

Central Science Laboratory

Annual Report  
and Accounts

2008/2009





# Plate 5



## Long-term environmental protection

Our work integrates non-native pest and disease identification with probabilistic modelling and risk assessment, which we use in conjunction with Defra's policy makers and field-based inspectors to help protect the UK's environment.

Central Science Laboratory

# Annual Report & Accounts 2008/09

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of the Government Resources and Accounts Act 2000

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# Report from Adrian Belton, Chief Executive



I am pleased to present to Parliament the 17th and final Annual Report and Accounts of the Central Science Laboratory (CSL).

It is fitting that the final year of CSL should coincide with the bicentenary of the birth

of one of the most influential thinkers and scientists the world has ever seen: Charles Darwin.

In evolutionary terms 2008/09 has probably been CSL's most challenging but happily its most successful year.

The challenge has been to deliver our objectives whilst at the same time evolving the business structure, systems and culture ready to merge into and launch Defra's new Executive Agency, The Food and Environment Research Agency (Fera) on 1 April 2009.

I am delighted to report that CSL met the challenge successfully. Not only did we deliver on our business plan targets with 98.5% of our agreed Ministerial targets achieved (compared to 89% in 2007/08), but we also met our commitment to the new Agency launch.

This is a remarkable achievement within the unsettling environment that accompanies mergers. So, it is especially pleasing that customer satisfaction ratings have actually gone up at a time when it would have been all too easy to focus on internal issues.

This success would not have been achieved without the support and hard work of staff. I thank them for their high level of commitment to delivering improved customer service and

the positive way they have engaged in the change process – a great year's work. I would also like to record my thanks to colleagues in Defra for their help and support, in particular the Defra Management Board and Merger Programme Team.

Thanks are also due to three CSL directors, Professor Tony Hardy, Professor John Gilbert and Dr Robert Bolton, who left the organisation at the end of March 2009. Their contribution to the development of CSL as a leading science and research organisation, renowned not only in the UK but across Europe and around the globe, has been immense. I wish them well for the future.

## Our successes

Looking a little closer at our successes, we have achieved a balanced budget on an income of £49.75 million, which is a 4.5% increase on 2007/08, exceeded our overall milestone delivery target for Research and Development and Service Delivery and met our 10% reduction target in carbon emissions.

CSL has always taken its sustainable development responsibilities seriously, continually looking for ways to invest money to deliver reduced cost in a sustainable way. Within the year we undertook a review of our whole reduction and recycling strategy and through some simple measures achieved an 11.7% reduction in recorded waste. The introduction of combined printer/copiers across the Sand Hutton site made a significant contribution to a 20% reduction in our paper usage.

The linkage between CSL and its policy customers is a key driver behind the formation of the new Agency. This year highlighted just

how strong the bonds are between CSL's robust science and evidence base and policy development. CSL's National Bee Unit played a key role with other industry partners in inputting to Defra's 10-year strategic plan to protect bee health, launched in March 2009 as the Healthy Bees plan.

In plant health policy, CSL has continued its vital work on the two most devastating strains of the plant pathogen *Phytophthora*. As the disease has continued to gain a stronger foothold, our scientists have played a key role in understanding the threat posed by the pathogen to indigenous plant species. This work has fed into a five-year research programme announced by Defra to look at effective ways of controlling the spread of the disease.

Work on *Phytophthora* led to a joint CSL and Plant Health and Seeds Inspectorate team winning the Whitehall and Westminster Civil Service Award for Science and Technology.

CSL has had a strong year on the international stage. Our food scientists were called upon to provide testing services and advice when high levels of PCB were detected during routine screening of Irish pork. Our teams were able to confirm unacceptably high levels of contamination and provided data, information and advice to the responsible authorities as they dealt with the crisis. This type of incident highlights CSL's capacity and ability to respond rapidly when crisis situations occur.

Scientists from the plant health group underlined CSL's commitment to delivering high quality science and services by helping us become one of an elite group of laboratories accredited for testing to standards set by the International Seed Testing Association (ISTA).

Our international performance was capped by the extension of our portfolio of collaborative projects. Working with the Catholic Relief Service, for a major philanthropic organisation, CSL has provided diagnostic services in six East African countries to ensure the safe movement of Cassava intended for planting.

Raising the visibility of CSL has been a major priority for me since taking over as Chief Executive, and this year saw us host a number of high profile visits to our state of the art facilities at Sand Hutton. Notable amongst these were the visit by the Permanent Secretary to the Department for Environment, Food and Rural Affairs, Dame Helen Ghosh, and the Archbishop of York, Dr John Sentamu. Following his visit Dr Sentamu paid tribute to the role CSL has played in helping to tackle the global challenge of ensuring future food security.

## Moving to the next chapter in our evolution

I referred to this as the last Annual Report and Accounts for CSL, likening its 17-year history to the latest chapter in the evolution of environmental and food science.

In fact CSL can trace its ancestry back nearly 100 years to 1914. At this time, two separate needs resulting from changes in behaviour and the political environment arose. One was the need to protect the health of Britain's plants and crops from new pest and disease threats resulting from material being brought back into the country from an increasing number of international expeditions. The other was the start of the Great War and the need to protect and monitor the quality of food supplies going into storage.

War played a hand in our evolution again in 1940 when protecting crops from losses to rodents became an issue. At the same time the emphasis on research, established in 1929, into preservation of harvested fish, was switched to finding ways of using under-utilised fish to maintain dwindling food supplies.

It was in the 1950s that the profile and importance of bees came more to the fore, and by 1979 the National Bee Unit had been established.

These and other research elements from across the area of environment and food came together in 1992 as an Executive Agency of Government to form CSL. The Laboratory and, more importantly, its people have made a massive contribution to the development of science in

these areas. Very much behind the scenes, CSL's work has been all about protecting the public through ensuring robust science is available to underpin policy and regulation.

So throughout the evolution of CSL, food security has been a consistent factor and as we start the next chapter it remains a driver of our work. However, today the causal factors relate to the impact of climate change and sustainability, which looks set to be the case for some years to come.

## Future plans

I am particularly proud of the fact that the vast majority of the work to build the business strategy and plans, and to create the flexible organisational design we will need as The Food and Environment Research Agency, was done in house by CSL staff alongside colleagues from the other merging partners.

The specific targets, key business relationships, challenges and risks, and the organisational design for the new Agency are set out in the three key corporate documents that can be found on The Food and Environment Research Agency's website, [www.defra.gov.uk/fera](http://www.defra.gov.uk/fera).



**Adrian Belton**  
Chief Executive

5 June 2009



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## Protecting the food chain

Our research and surveillance programmes span the food chain helping responsible authorities across Government and commercial clients to ensure food stuffs remain free from pesticide and veterinary drug residues.



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# 1

# Management structure



CSL was launched on 1 April 1992 and relaunched 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. 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.

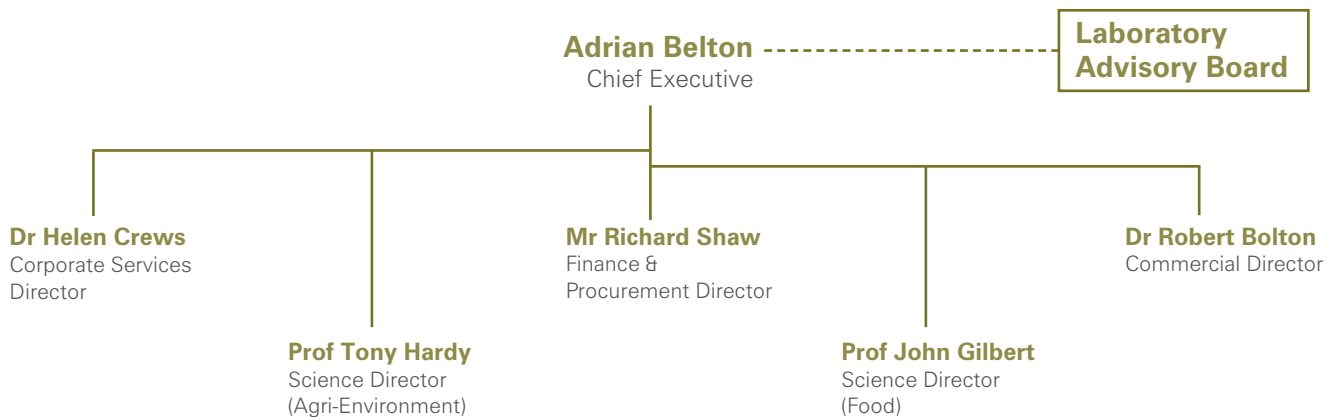
**The Food Directorate contains the:**

**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.

The science groups were supported by corporate functions, covering Finance, Procurement and Corporate Service areas.

