defra provide assurance over the facilities management contract, but this was not sufficiently evidence assured during the year resulting in the continued reporting of a significant issue.

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

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

Significant issues and risks

Good progress continued against our long-term strategic plans in 2017-18. Significant additional work has been undertaken during the year to develop and provide new evidence and advice required to support Defra in preparing for EU Exit, particularly with respect to fisheries management. This has secured additional funding for agreed work programmes which have been delivered in 2017-18. Positive progress has also been made in managing the growing cost of running and maintaining the Lowestoft facilities. In October 2017 planning permission was granted and a final Defra business case approved to construct a new office building and complete a refurbishment of the remaining laboratory building. The redevelopment is underway to a programme completion date later in 2019-20. Additional legacy issues within the refurbished facilities and design, cost and programme issues across the programme have impacted the overall plans and have required close management during the year.

2.1.3 Governance Statement cont'd

One significant issue that raised governance concerns during the year was a temporary reduction in NEDs caused by sickness and approval timings through the General Election and Ministerial changes. This meant that the Board and the ARAC were not fully quorate for one meeting however the Lead NED was always in attendance and the net risks raised from this reduction in governance has been accepted by the Accounting Officer. Two new NEDs have been appointed post year end bring the total to four NEDs therefore limited risk of reoccurrence.

An historic issue requiring continued management through the year was Defra's management of our facilities management contract. The performance of the contractor further improved during the year however financial assurance remains insufficient to confirm satisfactory receipt of services. Defra have audits planned during 2018-19 to seek assurance over this issue. Whilst this is an identified control weakness there was no evidence of material concerns over the financial performance of the contract.

General Data Protection Regulation

We have been preparing for major changes to UK data protection law by revising policies, processes and systems for the handling of personal data. A central programme was responsible for overseeing readiness across the Defra group, tracking progress and working to ensure consistency. The group has a robust governance model in place, including Data Protection Officers now appointed. The Permanent Secretary and the Defra Board have visibility of readiness and risk across the group. We have appointed a Cefas Data Protection Manager who manages assurance over our compliance to the regulations and reports to the Defra Data Protection Officer.

Other Parliamentary Disclosures

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

Conclusion

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

2.2 Remuneration and Staff

2.2.1 Remuneration Report

The Cabinet Office, subject to HM Treasury remits, together with 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. The remuneration of the senior civil service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises the Department in March or April each year of the government's response to the SSRB recommendations and produces guidance for departments to follow.

David Righton was appointed as Director of Strategy, Transformation and Partnerships and joined the CMB on 1 July 2017 replacing Sian Limpenny who transferred to be Middle East Operations Director on 30 June 2017.

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

Shirley Trundle joined the CMB as a Defra board member on the 4 September 2017. Alison Pritchard resigned from the CMB on 31 July 2017 as a Defra board member. Defra assumes all the costs of their attendance at the board.

Anne MacColl resigned as a non-executive director on 31 August 2017. 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 following tables - Remuneration of Cefas Directors, Remuneration Median and Ratios, Remuneration of Cefas Non-Executive Directors, Pension Entitlement of Cefas Directors, Composition of staff and Staff costs have been is subject to audit.

Remuneration of Cefas Directors

		Salary		Performance pay		Pension benefits		Total	
	Note	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000
CMB executive directors									
Chief Executive									
Tom Karsten		125-130	125-130	-	-	49	49	175-180	175-180
Deputy Chief Executive and Finance Director									
Tim Green		75-80	70-75	0-5	10 - 15	25	27	100-105	110-115
Chief Scientific Advisor									
Stuart Rogers		70-75	70-75	0-5	0 - 5	6	21	80-85	90-95
Commercial Director									
Steve Addison		70-75	70-75	0	10 - 15	29	29	100-105	110-115
Director of Human Resorces and Organisational Development									
Karin Rundle		60-65	60-65	0-5	5 - 10	30	30	90-95	100-105
Operations Director									
Steve Millward		70-75	70-75	0-5	0 - 5	24	30	95-100	100-105
Director of Strategy, Transformation and Partnerships									
Sian Limpenny (from 1 October 2016 to 30 June 2017)	1	15-20	30-35	-	-	7	18	20-25	50-55
David Righton (from 1 July 2017)	2	40-45	-	0-5	-	8	-	50-55	-

