

Central Science Laboratory

**Annual Report & Accounts 2007/08**



# Our vision

CSL will be an innovative and influential centre of excellence for the sciences underpinning sustainable land use, safe food and a healthy environment, and a contractor of choice for a broad user community.



Central Science Laboratory

# Annual Report & Accounts 2007/08

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## Report from Mike Roberts, Chief Executive throughout 2007/08



I am pleased to introduce to Parliament the 16<sup>th</sup> Annual Report and Accounts of Defra's Central Science Laboratory (CSL). This report highlights key scientific achievements along with the successful delivery of performance targets agreed with our Minister at the

beginning of the year. Whilst our annual turnover has stabilised at around £48 million after several years of growth (due to financial restraint within Defra), the 2007/08 budget has been balanced by operational efficiency gains and increased income from other sources. CSL's focus on meeting the needs of a broader customer base, through more effective account management procedures, has resulted in a further 7% increase in income from non-Defra sources. Operational efficiencies have been delivered by completion of an e-business investment strategy with consequential reductions in support costs (see page 19 for more information on our e-business investment). Most notably, the management team have maintained a stable operating framework within which the scientific teams have been able to concentrate on delivering high quality scientific services.

In 2007/08 we completed the first phase of the Implementation Plan drawn up in 2006 to respond to the recommendations of the most recent Science Audit. External reviews of our science capability have stimulated new investments to anticipate emerging opportunities in adaptation to climate change, environmental economics and international development of sustainable land use. Key recommendations to raise the external profile of the quality of our science – through more hypothesis-driven projects, a wider publication ethos, more academic collaborations – have been implemented to varying degrees. Even at this early stage, there has been a further increase in the number of SCI journal publications and the average Impact Factor of the journals (see page 10). Key to this success has been targeted investment of Defra's Seedcorn Fund and our internally generated Development Fund to expand scientific skills, encourage innovation, build academic collaborations and generate new intellectual property.

Our primary focus continues to be support for Defra's delivery of Public Sector Agreements (PSAs) and Strategic Objectives. A selection of the contributions we have made in the past year include:

- supporting emergency responses to animal disease outbreaks (particularly avian influenza and foot and mouth disease)
- providing scientific evidence on wildlife issues relating to Ministerial policies on control of bovine tuberculosis
- supporting delivery of the Government's Biomass Strategy by working with Defra to map the Defra Estate for biomass heat options
- supporting the Defra review of the Environmental Stewardship Scheme by assessing evidence of the ecological benefits.

This has also been a challenging year for our staff involved in chemical, biological, radiological and nuclear (CBRN) issues and the broader requirements across Government for emergency response capability. We continue to invest in staff skills and specialist facilities to meet these expanding demands.

At the international level, CSL continues to build on our existing profile as a National Laboratory contributing to surveillance programmes in relation to food safety. Most notably, CSL's Food Science Group was successful in 2007/08, in the Food Standard Agency's tendering process for National Reference Laboratory (NRL) status in six areas – veterinary parasitology; dioxins/PCBs; food packaging; mycotoxins; PAHs; and metals. CSL is also active in supporting capacity-building Twinning projects in new Member States and securing research and development projects from the EU 7<sup>th</sup> Framework Programmes.

At a regional level, CSL is heavily involved in delivery of Yorkshire Forward's Regional Innovation Strategy. A joint programme is being developed with York University to promote inward investment in Science Park capacity at the Sand Hutton site through the European Regional Development Fund. CSL's high profile in supporting regional exploitation of intellectual property is recognised in the region through my place on the Yorkshire and Humber Science and Innovation Council.

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As this year is the end of the Comprehensive Spending Review 2004–2008 period, it is timely to assess the impact on CSL of Government programmes to improve the effectiveness of delivery, efficiency of operation and the focus on outcomes. In 2004, Defra launched the Laboratory Strategy Programme to review the long-term sustainability of Defra's three science laboratories (CSL; Centre for Environment, Fisheries & Aquaculture Science (Cefas); and Veterinary Laboratories Agency (VLA)) against a declining funding projection, and to consider alternative trading relationships and ownership models. In parallel, the Hampton Review in 2004 recommended a consolidation of several Defra Regulatory Agencies and Inspection Services to produce a more efficient, risk-based approach to implementation of regulations. These reviews created a period of considerable uncertainty for staff as the management team: a) developed convincing strategies for financial sustainability; b) promoted the benefits of a science-based approach to regulation and a risk-based approach to surveillance and inspection; and c) demonstrated the importance of public sector status in the delivery of emergency response capability.

By 2006, the quinquennial Science Audit confirmed that CSL had established a clear role in providing a high quality evidence base for policy development in Defra and in supporting contingency plans and emergency responses across Government. The expansion of funding opportunities in other Government Departments, the European Commission and the private sector had also improved the long-term financial sustainability. In addition, the close alignment of CSL's science capability with several Inspection Services (particularly the Bee Health Inspectorate and the GM Inspectorate) was recognised as a key factor in delivering the objectives of the Hampton Review.

At the end of 2006, the Defra Management Board announced a study of the benefits from merging CSL with the Pesticides Safety Directorate (PSD), Defra's Plant Health Division (PHD) and the Plant Varieties and Seeds Office (PVS). Following extensive discussions with stakeholders and a public consultation on PSD's future, Defra Ministers announced in March 2008 that PSD would merge

with the Health and Safety Executive (HSE) on 1 April 2008, and CSL would merge with PHD/PVS to form a new net running cost Agency from 1 April 2009.

These developments have established an exciting and sustainable future for CSL's scientific skills and specialist facilities. Integration with PVS and the Plant Health and Seeds Inspectorate will bring scientists closer to key stakeholders in the sustainable agriculture sector, at a time when food security is a growing international issue. The PSD/HSE merger provides new opportunities to support the broad base for regulation of chemicals, biocides and pesticides now established in HSE. Expansion of forensic skills and increased demand for specialist facilities to support national resilience to civil emergencies will create new opportunities and challenges. Development of a Science Park at the Sand Hutton site will provide opportunities for closer partnerships with science and technology companies in the exploitation of CSL's intellectual property.



As this is my final year as Chief Executive, I would like to thank all staff at CSL in supporting my strategy for developing the organisation as an efficient, high quality business with a strong public service ethos. I am pleased that I have been able to hand over to my successor – Adrian Belton – at a time so full of opportunities to push forward the boundaries of current skills, responsibilities and influence.

A handwritten signature in black ink that reads "Mike Roberts".

Mike Roberts  
Chief Executive  
10 April 2008



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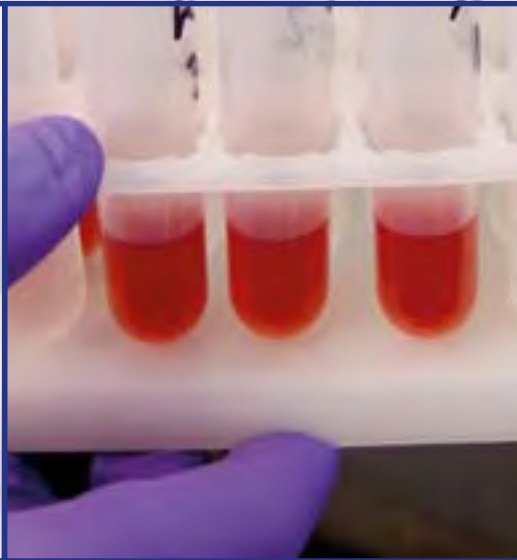
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# 1 MANAGEMENT STRUCTURE

*Over 500 scientists work in our modern laboratory near York*





# Management Structure

CSL was launched on 1 April 1992 and re-launched on 1 April 1994 following its merger with the MAFF Food Science Laboratories at Norwich and Aberdeen. CSL is an Executive Agency, fully accountable to Parliament through Ministers including the Rt. Hon. David Miliband (until June 2007) and the Rt. Hon. Hilary Benn, the Secretary of State for Defra.

CSL is a public sector science organisation providing research and information services to governments and industry around the world. We focus on protecting environmental quality, developing sustainable land uses and safeguarding food chain safety. We are located in a purpose-built laboratory complex just outside York and employ nearly 650 staff, including over 500 scientists. During the reporting period our structure was based on five science groups.

## The Agri-Environment Directorate contains the:

**Plant Health Group** – providing high quality national and international consultancy, research and services to safeguard crop and bee health, and providing solutions to microbiological issues.

**Wildlife Ecology and Management Group** – providing high quality research and services relating to ecology and management of wildlife and wildlife diseases.

**Environmental Biology Group** – providing high quality research and support services to Government and private sector customers in the area of sustainable environmental management and adding value to agriculture and the wider rural economy.

## The Food Directorate contains the:

**Food Science Group** – working to improve the safety and quality of the food supply from the farm to the table by providing high quality research and services to Government and the food industry.

**Proficiency Testing Group** – providing international proficiency testing and training, operating four major schemes for chemical and microbiological analysis in food safety and environmental science.

**Professor Mike Roberts**  
Chief Executive



**Laboratory  
Advisory Board**



**Dr Helen Crews**  
Corporate Services  
Director



**Prof Tony Hardy**  
Science Director  
(Agri-Environment)



**Mr Richard Shaw**  
Finance &  
Procurement Director

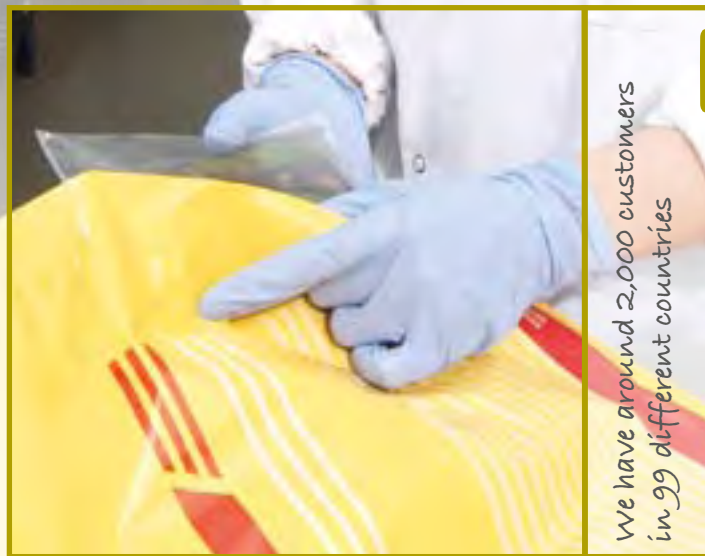


**Prof John Gilbert**  
Science Director  
(Food)



**Dr Robert Bolton**  
Commercial Director

## 2 MANAGEMENT COMMENTARY



*We have around 2,000 customers  
in 99 different countries*

### ERAPHARM Project

There is increasing concern over the potential environmental impacts of human and veterinary pharmaceuticals. Our scientists were involved in an EU-funded project which aimed to develop a detailed understanding of those influences affecting the impacts of pharmaceuticals in the environment and thus improve risk assessment methodologies. In addition to CSL, 14 other leading research centres in Europe and N. America were involved in the project, named 'ERAPHARM' (Environmental Risk Assessment of Pharmaceuticals). CSL scientists performed field experiments exploring the fate and effects of veterinary parasiticides in pastures and the fate and transport of a range of human pharmaceuticals in sludge-amended soils. They also monitored concentrations of pharmaceuticals in manure/biosolids, soil, water and sediments. The results have improved modelling approaches for assessing environmental exposure to human and veterinary drugs. Further information can be found at the project website [www.erapharm-eu.org](http://www.erapharm-eu.org)

HIGHLIGHTS OF THE YEAR

## Strong Science

Through developing and applying knowledge we support our customers in assessing risks, delivering sustainable environmental solutions and responding to emergencies. Our science has application and value to customers working in the public and private sectors around the world. Irrespective of nationality, our partners and customers come from many sectors of public service, commerce and academia, but all have one need in common: high quality, impartial information based on sound science.