In anticipation of the formation of The Food and Environment Research Agency (Fera) on 1 April 2008, a Programme Implementation Board was established at the start of the year which planned, monitored and implemented project workstreams for four key areas: Strategy, Planning and Performance; Finance, Risk and Governance; HR, Organisation Design and Culture; Business Support Systems. The workstreams included representatives from CSL and the other merging organisations.





# 2

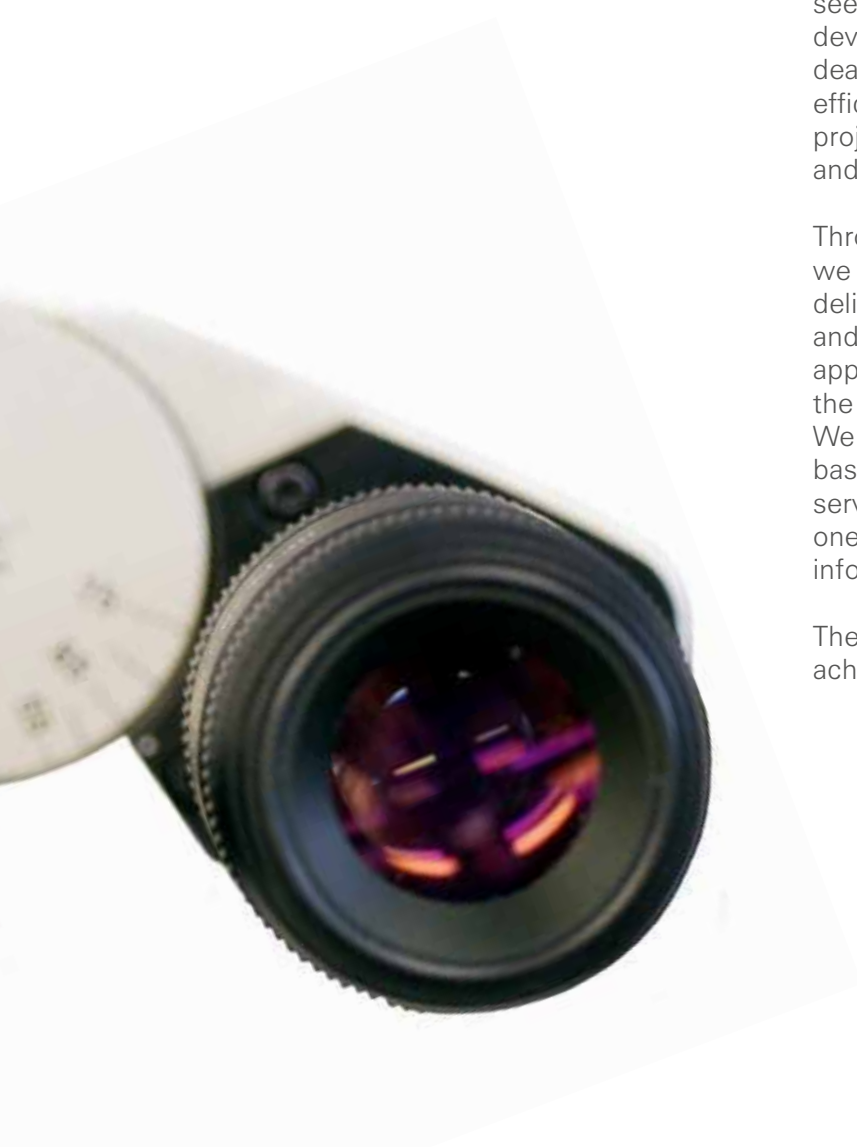
## Management commentary

### Strong 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 with a range of partners. 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.

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. We have an international partner and customer base which covers many sectors of public service, commerce and academia, but all have one need in common: high quality, impartial information based on sound science.

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



### Irish dioxin crisis

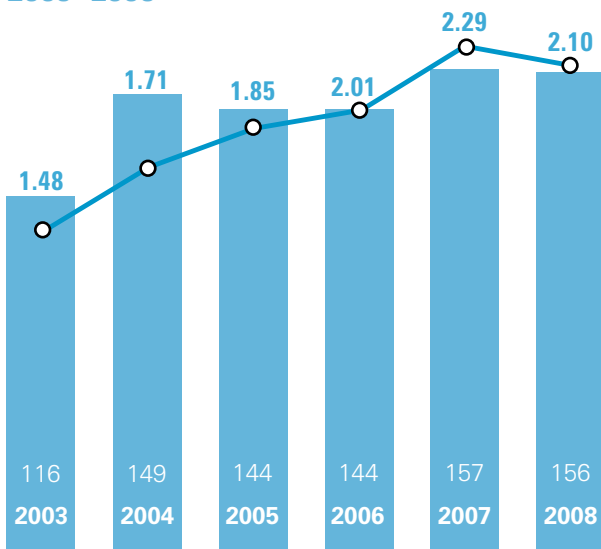
When routine screening for PCB levels in Irish pork showed unusually high levels of the toxin, the Department of Agriculture, Fisheries and Food (DAFF) in Ireland, requested CSL's analytical expertise and advice to help guide them through a crisis, which saw pork products from Ireland recalled from supermarket shelves.

Testing at CSL confirmed the PCB findings, but also revealed dioxin levels that were orders of magnitude greater than the maximum permitted legal limit. CSL worked with DAFF, and later with authorities in Northern Ireland, providing data and information, and helping with advice on the next steps.



2008/09 HIGHLIGHTS

**Number of SCI papers published and mean Journal Impact Factors 2003–2008**



### 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 2008/09 our scientists published 156 papers in peer-reviewed journals listed in the Science Citation Index (SCI), with a mean Journal Impact Factor (JIF) of 2.1. One paper, on perturbing implications of wildlife ecology for disease control, was published in *Trends in Ecology & Evolution* – this high profile journal has a JIF of 14.797.

## Archbishop of York visits CSL

The Archbishop of York, Dr John Sentamu, visited CSL in January 2009 with the Bishop of Selby, The Rt Revd Martin Wallace. They toured the National Bee Unit and International Insect Collection, and also reviewed research work on banana and cassava plants, and dioxins present in food.