2.1 Remuneration Report cont'd

Notes

1. Sian Limpenny commenced as Director of Strategy, Transformation and Partnerships on 1 October 2016 and finished the role on 30 June 2017.
2. David Righton commenced as Director of Strategy Transformation and Partnerships on 1 July 2017. The full year salary equivalent was in the band £55,000-£60,000.
3. 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 Median and Ratios

	2017-18	2016-17 Restated
Band of highest paid employee total remuneration excluding pension benefits (£'000)	125-130	125-130
Median Total Remuneration (£)	30,918	30,312
Ratio	4.12	4.21

The banded remuneration of the highest paid executive directors, as disclosed in the Remuneration of Cefas Directors report, for the financial year 2017-18 was £125,000-£130,000 (2016:17: £125,000-£130,000). This was 4.12 (2016-17: 4.21 restated using mid-point range of highest paid employee) times the median remuneration of the workforce, which was £30,918 (2016-17: £30,312). The banded remuneration of the lowest paid employees for the financial year 2017-18 was £15,000-£20,000 (2016-17: £15,000-£20,000).

No CMB executive directors were in receipt of any benefits in kind (2016–17: 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.

The individuals in the **Remuneration of Cefas Directors Table** (page 27) were executive directors during the year. Salaries include gross salaries, performance pay, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance payments were capped in 2017-18 and 2016-17.

Remuneration of Cefas Non-Executive Directors

	Fee band		**Total**	
CMB non-executive directors	**2017-18 £'000**	**2016-17 £'000**	**2017-18 £'000**	**2016-17 £'000**
Bruce Macaulay (from 1 October 2014 to 31 October 2016)	-	5 - 10	-	5 - 10
Jane Smallman (from 1 October 2014)	10 - 15	10 - 15	10 - 15	10 - 15
Andrew Watkinson (from 1 July 2015)	10 - 15	10 - 15	10 - 15	10 - 15
Anne MacColl (from 1 April 2016 to 31 August 2017)	0-5	10 - 15	0-5	10 - 15
CMB Defra board members				
Tanya Arkle (from 4 February 2016 to 13 July 2016)	-	-	-	-
Alison Pritchard (from 8 August 2016 to 31 July 2017)	-	-	-	-
Shirley Trundle (from 4 September 2017)	-	-	-	-

2.2.1 Remuneration Report cont'd

Pension Entitlement 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 2018 £'000	CETV at 31 March 2017 £'000	Real increase in CETV £'000
CMB executive directors					
Chief Executive					
Tom Karsten	2.5-5 plus - lump sum	5-10 plus - lump sum	96	57	28
Deputy Chief Executive and Finance Director					
Tim Green	0-2.5 plus - lump sum	15-20 plus - lump sum	256	228	10
Chief Scientist					
Stuart Rogers	0-2.5 plus 0-2.5 lump sum	25-30 plus 85-90 lump sum	666	619	6
Commercial Director					
Steve Addison	0-2.5 plus - lump sum	5-10 plus - lump sum	91	65	19
Director of Human Resorces and Organisational Development					
Karin Rundle	0-2.5 plus - lump sum	15-20 plus - lump sum	218	181	15
Operations Director					
Steve Millward	0-2.5 plus - lump sum	15-20 plus - lump sum	288	258	10
Director of Strategy, Transformation and Partnerships					
Sian Limpenny	0-2.5 plus 0-2.5 lump sum	15-20 plus 35-40 lump sum	232	227	3
David Righton	0-2.5 plus - lump sum	15-20 plus - lump sum	262	253	1

Notes

1. CETV: cash equivalent transfer value

2.2.1 Remuneration Report cont'd

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

	2017-18			2016-17		
	Male	**Female**	**Total Numbers**	**Male**	**Female**	**Total Numbers**
Directors - SCS 2	1	-	1	1	-	1
Directors - SCS 1	2	-	2	2	-	2
Directors - Other	3	1	4	2	2	4
Other Permanently employed staff	307	241	548	289	213	502
Total	**313**	**242**	**555**	**294**	**215**	**509**

Directors – Other Sian Limpenny resigned as Director on 30 June 2017 and was replaced by David Righton who was appointed as Director on 1 July 2017

2.2.2 Staff Report

Staff costs

	Permanently Employed Staff £'000	Temporarily Employed Staff £'000	Total 2017-18 £'000	Total 2016-17 £'000
Wages and Salaries	19,398	-	19,398	17,599
Social Security Costs	1,897	-	1,897	1,657
Superannuation	3,629	-	3,629	3,324
Total staff expenditure	**24,924**	**-**	**24,924**	**22,580**

The average number of working days lost due to sickness was 3.5 days (2016-17: 3.7 days). Included in the permanently employed staff costs for 2017-18 is an accrual for untaken leave and Leave in lieu of £1,366,000 (2016-17: £1,057,000).