Science is a creative process. Applying active minds to real and anticipated challenges results in new ideas, new technologies and new solutions. At CSL, our scientists are encouraged to innovate and to look for wider benefits in the application of knowledge. To support this we receive an annual Seedcorn budget from Defra to invest in the development of technologies that position CSL to deal with emerging priorities, or to deliver more efficiently against existing objectives. Seedcorn projects are aligned with our Science Strategy and priority business strands.

These pages describe some of our key scientific achievements over the past year.

### Abnormal Honeybee Colony Loss

Honeybees are vital for pollination. Recently, significant bee losses across Europe and N. America have given cause for concern and CSL's National Bee Unit (NBU) is working to investigate this. NBU inspectors have sampled over 500 colonies across England and Wales. Samples of bees and brood have been taken from apiaries for screening for a range of endemic and exotic pests and pathogens. The cause of much of the early 2007 colony mortality was failure to control a serious parasitic mite, *Varroa destructor*, often coupled with honeybee viruses as secondary pathogens transmitted by the mite. Later in 2007 Chronic bee paralysis virus (CBPV) and *Nosema* spp. were found associated with colony dwindling, correlating with poor weather conditions. Some commercial beekeepers lost 30% of their bees when the bees were confined for long periods with little opportunity to forage, allowing the pathogens to spread rapidly.

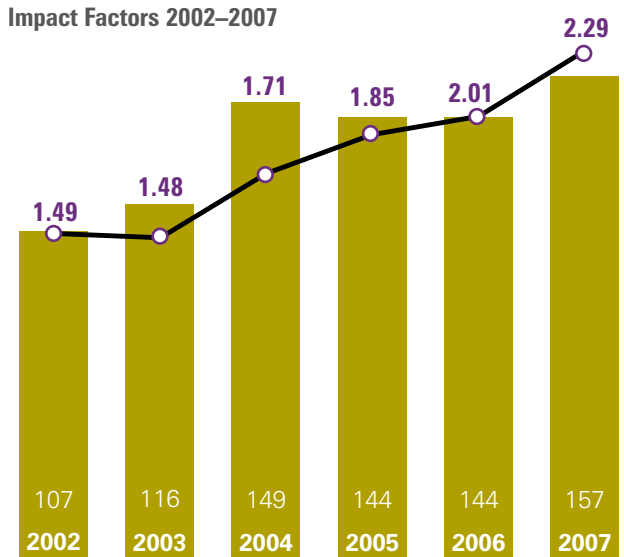


### Publications

Publication and reporting of information is the major route of communication of CSL science to customers, stakeholders and the wider community. The range of these publications includes research papers in peer-reviewed journals, conference proceedings, trade journal articles, book chapters and customer reports, all of which play an important role in the communication process. During the period 2007/08 our scientists published 157 papers in peer-reviewed journals listed in the Science Citation Index (SCI).

The upward trend in the mean Journal Impact Factor (JIF) indicates that authors are considering the JIF in selection of journals for submission of their papers and are being successful in publishing in those higher rated journals. However, there has been an 8.5% increase in JIF over the same period in the fields (e.g. Food Science, Entomology) of CSL scientific publications. One paper (on a statistical model for tuning GMO detection in seed and grain) published in *Nature Biotechnology* in 2007 boosted the mean JIF for that year from 2.09 to 2.29.

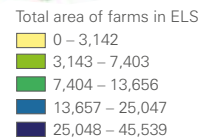
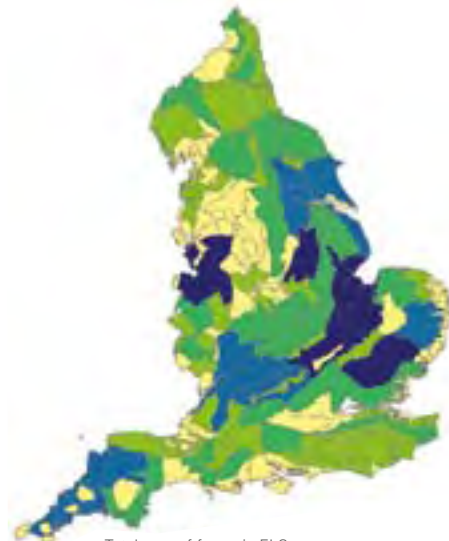
Number of SCI papers published and mean Journal Impact Factors 2002–2007



### Evaluation of Environmental Stewardship

CSL has provided Defra with evidence to assess the success of Environmental Stewardship, the new agri-environment scheme in England. The scheme provides funding to farmers and other land managers who deliver effective environmental management on their land. Its primary objectives include: wildlife conservation; maintenance and enhancement of landscape quality and character; protection of the historic environment and natural resources; promotion of public access and understanding of the countryside; and natural resource protection.

Following a successful evaluation of the pilot Entry Level Scheme in 2003, CSL was awarded the contract to undertake the initial evaluation of the operation of Environmental Stewardship during its first two years. This evaluation covered socio-economic aspects and field survey, as well as analysis of uptake data and modelling of environmental benefits. The evaluation was a key source of evidence used by Defra in their Review of Progress, launched in May 2007.



### Intellectual Property

The strength and value of CSL's intellectual property (IP) underpins much of the scientific activity of CSL, and the benefits of collaboration with CSL in areas such as molecular diagnostics and product formulation continue to be widely recognised. During the year IP and expertise has formed the basis of several new and valuable external partnerships (e.g. development projects, research projects, patent exploitation licences) with both the public and private sector. Such partnerships contribute to ensuring that the technologies developed at CSL can bring benefit to a wide range of end-users, generating income in the process.

Payments have been made through CSL's IP Incentivisation and Reward Scheme for the fourth year running. The Scheme seeks to incentivise individuals and science teams to innovate, and was set up as a result of government advice to all relevant UK Agencies. Payments this year have included those made to recognise and reward staff involved in the successful long-term development of CSL's lateral flow device assays, and their subsequent exploitation through the formation and sale of

Forsite Diagnostics Ltd in the previous financial year. December 2007 saw the conclusion of the important and highly successful multi-Agency InterAct project, funded by the Department for Innovation, Universities and Skills (DIUS). CSL has been an active partner throughout, and the high profile project has added considerable innovation and exploitation value to all four participating government Agencies including CSL over the three years. CSL is now seeking to build on this success by further developing other specific IP exploitation collaborations with external organisations that have been established as a result of InterAct and similar DIUS-funded initiatives.

## Consumption of Coarse Fish

Coarse fishing is popular in the UK and consumption of fish caught is on the increase. The endorsement of TV chefs, and immigration from areas including Eastern Europe, mean more people are eating the fish caught. However, little is known about the potential health effects of eating coarse fish. A CSL project is investigating how pollution affects fish across the UK, and people who eat them. Food safety data for commonly eaten fish like salmon or sea-fish is abundant, but there is little information concerning fish from inland waterways. Our scientists are collaborating with ADAS in conducting surveys to find out the extent and geographical distribution of this type of fishing in the UK. Once regional distributions are established, our scientific expertise will determine whether these areas coincide with dirty waterways. We can then establish how much fish people are eating, along with the potential risks.



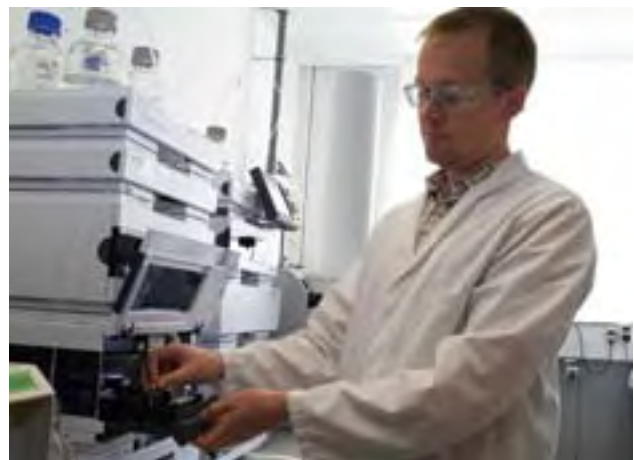
## Professional People

Improvement in quality of service and in business efficiency, business development and innovation are dependent on the skills, expertise, creativity and energy of our staff. We consider it vitally important to ensure that all staff are committed to CSL's objectives, and understand how they can contribute to our success.

### Recruitment

CSL is proud to have been a recognised Investor in People since 1998. We continue to use the standard to help us ensure that we are delivering best practice in how we manage and develop our people. We are particularly pleased to have also recently achieved recognition against the liP Work Life Balance Module. We continue to underpin core organisational skills with bespoke training days for teams, scientific skills training, and a renewed Management Development Programme. Looking forward to the creation of the new agency, we have been working with key managers to enhance "change and transition management" capabilities and with their teams to ensure clear communications to support the change process.

CSL has delegated responsibility to carry out its own recruitment. All recruitment is carried out on the basis of fair and open competition on merit and in accordance with the Civil Service Commissioners' Recruitment Code. During 2007/08 staff turnover was 6.8%<sup>1</sup> (compared with 10.27% last year) of the average number of staff in post.



<sup>1</sup> Using the CIPD definition of turnover, which includes resignations, transfers, dismissals, normal age retirement, compulsory early retirement, redundancy, death in service.

### Crown Gall Testing in Roses

A new testing procedure for Crown Gall in roses has been developed by CSL, based on a real-time polymerase chain reaction assay. Crown Gall costs the East African rose industry an estimated £40 million annually. It is caused by a pathogenic bacterium called *Agrobacterium tumefaciens*, resulting in a cancer-like tumour on the rose plant preventing flowers from forming. Early symptoms are difficult to detect so nurseries need an effective way of disease monitoring. Through working with the East African flower industry, and a private sector plant health company, CSL scientists developed a system which detects DNA sequences only harboured by plant pathogenic *Agrobacterium* strains. Commercial rose growers source budwood, used for grafting, from nurseries, and it is the movement of budwood that is seen as the main mechanism for disease spread. The main use for the assay will be to ensure this budwood is free of infection.



### Number of staff recruited 1 April 2007 to 31 March 2008

| Ethnic origin               | Gender | <sup>2</sup> Grade 1 | Grade 2   | Grade 3   | Grade 4 & above | Total     |
|-----------------------------|--------|----------------------|-----------|-----------|-----------------|-----------|
| White                       | Female | 6                    | 8         | 5         | 3               | 22        |
|                             | Male   | 1                    | 6         | 1         | 2               | 10        |
| Non-white                   | Female | 0                    | 0         | 0         | 2               | 2         |
|                             | Male   | 0                    | 2         | 0         | 0               | 2         |
| Ethnic origin not specified | Female | 7                    | 7         | 0         | 0               | 14        |
|                             | Male   | 3                    | 11        | 9         | 9               | 32        |
| <b>Total</b>                |        | <b>17</b>            | <b>34</b> | <b>15</b> | <b>16</b>       | <b>82</b> |

| Disability               | Gender | <sup>2</sup> Grade 1 | Grade 2   | Grade 3   | Grade 4 & above | Total     |
|--------------------------|--------|----------------------|-----------|-----------|-----------------|-----------|
| Disability not specified | Female | 8                    | 5         | 3         | 7               | 23        |
|                          | Male   | 1                    | 10        | 5         | 0               | 16        |
| Non-disabled             | Female | 4                    | 10        | 2         | 3               | 19        |
|                          | Male   | 3                    | 9         | 5         | 5               | 22        |
| Disabled                 | Female | 1                    | 0         | 0         | 0               | 1         |
|                          | Male   | 0                    | 0         | 0         | 1               | 1         |
| <b>Total</b>             |        | <b>17</b>            | <b>34</b> | <b>15</b> | <b>16</b>       | <b>82</b> |

<sup>2</sup> CSL grades 1–3 encompass Civil Service equivalents Administrative Assistant, Assistant Scientific Officer through to Executive Officer/Scientific Officer. Grades 4 and above encompass Higher Scientific Officer through to the Senior Civil Service.