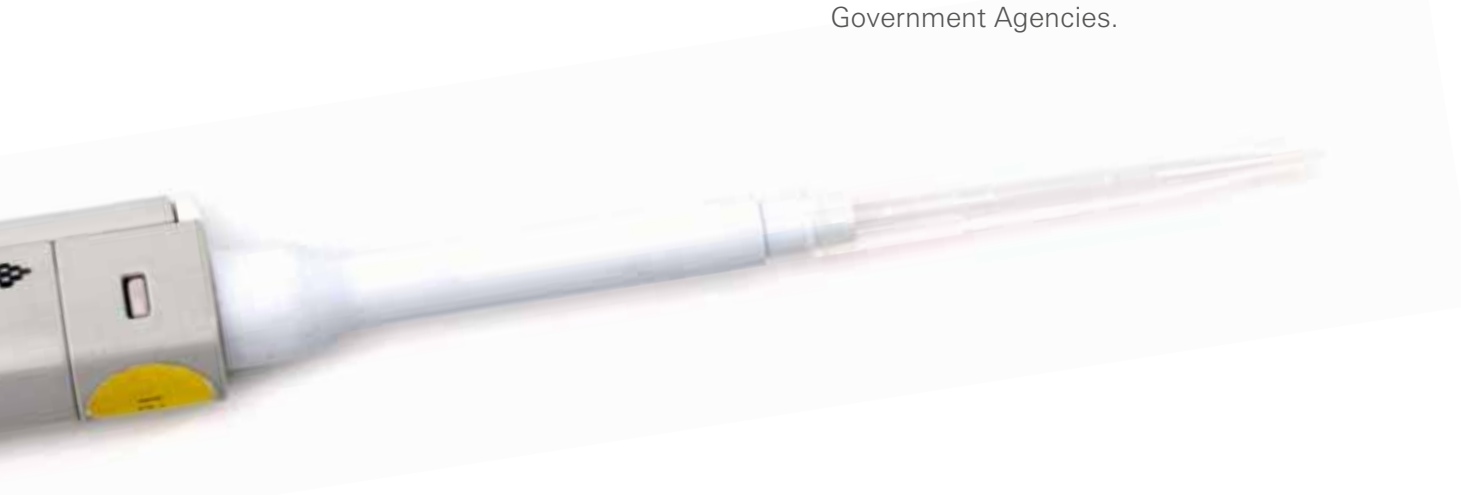
Dr Sentamu said: "Food security and the complex issues surrounding it are important to us not only as a nation but globally. We want to achieve a healthy and sustainable environment, with a safe food supply chain and with good quality crop yields. We look to organisations such as CSL and their research findings to help us to achieve these outcomes and resilience in times of crisis."



## Intellectual property

Over the year CSL has continued to establish and develop strategic intellectual property (IP) development partnerships with public and private sector organisations across the world. CSL strives to apply its unique mix of technology and expertise to provide multi-disciplinary solutions to address the real life needs of its collaborators and customers. The organisation's achievements in this area were recently recognised externally, with CSL winning the Knowledge Exploitation category at the Regional Development Agency's annual innovation awards. It is hoped that this award will help further stimulate the internal innovation culture that will be vital to the operation of The Food and Environment Research Agency.

In June 2008, as lead partner on behalf of the InterAct Project ([www.interactpartnership.co.uk](http://www.interactpartnership.co.uk)), CSL was awarded a total of £3m of funding to extend and expand this unique IP commercialisation collaboration and supporting Proof of Concept fund. The awards were made following two successful bids to the fourth round of the Department for Innovation, Universities and Skills (DIUS) Public Sector Research Exploitation scheme. The extended project will identify and exploit new opportunities created from combining IP assets from across all six partners. Membership of this project now mirrors that of the Chief Executives' Interlab Forum ([www.interlabforum.co.uk](http://www.interlabforum.co.uk)), thus further increasing the effectiveness of the collaborations between these key Government Agencies.





## Risk, response, regulation in plant health

Pest risk analysis (PRA) is part of the service provided by CSL's diagnosticians and plant health consultancy team. Alien pests and diseases are routinely put through a process of risk evaluation at the Laboratory. When a risk is serious enough for preventative action to be taken a legal framework is required to enforce these actions. It's a complex process, which has been the focus of a four-year project chaired by CSL on behalf of the European Commission to better coordinate the development of the procedure.

The work culminated in the regulation of seven new pests across the European Union. Three were initiated from PRAs prepared by CSL – *Chrysanthemum stem necrosis virus*, black spot of elm (*Stegophora ulmea*) and Guatemalan potato moth (*Scrobipalopsis solanivora*).



## 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. In line with Cabinet Office requirements CSL reports its average working days lost due to sickness absence, which for the year to 31 March 2009 was seven days per member of staff.

### Recruitment

This year CSL has been preparing for the launch of The Food and Environment Research Agency (Fera) on 1 April 2009.

We have recruited Heads of Programme who are leading 18 programmes of work in Fera. We have been keen to ensure that an appropriate pay and reward package is in place to support the new organisation.

A single pay and grading structure is in place and all staff who have transferred into the new Agency have one set of harmonised terms and conditions. Issues of this nature are covered by our approach to employee consultation, which

includes a formal process involving the local Trade Union Side on all significant changes to terms and conditions via the Whitley Council.

We continue to underpin core organisational skills with bespoke training days for teams, scientific skills training and a management development programme.

Looking forward to the coming year we are in the process of developing a bespoke leadership development programme to support Fera's wider business needs and associated leadership staff development.

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 2008/09 staff turnover was 7.9%<sup>1</sup> (compared with 6.8% last year) of the average number of staff in post.

We adhere to the Recruitment Code guidance on the employment of disabled staff and operate a guaranteed interview for disabled candidates as long as they satisfy minimum essential requirements.

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

## Civil Service Award for Science and Technology

A collaboration between CSL and Defra's Plant Health and Seeds Inspectorate (PHSI) won the prestigious 2008 Whitehall & Westminster World Civil Service Award for Science and Technology. The award, for the achievement of implementing novel field-based testing kits for improved service delivery for *Phytophthora ramorum* (Sudden Oak Death) diagnosis, was presented at the 2008 Civil Service Awards ceremony on 26 November.

Over 150 scientists have been involved in this work throughout the Laboratory over the last five years, from people receiving samples, to laboratory workers and policy makers making it an achievement encompassing the whole range of CSL's scientific capabilities.



## Number of staff recruited 1 April 2008 to 31 March 2009

Ethnic origin	Gender	<sup>2</sup> Grade 1	Grade 2	Grade 3	Grade 4 & above	Total
White	Female	0	3	1	0	4
	Male	1	2	1	0	4
Non-white	Female	0	0	0	0	0
	Male	0	0	0	0	0
Ethnic origin not specified	Female	7	11	5	4	27
	Male	8	9	8	14	39
<b>Total</b>		<b>16</b>	<b>25</b>	<b>15</b>	<b>18</b>	<b>74</b>

Disability	Gender	<sup>2</sup> Grade 1	Grade 2	Grade 3	Grade 4 & above	Total
Disability not specified	Female	3	3	3	2	11
	Male	4	6	1	6	17
Non-disabled	Female	4	11	3	3	21
	Male	5	5	8	6	24
Disabled	Female	0	0	0	0	0
	Male	0	0	0	1	1
<b>Total</b>		<b>16</b>	<b>25</b>	<b>15</b>	<b>18</b>	<b>74</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.

## International recognition for seed testing

Following a rigorous independent audit, CSL has gained international recognition for its seed testing services. ISTA (International Seed Testing Association) awarded CSL accreditation for four key seed quality indicators – purity and determination of other seeds, germination, moisture content determination, and weight determination, making it one of only three laboratories in the UK to be accredited. Achieving this prestigious mark of quality underscores CSL's status as a leading laboratory in seed health testing. The new ISTA accreditation means CSL can issue ISTA Certificates, which are required by many countries around the world before they will allow the import of seeds.



## Students

Our Student Committee continues to be active in advising and promoting the interests of students at CSL. During 2008/09 CSL supervised and funded or hosted 113 students. These comprised 54 PhD students, 20 studying for MRes, MSc, MMaths or equivalent qualifications, 25 for BSc or equivalent, five for degrees in Veterinary Medicine and nine for A levels. We had collaborations via students with 64 colleges and universities throughout the UK and Europe and from as far afield as Beijing. Student projects covered a very wide range of topics including: mathematical modelling; GIS land use studies; development of new methods in analytical chemistry; animal welfare, behaviour and ecology; and crop pests and diseases. Our Student Coordinator provides support and assistance to students on an individual basis and also conducts progress and exit interviews with them.