No off-payroll arrangements, no consultancy and no temporary staff costs were incurred during the year (2016-17 Nil). Cefas operates the "Disability Confident" disability symbol in recruitment and employment. This is a commitment to guarantee an interview to any candidate who has disclosed a disability, as defined under the Equality Act 2010 and meets the minimum (essential eligibility) criteria for the post. Comprehensive guidance on making reasonable adjustments at work and supporting disabled employees is provided to managers. All line managers are required to complete unconscious bias training which was introduced in September 2013. All other employment policies are adopted where employment law or Civil Service Employment Policy dictate. Details of presiding pension schemes are detailed below.

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).

2.2.2 Staff Report cont'd

For 2017-18, employers' contributions of £3,600,000 were payable to the PCSPS (2016-17: £3,300,000) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands (the rates in 2016-17 were between 20% and 24.5%).

The contribution rates are set to meet the cost of the benefits accruing during 2017-18 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 £28,000 (2016-17: £22,000) 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 2016-17 were between 8% and 14.75%). Cefas also matches employee contributions up to 3% of pensionable pay. Contributions due to the partnership pension providers at the reporting date were £3,000 (2016-17 £2,000).

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

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.

Reporting of Civil Service and Other Compensation Schemes Exit Packages

There were no redundancies and other departure costs paid in 2017-18 and 2016-17.

Our People

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.

We achieved a 95% staff response rate to the annual Civil Service People Survey. The average response rate for the entire civil service is 67%. The survey is designed to measure staff engagement, and our overall engagement index increased to 65% (2016-17 63%).

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

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

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

This information is freely available within the 2017 Workforce Monitoring report, available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604702/defra-workforce-monitoring-2016.pdf

2.2.2 Staff Report cont'd

Our People

Cefas adopts all Defra policies as defined by Civil Service Employment Policy. We use Civil Service Resourcing to attract people which is based on the Civil Service competency framework, when in post all staff are managed in a performance management framework that is aligned to the competency framework.

Leading in Health and Safety

Our Systems and Compliance

Certification was maintained to the health, safety and quality standards (ISO 9001, 17025 and OHSAS 18001) during the last financial year with the certification body for ISO 14001 also approving the Defra/Cefas transition to the new ISO 14001:2015 standard.

Leading on Culture Change in Health and Safety

Senior management conduct regular health and safety walkabouts during the year with a rotating focus on targeted themes. A series of reviews of key health and safety management systems such as occupational health surveillance and core health and safety training were successfully undertaken to make them more efficient and effective improving on performance of previous reporting periods.

Incidents and accidents

Proactive "Green risk flags" numbers (staff reports of unsafe acts and conditions with the potential to cause injury/ill-health and suggestions to reduce risks further) have remained strong with a ratio of 38:1 against the 4 Lost Time/Medical Treatment cases for the year.

The Trade Union (Facility Time Publication Requirements) Regulations 2017

This is a new requirement for 2017-18 (effective 1 April 2017) that requires relevant public-sector organisations to report on trade union facility time in their organisations. Facility time is paid time spent by union representatives to carry out trade union activities.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
11	11

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	3
1-50%	8
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

	£000
Total cost of facility time	13
Total pay bill	24,924
Percentage of the total pay bill spent on facility time	0.1%

The Trade Union (Facility Time Publication Requirements) Regulations 2017 cont'd

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

2.3 Parliamentary Accountability Report

The information in this section has been subject to audit.

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, special payments or gifts totalling more than £300,000 in the year.

Contingencies and Liabilities - none to disclose under IAS 37.