### Working with Defra to Deliver the Biomass Strategy

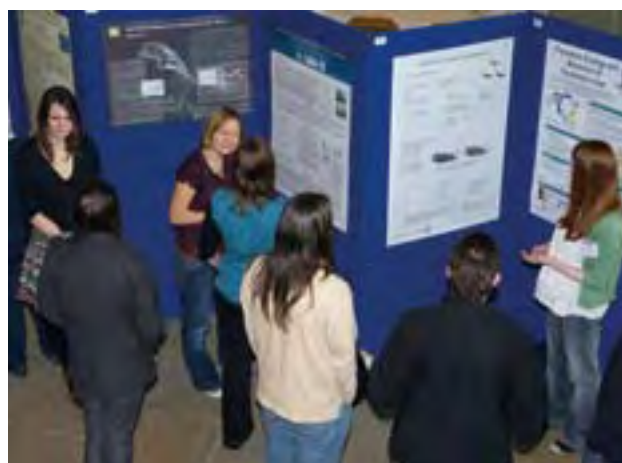
A recent Government recommendation was made, in response to the Biomass Task Force Report, to identify suitable sites on the Government Estate where biomass-fuelled heating could be adopted. Subsequently, CSL scientists have been working with Defra to map Defra's Estate for biomass heat opportunities. This would help demonstrate the Government's commitment to contribute towards carbon reduction targets, while also showing how they can lead by example in the adoption of renewable energy technologies. The most promising sites for biomass heating have now been identified and, as a result, the first of several biomass-fuelled boilers is planned for installation later this year. The biomass mapping exercise is now being rolled out across the wider Government estate, with further support from CSL. It is envisaged that this will be complete by the end of 2008.



### Students

Our Student Committee continues to be active in advising and promoting the interests of students at CSL. During 2007/08 we had 52 PhD students registered at 20 universities. Our own staff accounted for ten of these studentships. In addition, a further 51 students were registered at 20 colleges and universities for a range of further qualifications from A Level to MSc. Our Student Coordinator provides support and assistance to students on an individual basis and also conducts progress and exit interviews with them.

There were 20 entries for the 2008 Student Poster Competition and six final year PhD students gave seminars. The judges were Dr James Moir (University of York), Dr Peter Urwin (University of Leeds), Dr Nicola Spence (CSL) and Dr Alan MacNicol (CSL). The prize for the best talk went to Weiqi Luo who presented his research on "Predicting annual and regional fluctuations in crop health – development and application of new approaches". Prizes for the best posters went to Emma Rigby for her work on "Population Ecology of Daubenton's Bat" and Stacey Edmondson for her work on "Microbial Diversity in the Human Mouth".





### Badger Perturbation and TB Control

CSL has a long record of achievement in understanding the dynamics and management of bovine tuberculosis (TB) in badgers and cattle. Our work has been critical to understanding the outcomes of the Randomised Badger Culling Trial and underpinned much of the Trial's design and analysis, leading to collaborative publications in *Nature* and *Proceedings of the National Academy of Sciences*. Usually, culling infectious host animals provides effective disease control. However, our work on the perturbation of social structure following badger culling showed that mobility and infection rates among badgers are increased, and in some cases can worsen the disease problem in cattle. The implications are controversial, as highlighted by the report of the Government's former Chief Scientific Adviser Sir David King (see [www.defra.gov.uk/animalh/tb/abouttb/badgers.htm](http://www.defra.gov.uk/animalh/tb/abouttb/badgers.htm)). CSL science underpins the wildlife aspects of the TB debate and further publications have been published during the year in the *Proceedings of the Royal Society*, *Molecular Ecology* and *Journal of Applied Ecology*.

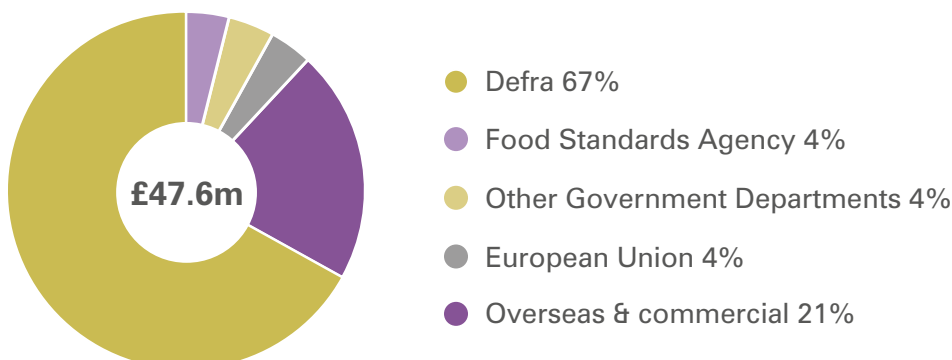


HIGHLIGHTS OF THE YEAR

## Business Focus

CSL is tasked with fulfilling a comprehensive and evolving scientific programme in an increasingly efficient and effective manner. Our business and corporate development strategy seeks to identify new business opportunities and a wider customer base for our services, together with a review of our corporate systems and procedures to ensure they are fit for purpose, efficient and support the cultural changes necessary to respond to a more demanding operating environment.

### Income for 2007/08



### Climatic Impact and Predictions for Canine Dirofilariosis in the UK

Since the introduction of the Pet Travel Scheme (PETS) in the UK, a number of vector-borne infections have been reported in returning dogs and cats. In southern Europe, canine dirofilariosis (canine heartworm) is considered to be increasing in terms of incidence and geographic spread. European transmission depends on sufficient numbers of infected dogs, susceptible mosquitoes, and a suitable climate. Scientists from the Health Protection Agency and CSL examined the climatic constraints on the extrinsic incubation of *Dirofilaria* nematodes in the UK using high-resolution (5-km) meteorological data. The model predicts that summer temperatures during 1995–2000 may have enabled incubation of *Dirofilaria* during two years for parts of southern/central England, and five years around London. The occurrence of indigenous transmission would be dependent upon additional factors including the distribution and abundance of mosquito vectors. Further studies are planned on the impact of such factors, including the potential effects of climatic changes.



IMAGE COURTESY OF CDC

### Governance

Defra's Delivery Relationship Team (DRT) was established to help build Defra's capacity to deliver successful outcomes, support good delivery relationships, and promote networking and collaboration across the Department. During the course of the year DRT has had responsibility for Defra's Laboratory Agency governance and the Laboratory Strategy Programme.

The CSL Laboratory Advisory Board, chaired by CSL's Chief Executive, met twice during the year. The Board has responsibility for overseeing the CSL Business Plan, Science Strategy and Risk Management report. The Board's membership includes the five CSL Directors and five independent members.

The CSL Chief Executive is in sole charge of the day-to-day management of the Laboratory. He is supported by a Science Director (Food), a Science Director (Agri-Environment), a Commercial Director, a Finance and Procurement Director and a Corporate Services Director. This senior management team forms, with Heads of Science Groups, the Leadership Team, which provides internal strategic and operational direction for CSL.



### Plant Passports for Development

Movement of planting material between regions can spread pests, and is a key concern for the plant research and breeding community. The Consultative Group for International Agriculture Research (CGIAR), the custodian of many key collections of crop cultivars and germplasms for the developing world, recently sought the assistance of CSL to ensure that the materials they provide are free from listed pests. Our Quality Assurance Manager recently completed a secondment to the International Potato Centre (CIP, a CGIAR centre) in Peru, to build a quality assurance system for the Institute's potato and sweet potato germplasm collection. This required careful consideration of the balance between the "perfect" system and what is practical. In 2008 the CIP successfully achieved UKAS accreditation for compliance with ISO17025 for the acquisition, management and distribution of germplasm. This success provides a model for other gene banks within the CGIAR.



HIGHLIGHTS OF THE YEAR

Risk management is embedded in both our planning and operational processes in order to identify and monitor the major risks for the organisation and to ensure, as far as reasonably possible, that contingency plans, countermeasures and controls exist which reduce the likelihood and impact of the risks. An Audit and Risk Management Committee, with an independent Chair, ensures that due prominence to risk management is maintained. The Committee met three times during the year.

Our risk register is frequently updated, supported by the reviews and comments of our Audit and Risk Management Committee. The risk register demonstrates both real and residual risks, and those that are inherent or externally influenced. Our Statement on Internal Control on page 34 provides more detail on CSL's capacity to handle risk, the control framework and the effectiveness of the risk systems and processes.

### Commercial Activities

CSL has once again demonstrated its ability to generate significant income through the delivery of high quality services to private sector customers. In a year that saw our portfolio of technical services, consultancy and research extended by further innovation, commercial income increased to £9.8 million. Much of this is due to our strong focus on building long-term relationships with major clients at home and overseas.

Our commercial strategy focuses effort into the five business sectors of food analysis, proficiency testing, environmental risk assessment, bird management and plant pest and disease identification – all of which are supported by capacity development and knowledge management. Performance in these highly competitive markets was strong with proficiency testing sustaining its long-term growth trend and a resurgence in risk assessment from the agro-chemical and other sectors.

### International Wildlife Fertility Control Conference

Achieving effective, humane and environmentally sensitive management of overabundant wildlife is of increasing concern to conservation biologists, wildlife managers, policy makers and the general public. These issues formed the focus of the 6th International Conference on Fertility Control for Wildlife (ICFCW), hosted by CSL in 2007. Some of the latest developments covered included the emergence of novel fertility control and delivery technologies, animal welfare and socio-political issues, and practical application in captive and feral animals. A truly international gathering, attracting delegates from 14 different countries, the Conference was a successful meeting which is expected to lead to further EU funding and collaborations in this area. A special issue of the journal *Wildlife Research* will be published in 2008 containing keynote papers from the conference. This will offer a comprehensive overview of the current state of fertility control for wildlife and associated themes.



Customer demands for sophisticated risk assessments to support safe food supply and environmental quality continue to evolve due to regulatory, consumer and globalisation pressures, not least of which are the environmental and climate change agendas. Looking to the future, we are well placed to support customers in assessing and meeting their needs as they anticipate and respond to changes in the business environment.

During 2007/08, much progress was achieved in defining target market sectors and reinforcing the tools required to identify and meet customer needs. This strategy has resulted in business improvements and successful introductions to new sectors, and will be continued into 2008/09. Development and maintenance of our customer relationship management database remains at the centre of our ability to target our services to the right market sectors, and to ensure a value-adding flow of research-based information can be provided to private and public sector clients.

### Customer Satisfaction

The Ministerial overall target for the 2007/08 survey was 4.5 out of 5.0. The score achieved was 4.1, with Defra customers scoring 4.2 and non-Defra 4.0.

There has been a change in process for this survey. The 2006 Science Audit recommended that the next customer satisfaction survey be outsourced. CSL had previously conducted the surveys, which are subject to formal annual audit as part of the end of year process. For 2007, ORC International were contracted to conduct the survey using the same performance indicators as in previous surveys.