There were nine entries for the 2009 Student Poster Competition and four final year PhD students gave seminars. The judges were Dr James Moir (University of York), Dr Peter Urwin (University of Leeds), Prof Nicola Spence (CSL), Dr Alan MacNicoll (CSL) and Dr Peter Robertson (CSL). The prize for the best talk went to Melanie Netherton who presented her research on "Uptake depuration and metabolism of human pharmaceuticals in aquatic invertebrates". Prizes for the best posters went to Carrie O'Malley for her work on "SSU-mediated population analysis of a six-tank anaerobic digester utilizing tomato waste" and Jennifer Garbutt for her work on "Evaluating the potential of RNAi in the biological control of insect pests".





## Modelling environmental risk

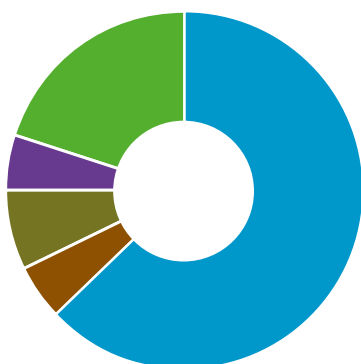
Advanced computer models for assessing environmental risks of pesticides, developed in collaborative projects led by CSL and the University of York, have been accepted by the Advisory Committee on Pesticides and HSE Chemicals Regulation Directorate for regulatory use. One set of models assesses pesticide risks to aquatic organisms (fish, invertebrates and aquatic plants), while another set of models assesses exposure and risk for wild birds and mammals. The models increase the realism of risk assessment by taking account of variation in key factors influencing risk. During the latter half of 2009 all the models will be available online, adding to the range of options for use in regulatory assessments by the pesticides industry and regulatory authorities.



## Business focus

CSL is tasked with fulfilling a comprehensive and evolving scientific programme in an increasingly efficient and effective manner. Its, and The Food and Environment Research Agency's, 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 2008/09



- Defra 63%
- Food Standards Agency 5%
- Other Government Departments 7%
- European Union 5%
- Overseas & Commercial 20%

## Mitten crabs in the Thames

The Chinese mitten crab *Eriocheir sinensis* is an invasive species in North American and North-eastern European rivers and estuaries, especially in the Thames. It has the potential to cause considerable environmental damage. However, the brown meat of mitten crabs is highly prized in far eastern restaurants, suggesting that harvesting for culinary purposes offers a potential population control mechanism.

CSL analysed tissues of Thames and Dutch mitten crabs for potentially toxic dietary contaminants, showing that the brown meat contains raised concentrations of dioxins and PCBs, which are chronic toxins. The work concluded that because only small quantities of the meat are consumed and because the crabs are in season for only a short time each year, people beyond childbearing age could consume Thames and Dutch crabs in moderation.



## Governance

During the course of the year, Defra's Delivery Relationship Team (DRT) has maintained responsibility for Defra's Laboratory Agency governance and the The Food and Environment Research Agency (Fera) implementation plan.

The CSL Laboratory Advisory Board, operating as a Shadow Advisory Board for Fera, chaired by CSL's Chief Executive, met once 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. In addition, a Strategic Advisory Board, chaired by CSL/Fera's Defra Corporate Owner, has been established, with its first meeting in September 2008.

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 (LT), which provides internal strategic and operational direction for CSL. The LT has been expanded to

include senior representatives from the Fera merging bodies in order to act as a Shadow LT in the run-up to Fera's implementation.

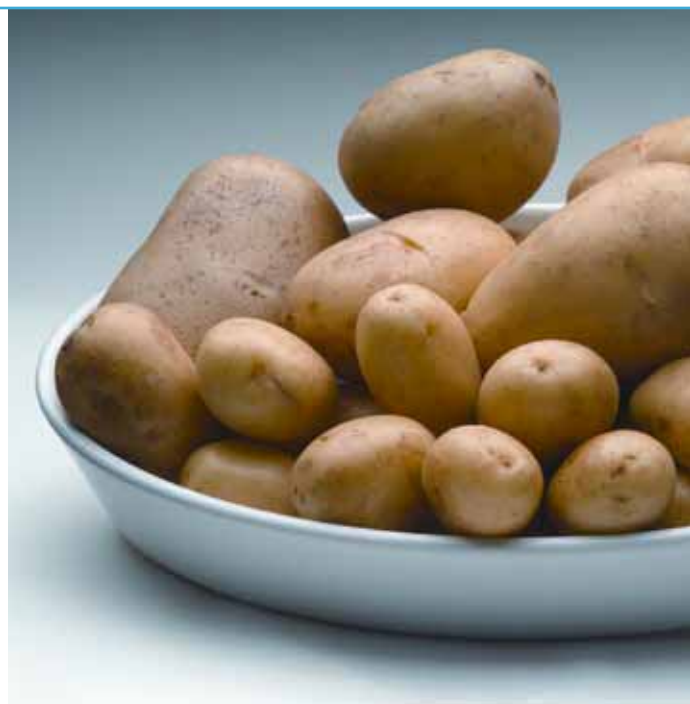
Risk management is embedded in both our planning and operational processes in order to identify and monitor the major risks for the organisation and to ensure, as far as reasonably possible, that contingency plans, countermeasures and controls exist which reduce the likelihood and impact of the risks.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

Our risk registers, both strategic and operational, are 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 32 provides more detail on CSL's capacity to handle risk, the control framework and the effectiveness of the risk systems and processes.

## Potato protection

When the Russian company Dokagene, specialists in mini tuber production for high quality seed potatoes, needed top quality scientific training and assistance in designing a new virology laboratory, CSL was their first choice.

Potatoes are an important food crop throughout the world and viruses are easily spread, mainly by aphid transmission, significantly reducing the quality and yield of a crop, which in turn affects farmers and the economy. Dokagene needed a testing facility and programme capable of screening their own potatoes, with the potential to provide commercial testing for other potato producers. A group of Russian scientists visited CSL for a week to be trained in potato virology and receive assistance in planning a new ELISA virology laboratory, which was built at Rogachevo, near Moscow.



## Commercial activities

CSL has again demonstrated a robust ability to generate income growth from the delivery of high quality services to private sector customers. Despite the challenging conditions of credit constraint for industry and significant organisational change for the teams, commercial income increased to £10.2 million based on long-term relationships with major clients at home and overseas.

Customer demands for novel solutions based on sophisticated risk assessments continue to evolve due to regulatory, consumer and globalisation pressures, not least of which are the environmental and climate change agendas. This has generated increased partnership working on the longer-term agendas of clients, to support safe and sustainable food, energy and consumer goods supplies and good environmental quality.

The food analysis, environmental risk assessment, bird management, capacity development, knowledge management and plant pest and disease identification offers performed well under tough conditions. Proficiency Testing achieved significant growth in new sectors, through the introduction of the new product PhytoPAS and a strong worldwide performance by both new and established agents.

New business sectors continued to be developed with the focus on environmental impact and the new REACH chemical regulations, successful policy and screening work for international development and the set up of a new forensic analysis suite for DNA, drugs and toxicology.

## Helen Ghosh visits CSL

A visit from Defra's Permanent Secretary Helen Ghosh was a chance for her to learn more about CSL's science capabilities and the opportunities afforded by its merger into The Food and Environment Research Agency. In addition to a site tour, which focused on topical issues such as the dioxin work in support of the Food Standards Agency during the recent Irish pork crisis, Helen also hosted a staff open forum to set out and take questions on Defra's priorities.



## Customer satisfaction

The Ministerial overall target for the 2008/09 survey was 4.2 out of 5.0. The score achieved was 4.38, with Defra customers scoring 4.5 and non-Defra 4.28.