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
13 June 2018
This signature covers the Accountability Report

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Centre for Environment, Fisheries and Aquaculture Science for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity/Movement in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

The financial statements give a true and fair view of the state of the Centre for Environment, Fisheries and Aquaculture Science's affairs as at 31 March 2018 and of the net operating costs for the year then ended; and the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Centre for Environment, Fisheries and Aquaculture Science in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons cont'd

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre for Environment, Fisheries and Aquaculture Science's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre for Environment, Fisheries and Aquaculture Science's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- The parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- In the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons cont'd

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
18 June 2018
Comptroller and Auditor General

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

Statement of comprehensive net expenditure
For the year ending 31 March 2018

	Note	2017-18 £000	2016-17 £000
Total operating income	3	(23,447)	(24,671)
Staff costs		24,924	22,580
Other costs	2	27,565	23,616
Total operating costs		**52,489**	**46,196**
Net operating costs		**29,042**	**21,525**
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs			
Net (gain)/loss on			
Revaluation of Property, plant and equipment		(378)	(360)
Total comprehensive net expenditure for the year		**28,664**	**21,165**

All income and expenditure relates to continuing operations.

The Notes on pages 41-54 form part of these accounts.

Statement of Financial Position
As at 31 March 2018

	Note	**31st March 2018 £000**	31st March 2017 £000
Non-current assets			
Property, plant and equipment	4	19,056	18,626
Financial assets	6	150	150
Total non-current assets		**19,206**	**18,776**
Current assets			
Trade and other receivables	7	9,383	6,602
Cash and cash equivalents	8	6,066	8,223
Total current assets		**15,449**	**14,825**
Total assets		**34,655**	**33,601**
Current liabilities			
Trade and other payables	9	(11,038)	(8,730)
Provisions	10	(2,248)	(939)
Total current liabilities		**(13,286)**	**(9,669)**
Non-current assets plus/less net current assets/liabilities		**21,369**	**23,932**
Non-current liabilities			
Provisions	10	(451)	(1,543)
Total non-current liabilities		**(451)**	(1,543)
Assets less liabilities		**20,918**	**22,389**
Taxpayers' equity and other reserves			
General fund	SCTE	18,584	20,433
Revaluation reserve	SCTE	2,334	1,956
Total equity		**20,918**	**22,389**

Tom Karsten
Chief Executive
13 June 2018

The Notes on pages 41-54 form part of these accounts.

Statement of Cash Flows
For the year ended 31 March 2018

	2017-18	Represented 2016-17
	£000	£000
Cash flows from operating activities		
Net operating cost	(29,042)	(21,525)
Adjustments for non-cash transactions	7,859	8,825
(Increase)/Decrease in trade and other receivables	(2,781)	743
Increase/(Decrease) in trade payables	2,308	83
less movements in payables relating to items not passing through the Operating cost statement	(26)	207
Use of provisions	(598)	(438)
Net cash outflow from operating activities	**(22,280)**	**(12,105)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,377)	(3,182)
Proceeds of disposal of property, plant and equipment	-	24
Net cash outflow from investing activities	**(2,377)**	**(3,158)**
Cash flows from financing activities		
Agency funding	22,500	17,700
Net financing	**22,500**	**17,700**
Net increase/(decrease) in cash in the period before adjustment for CFERs	(2,157)	2,437
Increase/(decrease) in cash	(2,157)	2,437
Cash and cash equivalents at the beginning of the year	8,223	5,786
Cash and cash equivalents at the end of the year	**6,066**	**8,223**

The Notes on pages 41-54 form part of these accounts.

Statement of Changes in Taxpayers' Equity/Movement in Reserves For the year ending 31 March 2018

	Note	**General Fund**	**Revaluation Reserve**	**Total Reserves**
		£000	**£000**	**£000**
Balance at 1 April Current year		**20,433**	**1,956**	**22,389**
Funding received		22,500	-	22,500
Net Operating Costs for the year	CSCNE	(29,042)	-	(29,042)
Non-cash adjustments				
Non-cash charges - auditors' remuneration	2	45	-	45
Non-cash charges - other		3,824	-	3,824
Movement in reserves				
Recognised in Other Comprehensive Expenditure:				
Other revaluation of Property, plant and equipment		-	378	378
Defra Estates Recharges		824	-	824
Balance at 31 March Current year		**18,584**	**2,334**	**20,918**

		General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 1 April Prior year		17,925	1,596	19,521
Funding received		17,700	-	17,700
Net Operating Costs for the year	CSCNE	(21,525)	-	(21,525)
Non-cash adjustments				
Non-cash charges - auditors' remuneration	2	45	-	45
Non-cash charges - other		4,515	-	4,515
Movements in reserves				
Recognised in Other Comprehensive Expenditure:				
Other revaluation of Property, plant and equipment		-	360	360
Defra Estates Recharges		1,773	-	1,773
Balance at 31 March Prior Year		**20,433**	**1,956**	**22,389**

The Notes on pages 41-54 form part of these accounts.