The key findings were that:

- customers use CSL because of our reputation, trust in the results they are given and value for money
- there were some concerns over internal resources, delivery and communication.

These issues will form the basis for improvement actions in 2008/09.

### First Detection of Bats by Mobile Radar in the UK

A collaborative project between CSL and Natural England has resulted in the first monitoring of bats by mobile radar in the UK. The radar uses high frequency X-band radar technology to track bat movements, as well as accurately measuring their altitude. The radar was deployed at a roost site for Noctule Bats (*Nyctalus a*). Detailed tracks of foraging bats were recorded up to 1,000m above the radar. Bats have long been suspected to forage at these altitudes in the UK but until now detection equipment has been unable to confirm this. The radar's ability to detect bats over long distances, without the need to catch and tag them, represents a major advance in the study of these animals. This work provides new scientific opportunities for the study of bat behaviour and for evaluation of the impact of developments such as wind farms on bats.



HIGHLIGHTS OF THE YEAR

#### Customer satisfaction survey results

|                     | <b>2007/08 Mean</b> |
|---------------------|---------------------|
| Accessibility       | 4.3                 |
| Responsiveness      | 4.2                 |
| Delivery            | 3.9                 |
| Administration      | 3.9                 |
| Quality of Staff    | 4.3                 |
| <b>Overall Mean</b> | <b>4.1</b>          |

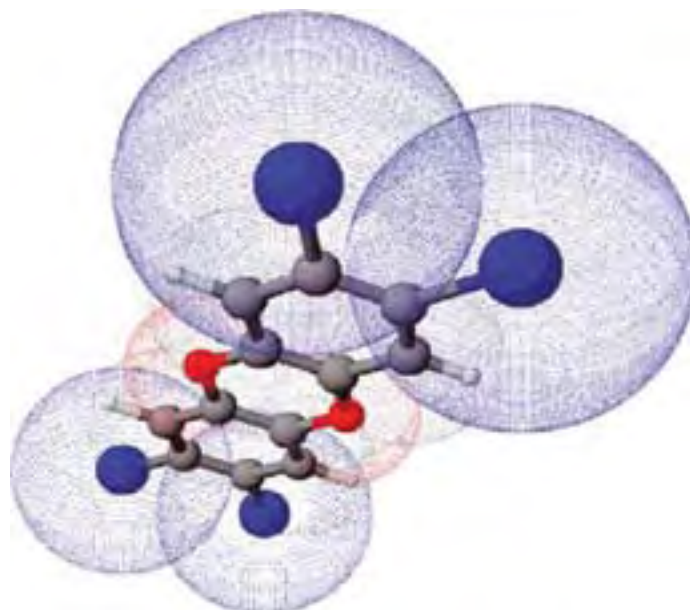
#### Business Efficiencies

Substantial progress has been achieved in the development and launch of new electronic business systems, with associated efficiency gains. Project management software has been integrated with other CSL business systems, coupled with a full training programme for users. Further efficiency gains were achieved through a suite of new project management reports offering rapid information on project delivery. The implementation of electronic project initiation documents and the full transfer of all electronic project files onto a dedicated computer drive ensuring efficient organisation and access further streamlined project management in CSL. Other successful initiatives supporting and encouraging collaborative activities between both scientists and managers include the launch of an electronic cross-group working system to reduce costs and ensure joined-up delivery.

Collectively these initiatives have facilitated substantially improved project management and delivery control and support efficient reporting of progress to customers and managers alike.

### The Re-Assessment of the Toxicity of the Benchmark Dioxin Substance TCDD

CSL scientists recently completed a collaborative study with colleagues from the University of Nottingham and other institutes to re-assess the toxicity of the benchmark dioxin substance 2,3,7,8-tetrachlorodibenzo-p-dioxin (TCDD). This is the first study that directly links body burden to reproductive effects following both acute and chronic dose regimes, and has so far produced six publications. The data showed that developmental exposure to TCDD does not decrease sperm counts of male offspring as previously reported. However, chronic dosing demonstrated an extremely sensitive dose-dependent response on the developing foetus to maternal TCDD exposure. The results of this work, commissioned by the Food Standards Agency (FSA), will be considered by the FSA and the Committee on Toxicology and may result in new assessments of the risk of dietary dioxins and revision of advice to consumers.

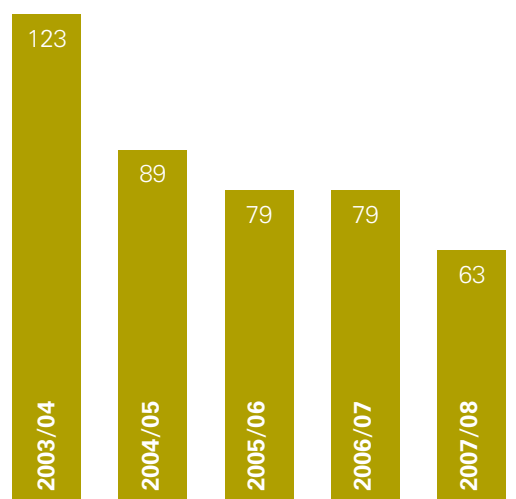


### Health and Safety

The number of incidents reported has continued the downward trend demonstrated in previous years, demonstrating the effectiveness of the Health and Safety culture within CSL.

The Health and Safety audit programme continues to demonstrate the existence of high safety standards throughout CSL, supported by the Health and Safety Team through a programme of in-house training including risk assessment, manual handling, COSHH & First Aid.

**Total incidents reported per financial year**



### Sustainable Development

CSL is committed to the implementation of sustainable development throughout our core business activities and general operations. We recognise the links between our operations and the impacts that they can have on society and the environment. These can be both beneficial and detrimental – from our energy use affecting climate change to developing projects to protect the natural wildlife. Over the past year CSL has reduced its electricity energy consumption by 10%, reduced paper usage by 25% and procured a combined heat and power plant.

### National Reference Laboratory Status

Assuring high standards of food safety is a key priority for the European Commission and Member States. Harmonisation and implementation of food legislation requires scientific and technical consensus amongst Member States. Within the European Union designated Community and National Reference Laboratories are responsible for ensuring a high quality and uniformity of analytical results, which is achieved by activities such as the application of validated analytical methods, ensuring that reference materials are available, comparative testing, and training of staff from other laboratories. CSL was recently successful in the Food Standards Agency (FSA) tendering process for National Reference Laboratory (NRL) status in six areas – veterinary parasitology; dioxins/PCBs; PAHs; metals; mycotoxins; and food contact materials. When added to the existing NRL status of CSL for veterinary drugs and pesticides, this significantly strengthens CSL's position as a "national laboratory" in food chemistry and surveillance in particular.



HIGHLIGHTS OF THE YEAR

In 2007 CSL published an updated Sustainable Development Action Plan, seeking to build upon the solid foundations laid down by the previous Action Plan, by setting ambitious targets for increasing and integrating sustainable development across all of CSL's activities. This means that, in addition to addressing issues of sustainable development in science, operations and personnel, CSL now ensures that sustainable development is integrated within CSL's internal policy-making and procurement processes.

We are aware that through our work we can realistically help in developing and promoting sustainable operations. We aim to provide reliable scientific information, through our research, to assist economies and industries to prosper, while promoting sustainable operations that are beneficial to societies and the environment, now and for future generations.



## 3 FINANCIAL COMMENTARY



*We collaborate with over 80  
different organisations worldwide*



Our income and expenditure shows a surplus of £10k. The surplus is net of early retirement costs amounting to £377k.

The income outturn was £47,604k, a decrease of 1.8% against 2006/07. This was partially as a result of Defra income being £31,824k, which is 5.5% lower than last year. Also EU income decreased by £427k mainly due to Framework 6 projects ending and Framework 7 projects not yet being fully commissioned. Non-Defra activity increased by 6.5% to £15,780k, with growth mainly in our Commercial and Other income stream. Commercial and Other activity increased to £9,830k. Non-Defra work represented 33.1% of total turnover.

Direct project expenditure on science programmes increased by 4.7% compared to 2006/07. Salary and overhead costs reduced on average by 3.2%, reflecting both reduced staff numbers and cost savings on travel and accommodation.

Capital expenditure was £1,494k, with the majority on science equipment, but also including other IT system, infrastructure and vehicle investments. The significant expenditure on Capital relating to science equipment included a bird radar costing £222k and also mass spectrometers costing £435k.

The Better Payment Practice Code requires Government Departments to settle 100% of valid supplier invoices within 30 days of receipt.

CSL's final figure was 98.2%, compared to 96.0% in 2006/07. The average number of payment days for creditors was 10.7 days.

Overdue debts from customers were kept at minimal levels due to continuing tight credit control activity. Debtors outstanding for more than 60 days represented less than 1% of turnover.

## Summary of Key Ministerial Targets and Achievements 2007/08

### Service Delivery

#### Customer Satisfaction

1) To achieve a minimum of 90% of project milestones in commissioned projects, which support Defra's strategic objectives and intermediate outcomes.

#### Result: Achieved

**Final performance was 93% of milestones met, therefore above target.**

2) To achieve a mean score of 4.5 on a scale of 0 to 5 for the assessment of customer satisfaction using the agreed methodology.

#### Result: Not achieved

**The final overall score was 4.1. The Defra mean score was 4.2, and non-Defra 4.0; therefore both areas were below target, using an agreed, revised process for capturing the data.**

### Managing the Agency Effectively

3) To recover the full economic costs of the Agency's services from Government Departments, Agencies and external customers (on a resource accounting basis, recognising the normal costs of operation).

**Result: Achieved**

**CSL generated income of £47,604k against full economic costs of £47,594k, a surplus of £10k. This represents a 100% recovery of costs.**

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4) To deliver the efficiency targets set out in the Business Plan incorporating Gershon efficiency requirements, and including:

- a ratio of direct fee-earning staff to total overhead staff
- a minimum income per fee earner
- a minimum non-Defra income per fee earner
- a minimum utilisation rate for fee-earning staff.

**Result: Partially achieved**

**Targets were largely met or exceeded, apart from the ratio of direct fee-earning staff to overhead staff, which was marginally below plan.**

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5) To deliver e-Government initiatives, and commercially exploit research outputs in ways that do not prejudice moves to new agency status by setting up potential conflicts of interest.

**Result: Achieved**

**CSL has continued to invest in fit-for-purpose electronic systems, supporting both business and science needs. Commercial income has grown, and work to exploit science knowledge has been maintained. CSL has also pursued opportunities to make best use of vacated property at the Sand Hutton site.**

### Securing Sustainability

6) To work with Defra's Delivery Relationship Team and heads of other potential constituent organisations, providing sufficient CSL resource, to develop and get agreed by Ministers proposals for a new Regulatory Science Agency that would commence operations by 1 April 2009. Subsequently, to provide strong leadership in implementing the preferred option.

**Result: Achieved**

**The decision to merge CSL with Plant Health and Plant Variety and Seeds policy areas within core-Defra was made during the year. CSL continues to apply significant resource to ensure the programme momentum has been maintained.**

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### Science Quality

7) To formulate a Science Audit Implementation Plan and deliver key outcomes (including a Communication Strategy; a coordinated approach to international science collaboration; increasing staff involvement in scientific publications).