For 2008/09, CSL conducted this survey, which is subject to formal annual audit as part of the end of year process, using the same performance indicators as in previous surveys.

The key findings were that:

- Customers value the knowledge, skills and experience of CSL staff and place importance on their independence and integrity of delivery.

- There were some concerns over delivery and ongoing communication and over internal resources.

The issues raised will form the basis for improvement actions in the newly formed Food and Environment Research Agency in 2009/10.

## Customer satisfaction survey results

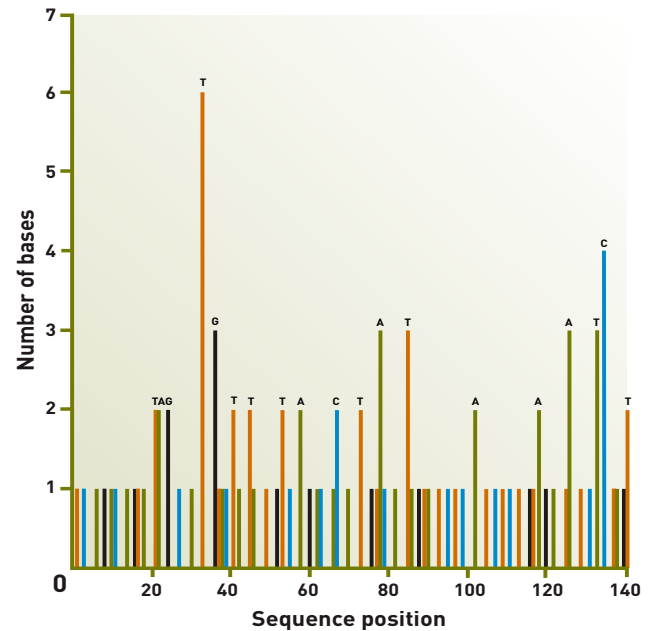
	2007/08	2008/09
Accessibility	4.3	4.4
Responsiveness	4.2	4.3
Delivery	3.9	4.2
Administration	3.9	4.3
Quality of staff	4.3	4.6
Overall service	4.1	4.3
<b>Overall Mean</b>	<b>4.1</b>	<b>4.4</b>



## Plant disease diagnosis using pyrosequencing at CSL

CSL is one of the first laboratories in the world to use next generation sequencing technology (pyrosequencing) in plant disease diagnosis – it is a powerful tool which allows scientists to read large quantities of DNA sequences. Diagnosing plants using existing methods relies heavily on the plant specialist’s ability to predict what the infection is likely to be and test, by process of elimination, if their assumption is correct.

CSL is developing pyrosequencing techniques requiring no predictions, which can identify DNA from unknown pathogens in a sample. From this, simpler tests can be developed for more routine screening. The work, funded by CSL’s Seedcorn fund and Defra’s Plant Health Division, will eventually cover virology, mycology and bacteriology, producing new assays and vast DNA sequence datasets invaluable for future plant pathology.



## Business efficiencies

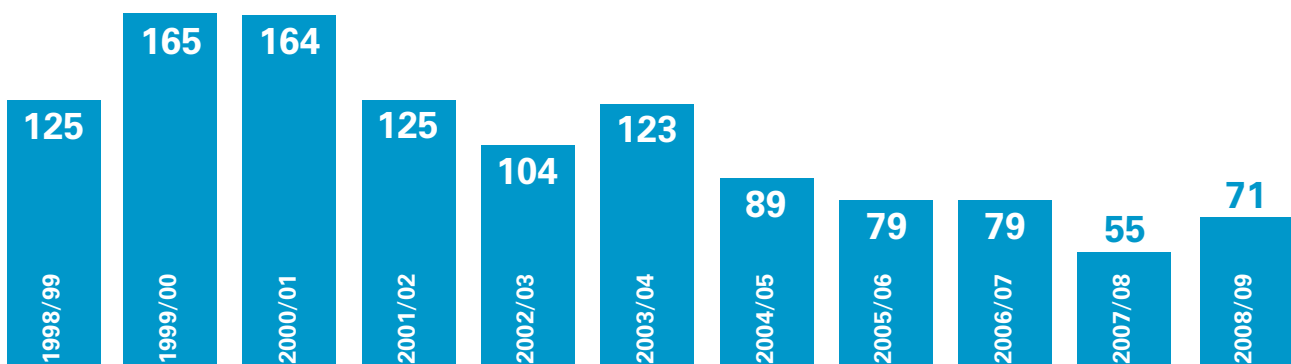
Progress has continued in the development and launch of new electronic business systems. These have reflected the business needs of CSL, as well as future-proofing more immediate requirements of The Food and Environment Research Agency (Fera). Specific areas of development have been around a combined expenses and government procurement card system, scoping of customer relationship management software and implementation plans for fit-for-purpose systems for the new Agency. These will help deliver ongoing efficiency gains, while maintaining the necessary controls and reporting requirements of Fera.

## Health and safety

The downward trend in injury-related incidents has continued. The number of near misses reported has shown a slight increase due to reporting of non-injury related incidents.

The safety audit programme shows that high safety standards exist throughout CSL. The maintenance of these standards is well supported by the Safety, Health and Environment Team through an inhouse training programme including risk assessment, manual handling, COSHH and First Aid.

## Total incidents reported per financial year



## Stopping the spread of Cassava Brown Streak

An emerging virus, Cassava Brown Streak Disease (CBSD), threatens smallholder production in East Africa. However, visual field symptoms of the disease are not obvious, meaning it is easy to inadvertently spread the virus in planting material. A laboratory test was needed, so CSL was approached to help.

In 2008 CSL's Molecular Throughput Unit (MTU) tested over 40,000 cassava leaves using a combination of PCR tests and confirmatory RNA sequencing of positives. Based on these results and additional testing undertaken in Kenya, informed decisions can now be made by authorities as to what material is used for dissemination and further multiplication. This is helping to maintain cassava as a main staple in East Africa, valued by smallholders and notably the poor as an important food and commercial crop.



## Sustainable development

CSL is fully committed to embedding and progressing sustainable development throughout our core business activities and general site operations. We have built on our established foundations for sustainability and are progressing towards becoming an exemplar agency for sustainable development across all business areas. We have made significant strides towards successfully achieving targets established in our 2007–09 Sustainable Development Action Plan.

CSL continued to be at the forefront of addressing sustainable development issues in science by providing reliable scientific information, through our research, to assist economies and industries to prosper. We have also enhanced integration and promotion of sustainability in our operations, personnel and procurement strategies, which are beneficial to societies and the environment, now and for future generations.



## Brazilian training

In a training project jointly funded by the Brazilian Government and Europe Aid, CSL builds on an existing relationship with the Brazilian Ministerio Da Agricultura, Pecuaria E Abastecimento (MAPA) by training Brazilian staff in analysis of mycotoxins, veterinary drug and pesticide residues, and method validation to EU standards.

Six CSL scientists and a collaborator from the Northern Ireland Government Agency AFBI spent a combined period of 10 weeks in a Brazilian laboratory in Belo Horizonte, in the southeastern region of the country. Initial training began in June 2008, with the project due for completion in December 2009.



Over the past year CSL has advanced the sustainability of our site operations, reducing site electricity energy consumption by 3.88%, reducing paper usage by 25% and installing voltage optimisation technology and a combined heat and power plant supplying 10% of the York site's electricity load.

The new Food and Environment Research Agency (Fera) has published a new Sustainable Development Action Plan for 2009/11 incorporating progressive targets to ensure sustainable development is hard-wired into all levels of Fera activities with clear leadership from top management strategies.

## Information assurance

As part of CSL's compliance with Cabinet Office requirements on data handling procedures, CSL has an appointed Information Asset Owner who has provided quarterly reports, during the period covered by this Report and Accounts, to Defra's Senior Information Risk Officer (SIRO). One near miss incident was reported to the SIRO using the formal process. The incident involved information sent in an inappropriate format to CSL. No personal data or information was lost.