Notes to the Accounts

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM) issued by HM Treasury under the Government Resources and Accounts Act 2000 (GRAA 2000). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Cefas for the purpose of giving a true and fair view has been selected. The particular policies adopted by Cefas are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting convention

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

1.3 Significant Judgements and Estimation Uncertainty

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

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

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

- The useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (reported in notes 1.4 and 4).
- The impairment of property, plant and equipment (reported in note 5)
- Within receivables and payables there are accrued and deferred income. Cefas calculates the balance of deferred income on contracts where income has been received prior to contracts being fully complete. A balance of accrued income is also calculated from contracts where contracts have been completed in advance of income being received (reported in notes 7 and 9). This process is applied to European Union (EU) income.

1.4 Property, plant and equipment

Freehold land and buildings

Due to the specialised nature of the laboratory premises used by Cefas, freehold land and buildings are stated at their depreciated replacement cost and are professionally revalued at least every five years at existing use value, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The last revaluation took place on 31st March 2016 which was last updated on 31st March 2018 on a desktop basis. Valuations performed by Eleanor Cook, MRICS and signed off by Gary Howes, BSc MRICS, partner at Montagu Evans.

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

Non-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.

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.

Notes to the Accounts

Vessel

The Vessel is a specialised asset. An external market appraisal of the vessel last took place on 31 March 2016. Its value in use is reviewed annually based upon the present value of the asset's remaining service potential.

Depreciation

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

Assets are depreciated over the following timescales:

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

Impairment

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

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

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

Assets Under Construction

Assets under construction are shown at accumulated cost with depreciation commencing when the asset is completed and brought into service.

1.5 Investments

Investments are reported at market value or at cost where market value cannot be readily ascertained. In accordance with the FReM, the non-current asset investment in Cefas Technologies Limited (CTL) has not been consolidated as it is not listed within the Department boundary issued by the Office of National Statistics. The Cefas Management Board has considered the value of the investment and has recorded the investment at cost. This will be reviewed on a regular basis and provision made for any impairment in value. Additional disclosure of the net assets and results of the investment are reported in note 6.

1.6 Research and development (R&D)

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

Notes to the Accounts

1.7 Operating income

As of the 1st April 2016 the way we are funded by Core Defra changed with the aim of improving accountability and transparency of the funding. Instead of the funding being recorded as Income within the Income Statement and inflating the income figure, it is now treated via our Equity under Parliamentary funding.

The Statement of Changes in Taxpayers Equity now clearly states the funding element and brings us into line with other Government Departments regarding the treatment of funding.

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

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

1.8 Financial instruments

Financial assets

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

Financial liabilities

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

1.9 Employee benefits

Pensions

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

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

Other employee benefits

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

Early retirement costs

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

Termination benefits are recognised as a liability when Cefas has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date, or as a result of an offer to encourage voluntary redundancy (reported in note 10).

Notes to the Accounts

1.10 Provisions

Cefas provides for obligations arising from past events where there is a present obligation at the date of the Statement of financial position, if it is probable that we will be required to settle the obligation and a reliable estimate can be made, in line with the requirements of IAS 37 (reported in note 10).

1.11 Leases

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

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

Operating leases and the rentals thereon are charged to the Statement of comprehensive net expenditure on a straight line basis over the term of the lease.

1.12 Taxation

Corporation Tax

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

Value-added tax (VAT)

Most of Cefas' activities are outside the scope of VAT and therefore output tax does not apply and input tax on purchases is not recoverable. An element of recovery of input tax do take place under the contracted-out services provisions applicable to government departments.

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT.

1.13 Notional charges

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

1.14 Insurance

Cefas, in common with other government bodies, does not insure the majority of its assets with the exception of the Cefas Endeavour, where there is a legal requirement to do so. Losses and compensations are charged to the statement of comprehensive net income.

1.15 Foreign exchange

The functional and presentational currency of Cefas is sterling.

Transactions that are denominated in a foreign currency are translated into sterling at the average exchange rate set for the year ruling or a rate agreed for a specific project. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the Statement of Financial Position (reported in note 2). Foreign exchange risk is minimal and no hedging takes place.