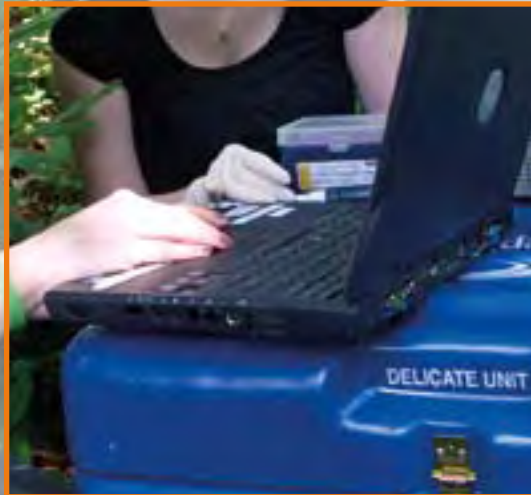
**Result: Achieved**

**The Implementation Plan has met the first year targets. Science journal publication numbers exceeded plan, and CSL has been successful in retaining both its ISO9001 and Investor in People standards. Work has progressed on developing the international science collaboration.**

## Performance Trends Against Targets

| Key Ministerial Targets  |                              | Targets and Outturns |              |              |
|--|------------------------------|----------------------|--------------|--------------|
|  |                              | 2005/06              | 2006/07      | 2007/08      |
| <b>Financial Performance</b>   |                              |                      |              |              |
| Percentage of running costs to be recovered (after adjustments)  | Target                       | 100.0                | 100.0        | 100.0        |
|  | <b>Outturn</b>               | <b>100.5</b>         | <b>100.8</b> | <b>100.1</b> |
| <b>Service Delivery</b>  |                              |                      |              |              |
| Percentage of Defra project milestones agreed  | Target                       | 90.0                 | 90.0         | 90.0         |
|  | <b>Outturn</b>               | <b>95.8</b>          | <b>90.9</b>  | <b>93.1</b>  |
| <b>Quality</b>   |                              |                      |              |              |
| Achieve a mean score on a scale of 0 to 5 for assessment of customer satisfaction using established methodology (revised in 2007/08) | Target                       | 4.4                  | 4.5          | 4.5          |
|  | <b>• Non-Defra customers</b> | <b>4.4</b>           | <b>4.5</b>   | <b>4.0</b>   |
| <b>• Defra customers</b>   | <b>Outturn</b>               | <b>4.4</b>           | <b>4.3</b>   | <b>4.2</b>   |

## 4 REMUNERATION REPORT



*Our key themes include risk assessment and contingency response*

### Policy on Remuneration

The Chief Executive, the two Science Directors and the Commercial Director are all subject to the Senior Civil Service Pay system. Under this system, pay awards comprise both consolidated increases and non-consolidated bonuses, the size of which are dependent on performance.

The two remaining Directors are subject to the CSL pay system under delegated authority from HM Treasury. Under this system, pay awards comprise both consolidated increases and non-consolidated bonuses, the size of which are dependent on performance.

### Remuneration Committee

The Senior Salaries Review Board provides independent advice to the Government on the remuneration of the judiciary, senior civil servants and senior officers of the armed forces. This Board sets the remuneration levels for the Chief Executive, the two Science Directors and the Commercial Director.

Under the delegated authority from HM Treasury, CSL has its own remuneration committee consisting of representatives from CSL management and the Trade Union. All negotiations need final approval from HM Treasury before they can be implemented.

### Assessment of Performance

The Chief Executive and all Directors are subject to a performance system that monitors their performance against agreed targets. For members of the Senior Civil Service this is the Performance Management system as introduced by the Civil Service Management Board. For the remaining Directors it is the Performance Management system as adopted by CSL.

### Duration of Contracts

The new Chief Executive Adrian Belton was appointed through open competition under the terms of the Civil Service Management Code on 3 March 2008. He has been appointed with a three year contract, which has the option to be extended to five years or made permanent by agreement.

The remaining Directors were appointed through open competition under the terms of the Civil Service Management Code. They all have permanent contracts with CSL.

The Chief Executive, the two Science Directors and the Commercial Director are obliged to give CSL a minimum notice of three months; the remaining two Directors are obliged to give CSL a minimum notice of one month.

## Directors' Remuneration

The following table shows the Salary, Benefits in Kind and Pension details for the Chief Executive and the five Directors. This table represents the part of the Remuneration Report to be audited, as referred to in the Audit Certificate.

Salary includes gross salaries, performance pay and bonuses, reserved rights to London weighting, and recruitment and retention allowances where applicable. The benefits in kind relate to the use of a car.

The remuneration, including bonuses, taxable benefits and compensation payments, but excluding superannuation contributions, of the Chief Executive from April 2007 to May 2008, Prof T M Roberts, amounted to £99,993 (2006/07 £99,917).

The remuneration, including bonuses, taxable benefits and compensation payments, but excluding superannuation contributions, of Adrian Belton, the new Chief Executive from 3 March 2008, was £8,575.

## Directors' Pension Details

The Chief Executive and all the Directors are members of the Principal Civil Service Pension Scheme (PCSPS). All are members of the classic pension scheme except for Adrian Belton, the new Chief Executive, and Mr R Shaw who opted to move to the premium scheme. Further details of these schemes can be found in note 6.

The table shows the members' cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. The CETV effectively funded by the employer takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary.



Adrian Belton  
Chief Executive

## Salary, Benefits in Kind and Pension details for the Chief Executive and the five Directors

|  |       | Mr A<br>Belton | Prof T M<br>Roberts | Prof A R<br>Hardy | Prof J<br>Gilbert | Dr R<br>Bolton | Dr H<br>Crews | Mr R<br>Shaw |
|--|-------|----------------|---------------------|-------------------|-------------------|----------------|---------------|--------------|
| Salary 2007/08                                       | £000s | 5–10           | 95–100              | 105–110           | 80–85             | 80–85          | 60–65         | 60–65        |
| Salary 2006/07                                       | £000s | N/A            | 95–100              | 95–100            | 80–85             | 75–80          | 55–60         | 60–65        |
| Benefits in Kind 2007/08                             | £000s | –              | 2.8                 | –                 | –                 | –              | –             | –            |
| Benefits in Kind 2006/07                             | £000s | –              | 2.8                 | –                 | –                 | –              | –             | –            |
| Real increase in Pension at age 60 at 31 March 2008  | £000s | 0.0–2.5        | 0.0–2.5             | 0.0–2.5           | 0.0–2.5           | 0.0–2.5        | 0.0–2.5       | 0.0–2.5      |
| Real increase in Pension at age 60 at 31 March 2007  | £000s | N/A            | 0.0–2.5             | 0.0–2.5           | 0.0–2.5           | 0.0–2.5        | 0.0–2.5       | 0.0–2.5      |
| Real increase in Lump Sum at age 60 at 31 March 2008 | £000s | N/A            | 2.5–5.0             | 0.0–2.5           | 0.0–2.5           | 2.5–5.0        | 0.0–2.5       | N/A          |
| Real increase in Lump Sum at age 60 at 31 March 2007 | £000s | N/A            | 0.0–2.5             | 2.5–5.0           | 0.0–2.5           | 2.5–5.0        | 2.5–5.0       | N/A          |
| Total accrued Pension at age 60 at 31 March 2008     | £000s | 5–10           | 35–40               | 35–40             | 30–35             | 10–15          | 20–25         | 5–10         |
| Total accrued Pension at age 60 at 31 March 2007     | £000s | N/A            | 35–40               | 35–40             | 30–35             | 10–15          | 15–20         | 5–10         |
| Total accrued Lump Sum at age 60 at 31 March 2008    | £000s | N/A            | 115–120             | 110–115           | 100–105           | 35–40          | 60–65         | N/A          |
| Total accrued Lump Sum at age 60 at 31 March 2007    | £000s | N/A            | 105–110             | 105–110           | 95–100            | 35–40          | 55–60         | N/A          |
| CETV at 31 March 2008                                | £000s | 86             | 961                 | 853               | 847               | 301            | 484           | 149          |
| CETV at 31 March 2007                                | £000s | N/A            | 832                 | 746               | 733               | 249            | 409           | 115          |
| Real increase in CETV as funded by employer          | £000s | 3              | 22                  | 3                 | 17                | 19             | 18            | 13           |
| Employee contributions and transfers-in              | £000s | 0.3            | 1.4                 | 1.4               | 3.9               | 1.1            | 0.9           | 2.0          |

## 5 PLANS AND TARGETS



*Our scientists published 157 papers in SCI journals during 2007*



## Plans and Targets



On behalf of everyone associated with CSL I would like to pay tribute to Mike's leadership over the past seven years and to thank him for handing on the organisation in good order. It is with a sense of privilege and pride I take on the role.

There is obviously a lot for me to learn about the business, and to prepare for the creation of the new Agency by bringing together CSL, Defra's Plant Varieties and Seeds Office (PVS), Plant Health Division (PHD) and the Plant Health and Seeds Inspectorate (PHSI) over the next twelve months. It is my intention (and hope!) that as many people as practicable will be engaged in the transformation programme to create the new Agency. Suffice to say that there is a lot to do in the coming year, especially in determining and agreeing the purpose, direction and priorities of the new Agency.

Key to this will be engaging the stakeholders and staff of all the organisations involved. Thus by the end of the first half of 2008/09 customer needs and stakeholder interests will be clarified, the new Agency's purpose defined, the

relationships between science, policy, regulation and operations in the new Agency understood, and the best way to shape and govern the organisation to enable its business to be delivered, whilst maximising the merger benefits, decided.

The main challenge for CSL will be to maintain delivery of research and scientific services to stakeholders whilst applying resources from the management team, finance and corporate services to support the integration of CSL with the core-Defra Units.

I do take heart that everyone I have met is excited about the prospect of the merger to create a new organisation, whilst at the same time building on the good work and high reputations of the existing organisations.

Our scientific capacity, skills and capability are continually reviewed to ensure that these are aligned with the requirements of stakeholders. In 2008/09, Defra's Seedcorn Fund will be targeted on expanding our emergency response capability, encouraging innovation and building academic collaborations. Our Science Strategy 2006–2011 provides the framework for the development of scientific skills and facilities. This will be reviewed in 2008/09 to ensure that the objectives are compatible with the outcome of Defra's ongoing review of long-term strategic knowledge needs.

We are now regarded as a significant source of manpower, skills and facilities to support emergency responses. Our main objectives for 2008/09 will be to upgrade CSL's containment facilities and extend staff training in the handling of chemical agents and human pathogens.

We have a strategy to reduce infrastructure costs in 2008/09 based on developing a mini Science Park at our Sand Hutton site. Marketing of the 3,000m<sup>2</sup> excess laboratory capacity has already attracted private sector interest. A joint proposal for CSL and York University to develop a Regional Innovation Hub has been submitted by Yorkshire Forward to the European Regional Development Fund.

Further savings are planned from investments underpinning the Sustainable Development Action Plan. Planned reductions in energy usage, water and waste will meet government targets by reducing carbon emissions by 15% by March 2009. This represents a significant proportion of the Defra emissions' target reduction.

I am looking forward very much to both leading the CSL over the next twelve months and to working with colleagues in PHD, PHSI and PVS in realising our collective ambition for the new Agency.

## Summary of Targets and Objectives for 2008/09 – Formal Targets with the Approval of the Minister

### A. Service Delivery

- Outputs from applied research R&D are delivered to deadline, meet agreed quality standards, answer the policy questions and are presented in a way that is useful to policy makers and other delivery bodies.
- Outputs from monitoring/surveillance are timely, accurate, and their presentation and explication useful to policy makers and other delivery bodies.
- To achieve a mean score of 4.2 on a scale of 0 to 5 for the assessment of customer satisfaction using the agreed methodology.

### B. Value for Public Money

- To recover the full economic costs of the Agency's services from Government Departments, Agencies and External Customers.
- To deliver the efficiency targets set out in the Business Plan.