## Social and community

CSL's community engagement is focused on making science engaging and more accessible to pupils and teachers involved in primary and secondary education. Examples include co-hosting Science for the Future teacher conference with the Yorkshire Agricultural Society at our Sand Hutton site, and providing scientists to man interactive exhibition stands at Science Discovery week and the Countryside Careers Day. Our scientists also acted as mentors at the Partners in Innovation event, attended by several thousand children from across the Yorkshire region.

In addition we host a number of tours each year from local community and business groups to explain the work done at the Laboratory and its importance to people's everyday lives. In 2008/09 we hosted nine such events.





### *Protecting our natural heritage*

*CSL hosts the GB Non-native species secretariat, a Defra-funded body which supports strategic coordination on non-native species issues for Great Britain. In 2008 the secretariat, on behalf of the Non-native species Programme Board that includes Defra, the Scottish Government and Welsh Assembly Government, published a framework strategy for dealing with invasive non-native species which cost the British economy over £2 billion per annum and threaten a range of native species and habitats.*



# 3

## Financial commentary

Our income and expenditure shows a surplus of £38k.

The income outturn was £49,750k, an increase of 4.5% against 2007/08. This is due to increases in our Non-Defra income streams. Defra income has remained stable at £31,538k, however this includes additional funding of £1,373k to cover the cost of the creation of The Food and Environment Research Agency (Fera). There is also a switch between Defra and OGD due to the movement of PSD from the Defra group to the Health and Safety Executive. This increases the OGD income by £1,847k. Whilst our Non-Defra activity increased by 15.4% to £18,212k, the growth was mainly in our Commercial and Other income stream, which increased to £10,165k. Non-Defra work represented 36.6% of total turnover.

Direct project expenditure on science programmes reduced by 3.7% compared to 2007/08. This decrease reflects savings on both the VAT recovery and reduced sub-contractor costs. Administration costs increased by 10.1% compared to 2007/08, this reflects the additional costs for the preparation for the creation of

The Food and Environment Research Agency and higher accommodation costs such as utilities price rises.

Capital expenditure was £1,946k, with the majority being on science equipment, but also including other IT system and infrastructure investments. The significant expenditure relating to science equipment included 3 Mass Spectrometers and Analysers costing £589k.

The updated Better Payment Practice Code requires Government Departments to settle 100% of valid supplier invoices within 10 days of receipt. CSL's final figure was 87.8% against this target. Previously this requirement was 30 days, against which CSL achieved 97.8% compared to 98.2% in 2007/08. The average number of payment days for creditors during 2008/09 was 10.9 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 1.3% of turnover.



## Summary of key ministerial targets and achievements 2008/09

### Service delivery quality

**1)** 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.

#### Result: Achieved

Final performance was 96% milestones met, with 89.7% delivered on time. Although the latter was marginally below the 90% target, the overall assessment against this target was accepted. Feedback from customers shows a high level of satisfaction in the use, quality and presentation of material.

**2)** Outputs from monitoring/surveillance are timely, accurate, and their presentation and explication useful to policy makers and other delivery bodies.

#### Result: Achieved

Final outturn shows that all relevant surveillance arrangements with customers met their delivery requirements.

**3)** To achieve a mean score of 4.2 on a scale of 0 to 5 for the assessment of customer satisfaction to reflect a recalibrated baseline.

#### Result: Achieved

The final overall score was 4.38. The Defra mean score was 4.5, and non-Defra 4.28, therefore all targets were exceeded.

### Value for public money

**4)** To recover the full economic costs of the Agency's services from Government Departments, Agencies and External Customers.

#### Result: Achieved

CSL generated income of £49,750k against full economic costs of £49,705k, an adjusted surplus of £45k. This represents a 100.1% recovery of costs.

**5)** To deliver the efficiency targets set out in the Business Plan, 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: Achieved

All targets were met or exceeded.

### Capacity and capability

**6)** To deliver key outcomes against the 2006 Science Audit Implementation (including a Communication Strategy; a coordinated approach to international science collaboration; increasing staff involvement in scientific publications; commercial exploitation of research outputs).

#### Result: Achieved

Progress has continued against Science Audit targets. The science and international strategies have been developed as part of the Corporate Plan for Fera. Communication has been strengthened throughout the year via staff surveys and extra liaison in the build up to Fera implementation. Science publications, numbers of PhD students and joint seedcorn projects have all met or exceeded targets. CSL was awarded two PSRE (Public Sector Research Exploitation) contracts during the year, to a value of £3.0m.

**7)** To extend technical capability to support emergency response strategies across the public sector.

#### Result: Achieved

Internal and external emergency response strategies were reviewed in the year. The strategy was further enhanced by the inclusion of GDS in Fera.

**8)** To work with other constituent organisation heads and Defra's Delivery Transformation Programme, providing sufficient CSL resource, in implementing the new Regulatory Science Agency, now known as The Food and Environment Research Agency, for vesting on 1 April 2009.

#### Result: Achieved

The new Regulatory Science Agency was vested successfully on 1 April 2009, alongside delivery of all CSL's business and Ministerial targets.

## Performance trends against targets

Key ministerial targets		2006/07	2007/08	2008/09
<b>Financial performance</b>				
Percentage of running costs to be recovered (after adjustments)	Target	100.0	100.0	100.0
	<b>Outturn</b>	<b>100.8</b>	<b>100.0</b>	<b>100.1</b>
<b>Service delivery</b>				
Percentage of Defra project milestones agreed (*08/09 on time)	Target	90.0	90.0	90.0
	<b>Outturn</b>	<b>90.9</b>	<b>93.1</b>	<b>89.7*</b>
<b>Quality</b>				
Achieve a mean score on a scale of 0 to 5 for assessment of customer satisfaction using established methodology	Target	4.5	4.5	4.2
	<b>• Non-Defra customers</b>	<b>Outturn</b>	<b>4.5</b>	<b>4.0</b>
<b>• Defra customers</b>	<b>Outturn</b>	<b>4.3</b>	<b>4.2</b>	<b>4.5</b>

# 4

# Remuneration report

## 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 by the former Chief Executive.

The remuneration, including bonuses, taxable benefits and compensation payments, but excluding superannuation contributions, of Adrian Belton, the Chief Executive from April 2008 to March 2009, amounted to £108,794 (2007/08 £8,575).



The remuneration, including bonuses, taxable benefits and compensation payments, but excluding superannuation contributions, of Prof Mike Roberts (retiring Chief Executive) during the handover period from April to May 2008 was £19,340.

### 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 and Mr R Shaw who opted to move to the premium scheme. Further details of these schemes can be found in note 6 to the Accounts.

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 members' 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.

### Preparation for The Food and Environment Research Agency

In preparation for the vesting of The Food and Environment Research Agency five new directors have been appointed through open competition under the terms of the Civil Service code: Prof Nicola Spence (Chief Scientist), Tony Harrington (Director of Policy and Regulations), Dr R Angus Hearmon (Director of External Affairs), Mike Wray (Director of Operations), and Paul Whitfield (Director of Finance and Corporate Services).

These directors have taken up their posts at various stages throughout February and March 2009. Given the timing of these appointments and their intended roles within The Food and Environment Research Agency these individuals have not been true senior managers for CSL as per the FREM definition and as such their information is not disclosed.

The former CSL board of directors have not taken up director posts within the new Agency. The science directors Prof A Hardy and Prof J Gilbert and commercial director Dr R Bolton have taken retirement options, any payments made have been in accordance with the terms for compulsory early retirements. The remaining two directors have taken up non-director posts within the new organisation.