Notes to the Accounts

1.16 Impending application of newly issued accounting standards not yet effective

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

IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018. This standard replaces all existing IFRS guidance on revenue recognition. The Treasury Application Guidance for IFRS 15 has been issued and mandates the transition approach to be taken. For transparency and consistency, all entities are required to recognise any differences in the opening general fund within tax payers equity. This impacts contracts which are not completed at the date of initial application.

For Cefas, the majority of our projects are set up to complete within the financial year. Based upon management judgement, the application of IFRS 15 will be relevant to projects which are continuing where the final milestone is customer acceptance of the final deliverables. For these projects, anticipated to be in the region of £2-3m, expenses would be matched to the appropriate financial year.

IFRS 9 – Financial Instruments. This is effective from 1 January 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting. No material adjustments to the financial statements are expected.

IFRS 16 – Leases. This standard is effective from 1 January 2019. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed. Cefas has a range of operating leases and the impact of the new standard is expected to have an impact in financial reporting terms.

Note 2 Expenditure

	2017-18	Represented 2016-17
	£000	£000
Staff Costs		
Wages and Salaries	19,398	17,599
Social Security Costs	1,897	1,657
Other PensionCosts	3,629	3,324
	24,924	22,580
Other Costs		
Rentals under operating leases	72	-
Travel, subsistence and hospitality	2,371	1,979
Consumables	3,197	2,873
Vessels	6,282	4,902
IT service costs	1,779	1,289
Estate management	2,191	209
Consultancy/subcontracting	158	81
Hired and contracted services	1,571	1,338
Training	307	209
Publicity, marketing & promotion	53	1
Stationery & printing	75	95
Office services	610	598
Exchange rate (gains)/losses - Realised	96	89
Exchange rate (gains)/losses - Unrealised	(66)	(118)
Internal audit fees	92	73
Fees & commissions	32	-
Bad debt expense	54	(212)
VAT reclaim	(841)	-
Other	2,497	3,159
Non-cash items		
Depreciation	2,135	2,120
Loss on the disposal of Property, Plant and Equipment	135	18
Impairment	81	117
NAO Auditors' remuneration	45	45
Non-pension provisions provided for in year/(written back)	815	236
Defra notional charge		
Facilities management	3,577	4,266
Defra management overhead	247	249
Total	52,489	46,196

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

EU expenditure in respect of grants or subsidy claims is £1,636,000 (2016-17 £1,646,000)

For more detailed disclosures regarding staff costs, see the Staff Report.

Note 3 Income Analysis

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

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

	2017-18	2016-17
	£000	£000
Operating Income		
Competed Defra	496	712
Defra Group Bodies	3,469	4,181
Public Sector	11,348	10,974
European Union (EU)	1,636	1,646
Industry and other	6,498	7,158
Total	23,447	24,671
Contribution towards indirect overheads		
Defra	(27,324)	(20,914)
Defra Group Bodies	810	1,121
Public Sector	2,411	2,108
European Union	399	207
Industry and other	1,753	1,778
	(21,951)	(15,700)
Indirect Overheads	(7,091)	(5,825)
Net Operating cost	(29,042)	(21,525)
Defra funding	29,796	23,403
Net Financial Position	754	1,878

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

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

Income from Defra in relation to our core activities is recognised as Grant in Aid through the statement of change in taxpayers equity/movement in reserves.

Note 4 Property, Plant and Equipment

	Land	Buildings excluding Dwellings	IT	Plant & Machinery	Vessel	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2017	832	27,755	235	5,921	23,233	18	500	**58,494**
Additions	-	276	-	475	-	-	1,652	**2,403**
Transfers	-	-	-	500	-	-	(500)	**-**
Disposals	-	-	(70)	(687)	-	(19)	-	**(776)**
Impairment	-	-	-	(81)	-	-	-	**(81)**
Revaluation	31	483	4	(427)	-	1	-	**92**
At 31 March 2018	**863**	**28,514**	**169**	**5,701**	**23,233**	**-**	**1,652**	**60,132**
Depreciation								
At 1 April 2017	-	20,433	182	2,826	16,412	15	-	**39,868**
Charges in year	-	963	22	719	429	2	-	**2,135**
Disposals	-	-	(71)	(552)	-	(18)	-	**(641)**
Revaluation	-	-	3	(290)	-	1	-	**(286)**
At 31 March 2018	**-**	**21,396**	**136**	**2,703**	**16,841**	**-**	**-**	**41,076**
Net book value 31 March 2018	**863**	**7,118**	**33**	**2,998**	**6,392**	**-**	**1,652**	**19,056**
Net book value 31 March 2017	832	7,322	53	3,095	6,821	3	500	18,626
Assets financing								
Owned	863	7,118	33	2,998	6,392	-	1,652	19,056
Net book value 31 March 2018	**863**	**7,118**	**33**	**2,998**	**6,392**	**-**	**1,652**	**19,056**