### C. Capacity and Capability

- To deliver key outcomes against the 2006 Science Audit Implementation Plan (including a Communication Strategy; a coordinated approach to international science collaboration; increasing staff involvement in scientific publications; commercial exploitation of research outputs).
- To extend technical capability to support emergency response strategies across the public sector.
- To work with other constituent organisation heads and Defra's Delivery Transformation Programme, providing sufficient CSL resource, in implementing the new Regulatory Science Agency for vesting on 1 April 2009.

# 6 ANNUAL ACCOUNTS



*Our new CHP plant will further  
reduce our energy consumption  
and emissions*

## Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, CSL is required to prepare accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by CSL during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CSL, the income and expenditure, the recognised gains and losses, and cash flows for the financial year.

The Chief Executive of CSL was appointed by the Defra Accounting Officer with Treasury approval; with responsibility for preparing the Agency's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by HM Treasury and, in particular, to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis.

The responsibilities of the 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 the Agency's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting and Managing Public Money.

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

## Statement on Internal Control

### 1. Scope of responsibility

As Accounting Officer for CSL, I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, set by Defra's Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and Managing Public Money.

Having taken over as Chief Executive in March 2008 I aim to continue the high standard of control maintained by my predecessor, Professor Michael Roberts.

Accountability to Parliament during 2007/08 has been via the Ministers. Line management has been via Defra's Director General – Service Transformation Group. In addition, the governance structure includes a CSL Laboratory Advisory Board, incorporating the CSL Chief Executive and Directors, and five independent representatives. I also receive advice from the Audit and Risk Management Committee, with an independent Chair, which meets regularly to review and advise on operational risk matters.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of CSL's policies, aims and objectives, to

evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in CSL for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. Capacity to handle risk

Risk management is embedded into CSL's ongoing operations. Risks are identified and reviewed regularly through a series of management meetings including the Leadership Team, Operational Performance and Business Planning meetings, noted in section 4 below. The meetings provide the overarching template in which CSL plans, monitors and responds to relevant issues.

The capacity to handle and assess risk is supported by regular operational meetings such as Health and Safety and site contract forums, which provide further opportunities for issues to be highlighted as early as possible to management. All staff are made aware at induction stage of CSL's risk policy, and this is reinforced at new manager training sessions. Risk and quality awareness continue to be developed in response to external and internal standards and assessments, in areas such as Environmental Management and ISO9001 accreditation, achieved in 2006 and maintained in 2007/08. Investor in People assessments reinforce CSL's commitment to maintaining best possible communication standards. CSL has updated its anti-fraud and whistle-blowing policies in accordance with latest guidance.

### 4. The risk and control framework

CSL has several methods for identifying, evaluating and controlling risks:

- Business and corporate planning process: high-level risks are identified as part of the planning processes, reflecting external and internal threats and opportunities. CSL's Science Strategy has been updated. CSL's Vision statement is included inside the front cover of the Annual Report. Through the Chief Executive's Open Forums, staff are briefed on the strategic and operational issues affecting CSL, supported by publication on the CSL intranet.
- Business planning bilateral meetings: a detailed assessment of CSL's management groups and teams, where operational and financial risks are reviewed. Objectives agreed at the bilateral meetings are cascaded into personal performance targets for all staff.
- Leadership Team and Operational Performance meetings: a formal part of the Leadership Team meetings' agenda is any update on risk matters; the Operational Performance meeting allows operational issues to be aired, alongside review of latest forecasts.
- Risk reports: reviewed annually by the CSL Leadership Team, where groups are required to report on risk issues within their operating sphere. This is also summarised and presented to the CSL Audit and Risk Management Committee, alongside review of the risk register.
- Regular project reviews: ongoing assessment of project performance, identifying risks associated with the whole project life.

Increasing emphasis has been placed on capturing risk issues early, allowing timely remedial management actions to be taken. CSL has undertaken a risk workshop in February 2008, facilitated by Internal Audit, which supports the organisation's view of embedded risk processes. The implementation of the Project Management Toolkit has reinforced project controls across all project activities.

### 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within CSL, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Laboratory Advisory Board and the Audit and Risk Management Committee. Plans to address any weaknesses and to ensure continuous improvement of the system, and to ensure that Government Accounting and Managing Public Money guidelines are applied, have been put in place.

The CSL Leadership Team monitors the ongoing performance of the organisation. Through the governance process noted earlier, I am accountable to the Department and its Ministers on performance. My review of effectiveness of the system of internal control is supported by:

- an Audit and Risk Management Committee, which meets three times each year and ensures that the CSL risk register is current, complete and reflects the Committee's views on acceptable levels of risk and controls;
- external audit management letter and recommendations;
- internal audit reviews and recommendations, for example the annual key control test, based on risk assessment priorities agreed at the Audit and Risk Management Committee;
- internal CSL reviews, for instance Health and Safety Committee reports;
- discussions with my predecessor Professor Michael Roberts.

Operational areas such as quality, security, Health and Safety, IT and utility risks have been maintained at a good standard, with no major issues. Business continuity and disaster recovery plans are reviewed and updated on a regular basis.

### **6. Significant internal control issues**

No significant internal control issues were identified during the year.



**Adrian Belton**  
**Chief Executive**

3 June 2008

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

I certify that I have audited the financial statements of Central Science Laboratory for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Chief Executive's Report, the Management Commentary, the Financial Commentary and the Remuneration Report, included in the Annual report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if the information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Report, the Management Commentary, the Financial Commentary and the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements, and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2008 and of the surplus, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the Chief Executive's Report, the Management Commentary, the Financial Commentary and the Remuneration Report, included within the Annual Report, is consistent with the financial Statements.

### Audit Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.

**T J Burr**

**Comptroller and Auditor General**

13 June 2008

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



## Income and Expenditure Account

For the year ended 31 March 2008

|   | Notes     | 2007/08<br>£000 | 2006/07<br>£000 |
|---|-----------|-----------------|-----------------|
| Turnover  | 2         | 47,604          | 48,489          |
| Cost of sales   | 3         | 27,535          | 27,265          |
| <b>Gross surplus</b>                                      |           | <b>20,069</b>   | <b>21,224</b>   |
| Administrative expenses                                   | 4         | 16,277          | 17,232          |
| <b>Operating surplus</b>                                  |           | <b>3,792</b>    | <b>3,992</b>    |
| Bank interest receivable                                  | 19        | 39              | 34              |
| Interest payable and similar charges                      | 5         | (3,821)         | (3,750)         |
| <b>Surplus / (deficit) for year taken to General Fund</b> | <b>16</b> | <b>10</b>       | <b>276</b>      |

All income and expenditure is derived from continuing operations.

## Statement of Total Recognised Gains and Losses

|   | Notes | 2007/08<br>£000 | 2006/07<br>£000 |
|---|-------|-----------------|-----------------|
| <b>Surplus for the year</b>                                       |       | <b>10</b>       | <b>276</b>      |
| Net unrealised surplus / (deficit) on revaluation of fixed assets | 17    | 4,890           | 4,752           |
| <b>Total recognised gains / (losses) for the year</b>             |       | <b>4,900</b>    | <b>5,028</b>    |

The notes on pages 42 to 52 form part of these accounts.

## Balance Sheet as at 31 March 2008

|  | Notes  | 31 March 2008<br>£000 | 31 March 2007<br>£000 |
|--|--------|-----------------------|-----------------------|
| <b>Fixed assets</b>                            |        |                       |                       |
| Tangible assets                                | 7      | 112,128               | 110,479               |
| Investment                                     | 16, 24 | 0                     | 3                     |
| <b>Current assets</b>                          |        |                       |                       |
| Stock and Work in progress                     | 8      | 124                   | 231                   |
| Debtors  | 9      | 8,026                 | 7,636                 |
| Cash at bank and in hand                       | 11     | 6,026                 | 10,518                |
|  |        | <b>14,176</b>         | <b>18,385</b>         |
| Creditors: amounts falling due within one year | 12     | <b>(5,467)</b>        | <b>(6,012)</b>        |
| Monies held for third party collaborators      | 11     |                       | (896)                 |
| <b>Net current assets</b>                      |        | <b>8,709</b>          | <b>11,477</b>         |
| Total assets less current liabilities          |        | 120,837               | 121,959               |
| Provisions for liabilities and charges         | 14     | (1,083)               | (1,075)               |
| <b>Total assets less total liabilities</b>     |        | <b>119,754</b>        | <b>120,884</b>        |
| <b>Taxpayers' Equity</b>                       |        |                       |                       |
| General fund                                   | 16     | 83,366                | 88,174                |
| Revaluation reserve                            | 17     | 36,388                | 32,710                |
|  |        | <b>119,754</b>        | <b>120,884</b>        |

The notes on pages 42 to 52 form part of these accounts.



**Adrian Belton**  
Chief Executive

3 June 2008

## Cash Flow Statement

| <b>For the year ended 31 March 2008</b>            |           | <b>2007/08</b> | <b>2006/07</b> |
|--|-----------|----------------|----------------|
|  | Notes     | £000           | £000           |
| Net cash inflow from operating activities          | 18        | 6,960          | 8,916          |
| Capital expenditure and financial investment       | 20        | (1,491)        | (1,314)        |
| Extra receipts paid to Defra                       |           | 0              | 0              |
| <b>Financing</b>                                   |           |                |                |
| New commitments                                    | 15        | 0              | 0              |
| Capital element of finance lease payments          | 15        | 0              | 0              |
| In year repayment of funds to Defra                | 16        | (10,000)       | (9,000)        |
| Net interest received                              | 19        | 39             | 34             |
|  |           | (9,961)        | (8,966)        |
| <b>Increase / (Decrease) in cash in the period</b> | <b>21</b> | <b>(4,492)</b> | <b>(1,364)</b> |

The notes on pages 42 to 52 form part of these accounts.

## Notes to the CSL Accounts

### 1. Accounting Policies

#### 1.1 Accounting Conventions

These financial statements have been prepared in accordance with the Treasury Financial Reporting Manual and the Agency Accounts Direction. The accounts are prepared under the historic cost convention.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and of Accounting Standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

#### 1.2 Turnover

Turnover represents the amounts of goods sold and services provided (net of discounts and value added tax) from the ordinary activities of the business in the year.

#### 1.3 Tangible Fixed Assets

Tangible fixed assets are capitalised by the Agency where the purchase cost is £2k or more and where there is an expected useful economic life of more than one year. On initial recognition they are measured at cost, including any additional expenditure such as installation directly attributable to bringing them into working condition.

Non-Property tangible fixed assets are held at Historic cost. Land and Buildings are restated to current value using professional valuations. The last valuation was carried out in 2005 with the next due in mid 2010. In the intervening years they are revalued through the use of appropriate published indices.

#### 1.4 Depreciation

Depreciation is provided on all tangible fixed assets other than land, at rates calculated to write off the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life as follows:

|                         |               |
|-------------------------|---------------|
| Buildings               | 40 years      |
| Scientific Equipment    | 5 to 15 years |
| IT (including software) | 3 to 5 years  |
| Motor Vehicles          | 5 to 7 years  |
| Furniture               | 10 years      |

This policy is varied only for those assets which are expected to remain useful for periods significantly different to those stated above. In these cases a specific life is used.

#### 1.5 Stock and Work in Progress

Work in progress is stated at the lower of cost or net realisable value. The provisions of SSAP9 relating to long-term contracts have been applied and where losses are expected on long-term contracts these have been provided for. Stock is stated at the lower of cost or net realisable value.

#### 1.6 Research and Development

Research and development expenditure is written off as incurred.