**Adrian Belton**  
Chief Executive

5 June 2009

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

		<b>A Belton</b> Chief Executive 1.4.08 – 31.3.09	<b>Prof TM Roberts</b> Chief Executive 1.4.08 – 30.5.09	<b>Prof AR Hardy</b> Science Director (Agri-Environment) 1.4.08 – 31.3.09	<b>Prof J Gilbert</b> Science Director (Food) 1.4.08 – 31.3.09	<b>Dr R Bolton</b> Commercial Director 1.4.08 – 31.3.09	<b>Dr H Crews</b> Corporate Services Director 1.4.08 – 31.3.09	<b>Mr R Shaw</b> Finance & Procurement Director 1.4.08 – 31.3.09
Salary 2008/09	£000s	105–110	15–20	100–105	90–95	75–80	65–70	65–70
Salary 2007/08	£000s	5–10	95–100	105–110	80–85	80–85	60–65	60–65
Benefits in Kind 2008/09	£000s	–	0.4	–	–	–	–	–
Benefits in Kind 2007/08	£000s	–	2.8	–	–	–	–	–
Real increase in Pension at age 60 at 31 March 2009	£000s	0.0–2.5	N/A	N/A	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 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 Lump Sum at age 60 at 31 March 2009	£000s	N/A	N/A	N/A	0.0–2.5	0.0–2.5	0.0–2.5	N/A
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
Total accrued Pension at age 60 at 31 March 2009	£000s	5–10	35–40	35–40	35–40	10–15	20–25	10–15
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 Lump Sum at age 60 at 31 March 2009	£000s	N/A	115–120	115–120	105–110	40–45	65–70	N/A
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
CETV at 31 March 2009	£000s	127	902	860	847	318	497	162
CETV at 31 March 2008*	£000s	81	900	799	785	286	450	138
Real increase in CETV as funded by employer	£000s	35	N/A	N/A	10	9	10	10
Employee contributions and transfers-in	£000s	3.8	0.2	1.4	4.0	1.1	0.9	2.2

\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

# Plate 37



## Rapid diagnosis on demand

our Plant Clinic handles over 30,000 samples per year helping farmers, growers and horticulturalists protect their livelihoods. It draws on a unique scientific base of bacteriologists, entomologists, mycologists, nematologists, molecular biologists and virologists.





### Protecting honeybee health

CSL's National bee unit provides an integrated bee health service, linking together a comprehensive research and diagnostic programme, with the 25,000 apiary inspections it carries out and the 800 training and education events it runs for beekeepers.



# 5

# Annual accounts

## 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 in 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 Managing Public Money.

During 2008/09 CSL has been accountable to Parliament through the Secretary of State for the Environment and his Ministers. Line management has been via Defra's Director General – Law & HR.

The governance structure of CSL includes a CSL Laboratory Advisory Board, incorporating the CSL Chief Executive and directors, and five independent members. In addition, 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. During 2008/09 the Laboratory Advisory Board has been replaced by the Strategic Advisory Board, which will maintain a similar remit.

As at 1 April 2009, CSL became part of The Food and Environment Research Agency, which includes policy areas from within core-Defra: Plant Health Division and Plant Health Seeds Inspectorate, Plant Variety and Seeds Division and the Government decontamination service. During the course of 2008/09, planning has taken place to ensure the implementation of the new Agency by the 1 April 2009 date. Workstreams have been established, covering strategy and corporate planning, finance, risk and governance, organisational design/HR, and business processes. Each workstream has its own risk register and performance assessments, reviewed on a regular basis at Project Board and ongoing project meetings.

## 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 2009 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. Areas such as Environmental Management and ISO9001 accreditation were achieved in 2006 and have been maintained through 2008/09. We have continued our commitment to maintaining our Investors in People Standard thus reinforcing CSL's 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. These include:

- Business and corporate planning process: high-level risks are identified as part of the planning processes, reflecting external and internal threats and opportunities. Through the Chief Executive's Open Forums, staff are briefed on the strategic and operational issues affecting CSL and the new Agency, 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 through the review of Performance Dashboards implemented at the start of the year; the Operational Performance meeting allows operational and resource issues to be aired, alongside review of latest forecasts and dashboards;
- 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, in addition to review of the risk register;
- Regular project reviews: ongoing assessment of project performance, identifying risks associated with the whole project life as well as in-year performance and ensuring action plans are in place to address issues raised.

In response to the Cabinet Office Data Handling Procedure in Government Report (June 2008) and changes to Managing Public Money (Annex 4.15) we have introduced a number of measures and policies to ensure that all risks relating to information are managed and controlled. The CSL Information Asset Owner provides a quarterly report to the Defra Senior Information Risk Owner, which reviews the effectiveness of these controls and identifies if such incidents have taken place. Increasing emphasis has been placed on capturing risk issues early, allowing timely remedial management actions to be taken. The 2008/09 Internal Audit Plan was agreed in May 2008 and these reports have aided the assessment and evaluation of risk throughout the year. The implementation of the Project Management Handbook 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, and plans to address any weaknesses and to ensure continuous improvement of the system are 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 four times each year and ensures that the CSL and new Agency risk registers are current, complete and reflect 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.

Operational areas such as quality, security, Health and Safety, IT and utility risks have been maintained at a good standard, with no major issues. Specific requirements for regular reporting of data handling and information management risks and actions have been put in place during the year, including a compilation of a risk register covering these items.

The CSL Business continuity and disaster recovery plans and all policy documentation have been reviewed on a regular basis and updated as appropriate throughout the year. In preparation for the vesting of The Food and Environment Research Agency all these documents are being reviewed and assessed for their appropriateness for the new Agency.

## 6. Significant internal control issues

No significant internal control issues have been identified during the year.



**Adrian Belton**  
Chief Executive

5 June 2009

## **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 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow 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 being 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 Management Structure, the Management Commentary and the Financial Commentary 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 Report from the Chief Executive and the unaudited part of 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 2009 and of the net operating cost, 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 Management Structure, the Management Commentary and the Financial Commentary included in 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.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
12 June 2009

National Audit Office, 151 Buckingham Palace Road, Victoria, London SW1W 9SS

## Operating Cost Statement

For the year ended 31 March 2009		2008/09	2007/08
	Notes	£000	£000
Turnover	2	49,750	47,604
Cost of sales	3	27,852	27,535
<b>Gross surplus</b>		<b>21,898</b>	<b>20,069</b>
Administrative expenses	4	17,933	16,277
<b>Operating surplus</b>		<b>3,965</b>	<b>3,792</b>
Bank interest receivable	19	13	39
Interest payable and similar charges	5	(3,940)	(3,821)
<b>Surplus / (deficit) for year taken to General Fund</b>	<b>16</b>	<b>38</b>	<b>10</b>

All income and expenditure is derived from continuing operations.

## Statement of Total Recognised Gains and Losses

	Notes	2008/09	2007/08
		£000	£000
<b>Surplus for the year</b>		<b>38</b>	<b>10</b>
Net unrealised surplus / (deficit) on revaluation of fixed assets	17	5,171	4,890
<b>Total recognised gains / (losses) for the year</b>		<b>5,209</b>	<b>4,900</b>

The notes on pages 40 to 51 form part of these accounts.

## Balance Sheet as at 31 March 2009

	Notes	31 March 2009 £000	31 March 2008 £000
<b>Fixed assets</b>			
Tangible assets	7	114,160	112,128
Investment	16, 24	0	0
<b>Current assets</b>			
Stock and Work in progress	8	205	124
Debtors	9, 10	7,879	8,026
Cash at bank and in hand	11	8,018	6,026
		<b>16,102</b>	<b>14,176</b>
Creditors: amounts falling due within one year	12, 13	<b>(5,846)</b>	<b>(5,467)</b>
<b>Net current assets</b>		<b>10,256</b>	<b>8,709</b>
Total assets less current liabilities		124,416	120,837
Provisions for liabilities and charges	14	(959)	(1,083)
<b>Total assets less total liabilities</b>		<b>123,457</b>	<b>119,754</b>
<b>Taxpayers' Equity</b>			
General fund	16	83,295	83,366
Revaluation reserve	17	40,162	36,388
		<b>123,457</b>	<b>119,754</b>

The notes on pages 40 to 51 form part of these accounts.