Notes on revaluation

1. Increase of £285,000 in buildings relates to our Lowestoft site and £198,000 Weymouth site

Note 4 Property, Plant and Equipment cont'd

	Land	Buildings excluding Dwellings	IT	Plant & Machinery	Vessel	Vehicles	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation - Represented								
At 1 April 2016	768	26,097	287	6,321	23,233	18	-	**56,724**
Additions	-	1,664	-	811	-	-	500	**2,975**
Disposals	-	-	(66)	(1,667)	-	-	-	**(1,733)**
Impairment	-	(117)	-	-	-	-	-	**(117)**
Revaluation	64	111	14	456	-	-	-	**645**
At 31 March 2017	**832**	**27,755**	**235**	**5,921**	**23,233**	**18**	**500**	**58,494**
Depreciation - Represented								
At 1 April 2016	-	19,447	204	3,506	15,983	13	-	**39,153**
Charges in year	-	986	33	670	429	2	-	**2,120**
Disposals	-	-	(66)	(1,624)	-	-	-	**(1,690)**
Revaluation	-	-	11	274	-	-	-	**285**
At 31 March 2017	**-**	**20,433**	**182**	**2,826**	**16,412**	**15**	**-**	**39,868**
Net book value 31 March 2017	**832**	**7,322**	**53**	**3,095**	**6,821**	**3**	**500**	**18,626**
Net book value 31 March 2016	768	6,650	83	2,815	7,250	5	-	17,571
Assets financing								
Owned	832	7,322	53	3,095	6,821	3	500	18,626
Net book value 31 March 2017	**832**	**7,322**	**53**	**3,095**	**6,821**	**3**	**500**	**18,626**

Notes

1. Revaluation – increase of £111,000 in buildings relates to our Lowestoft site
2. Impairment of £117,000 in buildings relates to our Weymouth site

Note 5 Impairments

	Note	**2017-18** £000	2016-17 £000
Property, Plant & Equipment	4	81	117
Total impairment charge for the year		**81**	**117**

Reflects the valuations detailed in Note 4.

Note 6 Non-Current Assets Investments

	£000
Cost and net book value	150

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

Cefas' share of the net assets and results of the above investment are as follows (2017/18: unaudited):

	2017-18 £000	2016-17 £000
Non-current assets	254	59
Other current assets	435	303
Cash and cash equivalents	1,047	1,288
Liabilities	(236)	(199)
Net assets at 31 March 2017	**1,500**	**1,451**
Turnover	449	427
Profit/Loss (before tax) for the year	38	(12)

CTL adopted FRS 102 in 2016-17 in line with new accounting requirements. This now requires that quoted investment shares be recorded at fair value and recognised in the profit or loss for the year. Within the Profit/Loss before tax for the year is an operating loss of £30,000 (2016-17: £43,000) and an unrealised gain on investments of £68,000 (2016-17: £31,000).

Note 7 Trade Receivables and Other Current Assets

	31st March 2018 £000	Represented 31st March 2017 £000
Amounts falling due within one year		
Trade receivables	4,617	2,958
Less bad debt impairment	(110)	(56)
Prepayments and accrued income	4,876	3,700
Total Receivables	**9,383**	6,602

Accrued income relating to EU funding £966,000 (2016-17 £744,000).

Intra-government receivable balances as at 31 March 2018 with the following bodies were: other central government bodies £4,374,000 (2016-17: £3,244,000), local authorities £Nil (2016-17: £1,000), public corporations and trading funds, £98,000 (2016-17: £155,000), bodies external to government £4,911,000 (2016-17:£3,203,000).