#### 1.7 Value Added Tax

CSL is covered under the VAT registration of Defra. Irrecoverable VAT is charged to the Income and Expenditure Account in the year in which it is incurred.

### 1.8 Foreign Currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate prevailing at the balance sheet date. All differences are taken to the Income and Expenditure Account.

### 1.9 Notional Charges

The following notional costs borne on the Income and Expenditure Account are credited to the General Fund: Defra central overhead charges, audit fees and interest on capital. Notional interest on capital is calculated at 3.5% of the average net capital employed during the year.

### 1.10 Early Departure Costs

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The provision is reversed over the period until normal retirement age has been reached.

The provision is based on an actuarial valuation taking account of options available to the employee.

### 1.11 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in note 6.

CSL 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 elements of the schemes, the Agency recognises the contributions payable for the year.

### 1.12 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases, and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

### 1.13 Facilities Charge

A pricing mechanism exists which separately identifies the high running costs of maintaining specialist facilities for a wide range of Defra customers. By agreement with CSL's Ownership Board and Defra Finance, a separate payment mechanism funded by customer programmes was introduced in 1997/98 for maintaining the specialist facilities. The figures are shown in note 2.

### 1.14 Treatment of Third Party Assets

Third party assets are removed from the CSL bank accounts and held in a separate third party bank account in accordance with the Financial Reporting Manual 2007/08. This treatment differs from the 2006/2007 accounts.

**2. Turnover**

|   | <b>2007/08</b> | <b>2006/07</b> |
|---|----------------|----------------|
|   | £000           | £000           |
| Defra – Commissioned research and development | 5,526          | 7,224          |
| Defra – Facilities charge                     | 8,772          | 8,500          |
| Defra – Commissioned policy support           | 10,958         | 10,489         |
| Defra – Other contracts                       | 5,582          | 6,679          |
| Defra – Non-departmental Public Bodies        | 986            | 779            |
| Other Government departments                  | 3,985          | 3,821          |
| European Union                                | 1,965          | 2,392          |
| Commercial and Other income                   | 9,830          | 8,605          |
|   | <b>47,604</b>  | <b>48,489</b>  |

**3. Cost of Sales**

|              | <b>2007/08</b> | <b>2006/07</b> |
|--------------|----------------|----------------|
|              | £000           | £000           |
| Staff costs  | 16,949         | 17,089         |
| Consumables  | 7,457          | 7,122          |
| Depreciation | 3,129          | 3,054          |
|              | <b>27,535</b>  | <b>27,265</b>  |

**4. Administrative Expenses**

|   | <b>2007/08</b> | <b>2006/07</b> |
|---|----------------|----------------|
|   | £000           | £000           |
| Staff costs                                 | 4,833          | 4,585          |
| Accommodation                               | 6,496          | 7,048          |
| Office services                             | 1,158          | 1,395          |
| Operating leases                            | 103            | 72             |
| Depreciation                                | 1,574          | 1,628          |
| Travel and subsistence                      | 1,201          | 1,458          |
| Early departure costs                       | 377            | 72             |
| Defra central overheads charge (notional)   | 108            | 114            |
| External audit fee (notional)               | 44             | 44             |
| Insurance                                   | 70             | 42             |
| Loss / (Profit) on disposal of fixed assets | 29             | 94             |
| Foreign exchange losses / (gains)           | (42)           | 93             |
| Other                                       | 326            | 587            |
|   | <b>16,277</b>  | <b>17,232</b>  |

**5. Interest Payable and Similar Charges**

|  | <b>2007/08</b> | <b>2006/07</b> |
|--|----------------|----------------|
|  | £000           | £000           |
| Interest on capital (notional)   | 3,821          | 3,750          |
| Finance charges payable under finance leases and hire purchase contracts | 0              | 0              |
|  | <b>3,821</b>   | <b>3,750</b>   |

| <b>6. Staff costs</b> |                |                |                |                |                |                |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (i)                   | <b>2007/08</b> | <b>2007/08</b> | <b>2007/08</b> | <b>2006/07</b> | <b>2006/07</b> | <b>2006/07</b> |
|                       | £000           | £000           | £000           | £000           | £000           | £000           |
|                       | Permanent      | Others         | Total          | Permanent      | Others         | Total          |
| Wages and salaries    | 16,843         | 501            | 17,344         | 16,403         | 823            | 17,226         |
| Social security costs | 1,150          | 47             | 1,197          | 1,176          | 82             | 1,258          |
| Superannuation        | 3,227          | 0              | 3,227          | 3,147          | 0              | 3,147          |
|                       | <b>21,220</b>  | <b>548</b>     | <b>21,768</b>  | <b>20,726</b>  | <b>905</b>     | <b>21,631</b>  |
| Agency staff costs    |                |                | 12             |                |                | 43             |
|                       |                |                | <b>21,780</b>  |                |                | <b>21,674</b>  |

The permanent wages and salaries figure for 2007/08 includes £133.8k of severance payments.

For 2007/08 normal employers' contributions were payable to the Principal Civil Service Pension Scheme (PCSPS) at the following rates:

|                                    |       |
|------------------------------------|-------|
| Salary Level: £19,000 and under    | 17.1% |
| Salary Level: £19,001 to £39,000   | 19.5% |
| Salary Level: £39,001 to £66,500   | 23.2% |
| Salary Level: greater than £66,501 | 25.5% |

For the coming year the following rates will be applicable:

|                                    |       |
|------------------------------------|-------|
| Salary Level: £19,500 and under    | 17.1% |
| Salary Level: £19,501 to £40,500   | 19.5% |
| Salary Level: £40,501 to £69,000   | 23.2% |
| Salary Level: greater than £69,001 | 25.5% |

Employer contributions are reviewed every four years following a scheme valuation by the Government Actuary. A full actuarial valuation was carried out on 31 March 2007. The contributions reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. Further details of the schemes can be found in note 6(iii).

#### The average number of persons employed by CSL during the year was:

| (ii)                    | <b>2007/08</b> |        |       | <b>2006/07</b> |        |
|-------------------------|----------------|--------|-------|----------------|--------|
|                         | Permanent      | Others | Total | Permanent      | Others |
| Average number employed | 604            | 36     | 640   | 628            | 52     |
|                         |                |        |       |                | 680    |

(iii) Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

(iv) For details of the Chief Executive's and Directors' salaries please refer to the Remuneration Report which can be found on page 26.

| <b>7. Tangible Fixed Assets</b> |                      |                           |                  |                 |              |                          |                |
|---------------------------------|----------------------|---------------------------|------------------|-----------------|--------------|--------------------------|----------------|
|                                 | <b>Freehold Land</b> | <b>Freehold Buildings</b> | <b>Furniture</b> | <b>Vehicles</b> | <b>IT</b>    | <b>Science Equipment</b> | <b>Total</b>   |
|                                 | £000                 | £000                      | £000             | £000            | £000         | £000                     | £000           |
| Cost or Valuation               |                      |                           |                  |                 |              |                          |                |
| At 1 April 2007                 | 9,450                | 133,979                   | 1,076            | 978             | 1,782        | 16,279                   | 163,544        |
| Additions at cost               | 0                    | 301                       | 92               | 74              | 131          | 896                      | 1,494          |
| Revaluation                     | 520                  | 6,302                     | 0                | 0               | (1)          | 4                        | 6,825          |
| Disposals                       | 0                    | 0                         | 0                | (74)            | (73)         | (907)                    | (1,054)        |
| Impairment                      | 0                    | 0                         | 0                | 0               | 0            | 0                        | 0              |
| <b>At 31 March 2008</b>         | <b>9,970</b>         | <b>140,582</b>            | <b>1,168</b>     | <b>978</b>      | <b>1,839</b> | <b>16,272</b>            | <b>170,809</b> |
| Depreciation                    |                      |                           |                  |                 |              |                          |                |
| At 1 April 2007                 | 0                    | 38,744                    | 943              | 672             | 1,236        | 11,470                   | 53,065         |
| Provided in year                | 0                    | 3,446                     | 20               | 88              | 227          | 924                      | 4,705          |
| Revaluation                     | 0                    | 1,910                     | 13               | (4)             | (1)          | 15                       | 1,933          |
| Disposals                       | 0                    | 0                         | 0                | (74)            | (69)         | (879)                    | (1,022)        |
| Impairment                      | 0                    | 0                         | 0                | 0               | 0            | 0                        | 0              |
| <b>At 31 March 2008</b>         | <b>–</b>             | <b>44,100</b>             | <b>976</b>       | <b>682</b>      | <b>1,393</b> | <b>11,530</b>            | <b>58,681</b>  |
| <b>At 31 March 2008</b>         | <b>9,970</b>         | <b>96,482</b>             | <b>192</b>       | <b>296</b>      | <b>446</b>   | <b>4,742</b>             | <b>112,128</b> |
| <b>At 1 April 2007</b>          | <b>9,450</b>         | <b>95,235</b>             | <b>133</b>       | <b>306</b>      | <b>546</b>   | <b>4,809</b>             | <b>110,479</b> |

Property values are included in the Balance Sheet where the Agency is the sole or major occupier, and a charge made for depreciation and the cost of capital. All properties are valued as fully equipped. On 31 March 2005, as part of the five yearly review of departmental estate, Defra obtained an independent valuation from the Valuation Office. They valued the York site at £95,235k. The next review is in mid 2010. In the intervening years a desk-based review is carried out.

Block 10 of the site has been vacated during 2007/08; however it is proposed that the empty block will be rented out to a similar organisation for laboratory or office use. The carrying amount will therefore remain unchanged based on the potential rental income which would be in line with current cost levels (£600k annual).

Non-Property assets were historically modified to current cost using appropriate indices until 31 March 2007. In 2007/08 CSL ceased indexing based on amendments to the Financial Reporting Manual as follows: "Entities may elect to adopt a depreciated historical cost basis as a proxy for current valuations for assets that have short economical lives or low values (or both)". A detailed exercise was also completed to ensure the current cost values were not materially different from historic cost. As a result of stopping indexation the movement to the revaluation reserve was reduced by £55k.



**8. Stock and Work in Progress**

|   | 31.3.08<br>£000 | 31.3.07<br>£000 |
|---|-----------------|-----------------|
| Work in Progress                          | 110             | 214             |
| Stock of consumables and items for resale | 14              | 17              |
|   | <b>124</b>      | <b>231</b>      |

**9. Debtors**

| <b>Amounts falling due within one year</b> | <b>31.3.08</b><br>£000 | <b>31.3.07</b><br>£000 |
|--|------------------------|------------------------|
| Trade debtors                              | 3,050                  | 3,307                  |
| Defra debtors                              | 1,458                  | 972                    |
| Other debtors                              | 65                     | 49                     |
| Defra accrued income                       | 940                    | 730                    |
| Other accrued income                       | 2,084                  | 2,052                  |
| Prepayments                                | 413                    | 524                    |
|  | <b>8,010</b>           | <b>7,634</b>           |

**Amounts falling due after one year**

|             |              |              |
|-------------|--------------|--------------|
| Prepayments | 16           | 2            |
|             | <b>8,026</b> | <b>7,636</b> |

**10. Debtors – Intra Government Balances**

| <b>Amounts falling due within one year</b>          | <b>31.3.08</b><br>£000 | <b>31.3.07</b><br>£000 |
|---|------------------------|------------------------|
| Balances with Other Central Government Bodies       | 3,364                  | 1,767                  |
| Balances with Local Authorities                     | 37                     | 11                     |
| Balances with NHS                                   | 25                     | 0                      |
| Balances with Public Corporations and Trading Funds | 0                      | 0                      |
| Balances with bodies external to Government         | 4,584                  | 5,856                  |
|   | <b>8,010</b>           | <b>7,634</b>           |

**Amounts falling due after more than one year**

|   |           |          |
|---|-----------|----------|
| Balances with bodies external to Government | 16        | 2        |
|   | <b>16</b> | <b>2</b> |

**11. Bank and Cash**

|                                 | <b>31.3.08</b><br>£000 | <b>31.3.07</b><br>£000 |
|---------------------------------|------------------------|------------------------|
| Office of the Paymaster General | 5,212                  | 7,569                  |
| Other bank balances             | 813                    | 2,948                  |
| Cash in hand                    | 1                      | 1                      |
|                                 | <b>6,026</b>           | <b>10,518</b>          |

In addition to the above balances for 2007/08, CSL hold £1,688k of monies relating to Third Party Collaborators. The 2006/07 balances included the third party balances of £896k. Cash held in other currencies represents 3.4% of total cash.

**12. Creditors**

| <b>Amounts falling due within one year</b>                   | <b>31.3.08</b><br>£000 | <b>31.3.07</b><br>£000 |
|--|------------------------|------------------------|
| Trade creditors  | 517                    | 617                    |
| Defra creditors  | 150                    | 350                    |
| Extra receipts payable to Defra                              | 0                      | 0                      |
| Other creditors  | 433                    | 1,046                  |
| Defra prepaid income   | 758                    | 726                    |
| Other prepaid income   | 888                    | 1,512                  |
| Obligations under finance leases and hire purchase contracts | 0                      | 0                      |
| Defra accruals   | 30                     | 225                    |
| Other accruals   | 2,266                  | 1,108                  |
| Other taxation and social security                           | 425                    | 428                    |
|  | <b>5,467</b>           | <b>6,012</b>           |
| Monies held for third party collaborators                    | 0                      | 896                    |
|  | <b>5,467</b>           | <b>6,908</b>           |

In 2007/08 third party balances were excluded from the accounts as they were held separately. In 2006/07 third party creditors were disclosed as part of the total creditors figure.

There are no creditors falling due after more than one year.

**13. Creditors – Intra Government Balances**

| <b>Amounts falling due within one year</b>          | <b>31.3.08</b><br>£000 | <b>31.3.07</b><br>£000 |
|---|------------------------|------------------------|
| Balances with Other Central Government bodies       | 1,278                  | 1,500                  |
| Balances with Public Corporations and Trading Funds | 0                      | 0                      |
| Balances with bodies external to Government         | 4,189                  | 5,408                  |
|   | <b>5,467</b>           | <b>6,908</b>           |

There are no Intra Government creditors falling due after more than one year.

**14. Provisions for Liabilities and Charges**

|                                 | <b>2007/08</b><br>£000 | <b>2006/07</b><br>£000 |
|---------------------------------|------------------------|------------------------|
| Balance at 1 April 2007         | 1,075                  | 1,542                  |
| Provided in the year            | 323                    | 34                     |
| Provisions utilised in year     | (369)                  | (539)                  |
| Unwinding of discount           | 54                     | 38                     |
| <b>Balance at 31 March 2008</b> | <b>1,083</b>           | <b>1,075</b>           |

The provision relates to early departure costs.

## 15. Leases

### 15a. Obligations under Finance Leases and Hire Purchase Contracts

CSL do not have any obligations under finance leases.

### 15b. Obligations under Operating Leases

Commitments under leases to pay rentals during 2008/09 are given in the table below, analysed according to the period in which the lease expires.

|   | <b>31.3.08</b> | <b>31.3.07</b> |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Land and Buildings</b>                   |                |                |
| Expiry within one year                      | 0              | 0              |
| Expiry in two to five years                 | 28             | 39             |
| Expiry thereafter                           | 0              | 0              |
| <b>Amount Payable in the following year</b> | <b>28</b>      | <b>39</b>      |
| <b>Other</b>                                | £000           | £000           |
| Expiry within one year                      | 0              | 0              |
| Expiry in two to five years                 | 44             | 0              |
| Expiry thereafter                           | 0              | 0              |
| <b>Amount Payable in the following year</b> | <b>44</b>      | <b>0</b>       |

## 16. General Fund

This account represents the net assets taken over by the Agency at 1 April 1992. Subsequent movements comprise surpluses / deficits generated from trading activities, introduction of capital charging and notional charges.

|  | <b>2007/08</b> | <b>2006/07</b> |
|--|----------------|----------------|
|  | £000           | £000           |
| Balance at 1 April 2007                      | 88,174         | 91,902         |
| Surplus / (Deficit) for the year             | 10             | 276            |
| Notional charges                             | 3,973          | 3,908          |
| Increase / (Decrease) in value of investment | (3)            | 3              |
| Repayment to Defra of excess cash funding    | (10,000)       | (9,000)        |
| Transfer from Revaluation Reserve            | 1,212          | 1,085          |
| <b>Balance at 31 March 2008</b>              | <b>83,366</b>  | <b>88,174</b>  |

**17. Revaluation Reserve**

|   | 2007/08       | 2006/07       |
|---|---------------|---------------|
| £000                                      | £000          | £000          |
| Balance at 1 April 2007                   | 32,710        | 29,043        |
| Surplus on revaluation – cost             | 6,825         | 6,550         |
| Surplus on revaluation – depreciation     | (1,933)       | (1,793)       |
|   | 4,892         | 4,757         |
|   | <b>37,602</b> | <b>33,800</b> |
| Adjustment on disposal of revalued assets | (2)           | (5)           |
| Transfer to General Fund                  | (1,212)       | (1,085)       |
| <b>Balance at 31 March 2008</b>           | <b>36,388</b> | <b>32,710</b> |

**18. Net Cash Inflow from Operating Activities**

|  | 2007/08      | 2006/07      |
|--|--------------|--------------|
|  | £000         | £000         |
| Operating surplus  | 3,792        | 3,992        |
| Impairment of building   | 0            | 0            |
| Depreciation   | 4,703        | 4,683        |
| Notional charges<br>(excl. interest on capital)                      | 152          | 158          |
| Decrease in stock  | 3            | 22           |
| Decrease / (Increase)<br>in work in progress                         | 104          | (92)         |
| Decrease / (Increase)<br>in debtors                                  | (390)        | 797          |
| (Decrease) / Increase<br>in creditors                                | (1,441)      | (271)        |
| Decrease / (Increase) in<br>provision for liabilities and<br>charges | 8            | (467)        |
| Loss / (Profit) on disposal<br>of fixed assets                       | 29           | 94           |
| <b>Net cash inflow from<br/>operating activities</b>                 | <b>6,960</b> | <b>8,916</b> |

**19. Returns on Investments and Servicing of Finance**

|                   | 2007/08   | 2006/07   |
|-------------------|-----------|-----------|
|                   | £000      | £000      |
| Interest paid     | 0         | 0         |
| Interest received | 39        | 34        |
|                   | <b>39</b> | <b>34</b> |

**20. Capital Expenditure and Financial Investment**

|   | 2007/08      | 2006/07      |
|---|--------------|--------------|
|   | £000         | £000         |
| Payments to acquire fixed<br>assets       | 1,494        | 1,442        |
| Receipts from disposal of<br>fixed assets | (3)          | (128)        |
|   | <b>1,491</b> | <b>1,314</b> |

**21. Analysis of Changes in Cash during the year**

|                                 | 2007/08      | 2006/07       |
|---------------------------------|--------------|---------------|
|                                 | £000         | £000          |
| Balance at 1 April 2007         | 10,518       | 11,882        |
| Net cash flow                   | (4,492)      | (1,364)       |
| <b>Balance at 31 March 2008</b> | <b>6,026</b> | <b>10,518</b> |

In 2006/07 the cash balance of £10,518 included £896k of third party monies; during 2007/08 third party monies amounting to £1,688k have been excluded from cash balances.

## 22. Capital Commitments

There were no Capital Commitments for 2007/08 or 2006/07.

## 23. 3. Related Party Transactions

During the year CSL had dealings with the Department for Environment, Food and Rural Affairs and its sponsored bodies, notably the Pesticides Safety Directorate and Veterinary Medicines Directorate. None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with CSL.

Robert Bolton holds the position of Commercial Director of CSL and is on the board of Forsite Diagnostics Ltd but received no financial recompense.

During the 2007/08 financial year, transactions between CSL and Forsite totalled income of £109k and expenditure of £42k. The income related to commercial income and the expenditure related to rent, administrative expense, IT and Health and Safety support. The outstanding debtors at the year end totalled £23k. There were no outstanding creditors and all transactions were conducted at arm's length.

## 24. Investment in Associate company

CSL owns 24% of a spin out company Forsite Diagnostics Limited (FDL). Under the agreement CSL is expected to benefit from the future sale of FDL, which will realise cash proceeds. In addition, CSL has a small percentage shareholding in the Parent, SGBio Ltd, which may also realise future cash benefits. CSL provides ongoing various site and R&D services to FDL, for which FDL is charged at full cost recovery rates.

In valuing the investment in the associate CSL has used equity accounting. This takes CSL's share of total assets less long term liabilities based on FDL accounts as at YE 31 December 2007.

|  |       |
|--|-------|
| The opening balance as at 1 April 2007 | £3k   |
| Revaluation in year                    | (£3k) |
| Closing balance as at 31 March 2008    | 0     |

Further information on Forsite Diagnostics Ltd can be obtained at [www.forsitediagnostics.com](http://www.forsitediagnostics.com).

## 25. Financial Performance Target

CSL was set one financial performance target:

To recover the full economic costs of operation on a resource accounting basis, recognising the normal costs of operation:

For the purpose of assessing performance against this target a number of areas are adjusted to reach the deficit or surplus for the year based on the normal costs of operation.

|   | 2007/08<br>£000 | 2006/07<br>£000 |
|---|-----------------|-----------------|
| Surplus from Income and Expenditure Account | 10              | 276             |
| Impairment of building                      | 0               | 0               |
| Loss / (Profit) on disposal of fixed assets | 29              | 94              |

|                                     |           |            |
|-------------------------------------|-----------|------------|
| <b>Adjusted Surplus / (Deficit)</b> | <b>39</b> | <b>370</b> |
|-------------------------------------|-----------|------------|

In 2007/08 CSL generated income of £47,604k against full economic costs of £47,565k. The adjusted surplus of £39k therefore represents 100.1% recovery of costs.

## 26. Derivatives and Other Financial Instruments

The Agency is required to disclose the role that Financial Instruments had during the year in creating or changing the risks faced by the Agency in undertaking its activities. The non trading nature of the Agency's activities, and the way that agencies are financed, means that the Agency is not exposed to the degree of financial risk faced by other business entities. CSL has no powers to borrow or invest surplus funds and financial assets and liabilities generated by day to day operational activities are not held to change the risks facing the Agency in undertaking its activities.

The Agency is therefore not exposed to significant liquidity risk, as it has no borrowing facilities and its net resource requirements are financed annually through Parliament. There is no exposure to interest rate risk as the Agency's main financial assets and liabilities carry nil or fixed rates of interest. Exposure to currency risk is minimised by trading in Sterling, Euros and Dollars and reviews are carried out on bank balances. The Agency therefore does not use derivatives or other financial instruments for mitigating such risks, or for other purposes.

## 27. Contingent Liabilities

Seventeen female CSL employee's have made claims for equal pay with their male counterparts. These cases are currently stayed, pending the outcome of a test case and it is expected it may be September 2009 before an outcome is reached. CSL expects to defend its position robustly in all cases.

## 28. Post Balance Sheet Events

There were no Post Balance Sheet Events. The Accounts were authorised for issue on 18 June 2008.



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