Note 8 Cash and Cash equivalents

	2017-18	2016-17
	£000	£000
Balance at 1 April	8,223	5,786
Net change in cash and cash equivalent balances	(2,157)	2,437
Balance at 31 March	6,066	8,223
The following balances at 31 March are held at:		
Government Banking Services	6,066	8,223
Balance at 31 March	6,066	8,223

Note 9 Trade Payables and Other payables

	31st March 2018	Represented 31st March 2017
	£000	£000
Amounts falling due within one year		
VAT	758	962
Other taxation & social security	493	422
Trade payables	859	146
Other payables:		
Other	395	365
Accruals and deferred income	8,533	6,835
Total Payables	11,038	8,730

Other payables include employee pension contributions at 31 March 2018 totalling £401,000 (2016-17: £360,000)

Intra-government payable balances as at 31 March 2018 with the following bodies were: other central government bodies £2,327,000 (2016–17: £2,372,000), local authorities £Nil (2016–17: £Nil), public corporations and trading funds £Nil (2016–17: £65,000), bodies external to government £8,711,000 (2016– 17: £6,294,000).

Note 10 Provisions

	Facilities	Contract Provisions/ losses	Legal claims	Total
	£000	£000	£000	£000
Balance at 1st April prior year	1,454	737	291	2,482
Provided in the year	-	960	118	1,078
Provisions not required written back	-	(211)	(52)	(263)
Provisions Utilised in the year	-	(503)	(95)	(598)
Balance at 31st March current year	**1,454**	**983**	**262**	**2,699**
Analysis of expected timings of discounted flows				
Not later than one year	1,187	960	101	2,248
Later than one year and not later than five years	267	23	161	451
Balance at 31st March current year	**1,454**	**983**	**262**	**2,699**

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

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

Legal claims and other items
This balance constitutes three key areas – liabilities for early retirement, historical tax underpayment being sought by HMRC and known Health and Safety cases. The amount provided reflects an estimate of the potential settlements that Cefas may incur. No reimbursement is expected in relation to any of the amounts provided for.

Note 11 Capital Commitments

	2017-18	2016-17
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:		
Property, plant and equipment	2,427	68

The balance relates to the commitments for the Lowestoft site redevelopment which began in year.

Note 12 Commitments under Leases
Operating Leases

Total future minimum lease payments under operating leases:

	2017-18	2016-17
	£000	£000
Land		
Land operating leases - not later than 1 year	4	7
Land operating leases - 1 to 5 years	-	7
Land operating leases - over 5 years	-	2
Total of land operating leases	4	16
Buildings		
Buildings operating leases - not later than 1 yr	95	64
Buildings operating leases - 1 to 5 years	184	99
Total of buildings operating leases	279	163
Other		
Other operating leases - not later than 1 year	106	121
Other operating leases - 1 to 5 years	117	182
Total of other operating leases	223	303

Note 13 Other Financial Commitments

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

	2017-18	2016-17
	£000	£000
Not later than one year	2,274	2,107
Later than one year and not later than five years	9,098	8,415
Later than five years	2,287	4,219
	13,659	14,741

Note 14 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. Three of Cefas' board members are employed by Defra. All transactions have been undertaken on an arm's length basis.

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

Income from Defra of £30,292,000 was received as, Funding of £29,796,000 (Core Defra), & £496,000 (invoiced Defra) (2016–17: £24,112,000). At 31 March 2018, £Nil was due from Defra (2016–17: £39,000) and £Nil was owed to Defra (2016–17: £Nil).

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

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

Cefas Technology Limited is a non-current asset investment (see Note 6). The shares are held by Tom Karsten as nominee of the trustees for Cefas. Income of £260,000 was derived from CTL (2016-17: £209,000) and costs of £313,000 were payable to CTL (2016-17: £221,000). At 31st March 2018, £98,000 was due from CTL (accrued income) (2016-17: £132,000) and £Nil was owed to CTL (2016-17: £17,000). Tim Green, Steve Millward and Steve Addison are Executive Directors of CTL and Cefas.

Note 15 Events after the Reporting Date

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

There are no events to report.

Abbreviations

ARAC	Audit and Risk Committee
CFP	Common Fisheries Policy
CMB	Cefas Management Board
CTL	Cefas Technology Limited
DEFRA	Department for Environment Food & Rural Affairs
EC	European Commission
EU	European Union
ExCO	Executive Committee
MSFD	Marine Strategy Framework Directive
NED	Non-Executive Director
OIE	World Organisation for Animal Health
OSPAR	Oslo and Paris Commission
PCSPS	Principal Civil Service Pension Scheme

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Further information about Cefas, our activities and services, and news of recent developments can be found on our website: www.cefas.co.uk

Cefas is an executive agency of Defra

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