**Adrian Belton**  
Chief Executive

5 June 2009

## Cash Flow Statement

<b>For the year ended 31 March 2009</b>		<b>2008/09</b>	<b>2007/08</b>
	Notes	£000	£000
Net cash inflow from operating activities	18	9,403	6,960
Capital expenditure and financial investment	20	(1,924)	(1,491)
<b>Financing</b>			
In year repayment of funds to Defra	16	(5,500)	(10,000)
Net interest received	19	13	39
		(5,487)	(9,961)
<b>Increase / (decrease) in cash in the period</b>	<b>21</b>	<b>1,992</b>	<b>(4,492)</b>

The notes on pages 40 to 51 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 Bad Debts

Outstanding debtors are reviewed and high risk debts are identified and provided for on a monthly basis.

### 1.4 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. Short life low value assets are valued using depreciated historic cost. An annual exercise is completed to establish a fair value for those assets with a purchase value over £100k, where this cannot be established the depreciated historic cost is used as a proxy.

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.

### 1.5 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.

### 1.6 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 and net realisable value.

### 1.7 Research and Development

Research and development expenditure is written off as incurred.

**1.8 Value Added Tax**

CSL is covered under the VAT registration of Defra. Irrecoverable VAT is charged to the Operating Cost Statement in the year in which it is incurred.

**1.9 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 Operating Cost Statement.

**1.10 Notional Charges**

The following notional costs borne on the Operating Cost Statement are credited to the General Fund: External Audit charges. Notional interest on capital is calculated at 3.5% of the average net capital employed during the year. All other Defra charges are paid on invoice.

**1.11 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.

**1.12 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.

**1.13 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 Operating Cost Statement 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 Operating Cost Statement on a straight-line basis over the term of the lease.

**1.14 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 Laboratory Advisory 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.

**1.15 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 2008–09.

## 2. Turnover

	2008/09 £000	2007/08 £000
Defra – Commissioned research and development	6,030	5,526
Defra – Facilities charge	8,908	8,772
Defra – Commissioned policy support	8,721	10,958
Defra – Other contracts	7,284	5,582
Defra – Non-departmental Public Bodies	595	986
Other Government Departments	5,832	3,985
European Union	2,215	1,965
Commercial and Other income	10,165	9,830
	<b>49,750</b>	<b>47,604</b>

## 3. Cost of Sales

	2008/09 £000	2007/08 £000
Staff costs	17,347	16,949
Consumables	7,178	7,457
Depreciation	3,327	3,129
	<b>27,852</b>	<b>27,535</b>

<b>4. Administrative Expenses</b>		
	<b>2008/09</b>	<b>2007/08</b>
	£000	£000
Staff costs	4,866	4,833
Accommodation	7,427	6,496
Office services	1,196	1,158
Operating leases	20	103
Depreciation	1,729	1,574
Travel and subsistence	1,277	1,201
Early departure costs	450	377
Defra central overheads charge	15	108
External audit fee (notional)	54	44
Insurance	50	70
Loss on disposal of fixed assets	7	29
Foreign exchange gains	(247)	(42)
Other	1,089	326
	<b>17,933</b>	<b>16,277</b>

<b>5. Interest Payable and Similar Charges</b>		
	<b>2008/09</b>	<b>2007/08</b>
	£000	£000
Interest on capital (notional)	3,940	3,821
	<b>3,940</b>	<b>3,821</b>

Of the External Audit Fee (£54k) £8k relates to the audit work done in preparation for implementation of the International Financial Reporting Standards (IFRS) in 2009/10.

During the past year CSL has been preparing to become a new organisation, merging with Defra's Plant Health Division (including Bee Health and the Plant Health and Seeds Inspectorate), the Plant Variety Rights Office and Seeds Division and the Government Decontamination Service on 1 April 2009 to form a new Agency called The Food and Environment Research Agency. In preparation for this change CSL has incurred significant additional costs, these are included under Other (£636K) and Early Departure Costs (£343k).

Defra central overheads have been a hard charge through the accounts in 2008/09. In prior years these have been notional charges.



## 6. Staff Costs

(i)	2008/09	2008/09	2008/09	2007/08	2007/08	2007/08
	£000 Permanent	£000 Others	£000 Total	£000 Permanent	£000 Others	£000 Total
Wages and salaries	17,245	393	17,638	16,843	501	17,344
Social security costs	1,221	23	1,244	1,150	47	1,197
Superannuation	3,325	0	3,325	3,227	0	3,227
	<b>21,791</b>	<b>416</b>	<b>22,207</b>	<b>21,220</b>	<b>548</b>	<b>21,768</b>
Agency staff costs			6			12
			<b>22,213</b>			<b>21,780</b>

For comparison the permanent wages and salaries figure for 2007/08 includes £134k of severance payments.

For 2008/09 normal employers' contributions were payable to the Principal Civil Service Pension Scheme (PCSPS) at the following rates:

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%

For the coming year the following rates will be applicable:

Salary Level: £20,500 and under	16.7%
Salary Level: £20,501 to £42,000	18.8%
Salary Level: £42,001 to £72,000	21.8%
Salary Level: greater than £72,001	24.3%

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)	2008/09			2007/08		
	Permanent	Others	Total	Permanent	Others	Total
Average number employed	611	15	626	604	36	640

(iii) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but CSL is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

For 2008/09, employers' contributions of £3,294k were payable to the PCSPS (2007/08 £3,192k) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Employers' contributions of £29k were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2k, 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil. One individual retired early on ill health grounds; the total additional annual pension granted to them amounted to £0.8k.

(iv) For details of the Chief Executive's and directors' salaries please refer to the Remuneration Report which can be found on page 27.

## 7. Tangible Fixed Assets

	Freehold Land £000	Freehold Buildings £000	Furniture £000	Vehicles £000	IT £000	Science Equipment £000	Total £000
Cost or Valuation							
At 1 April 2008	9,970	140,582	1,168	978	1,839	16,272	170,809
Additions at cost	0	618	70	0	78	1,180	1,946
Revaluation	0	7,817	0	0	0	0	7,817
Disposals	0	0	0	(104)	(153)	(1,257)	(1,514)
Impairment	0	0	0	0	0	(5)	(5)
<b>At 31 March 2009</b>	<b>9,970</b>	<b>149,017</b>	<b>1,238</b>	<b>874</b>	<b>1,764</b>	<b>16,190</b>	<b>179,053</b>
Depreciation							
At 1 April 2008	0	44,100	976	682	1,393	11,530	58,681
Provided in year	0	3,653	38	83	282	1,000	5,056
Revaluation	0	2,646	0	0	0	0	2,646
Disposals	0	0	0	(104)	(153)	(1,233)	(1,490)
Impairment	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>–</b>	<b>50,399</b>	<b>1,014</b>	<b>661</b>	<b>1,522</b>	<b>11,297</b>	<b>64,893</b>
<b>At 31 March 2009</b>	<b>9,970</b>	<b>98,618</b>	<b>224</b>	<b>213</b>	<b>242</b>	<b>4,893</b>	<b>114,160</b>
<b>At 1 April 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>

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 was 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.

## 8. Stock and Work in Progress

	31.3.09 £000	31.3.08 £000
Work in progress	188	110
Stock of consumables and items for resale	17	14
	<b>205</b>	<b>124</b>

## 9. Debtors

Amounts falling due within one year	31.3.09 £000	31.3.08 £000
Trade debtors	3,833	3,050
Defra debtors	771	1,458
Other debtors	59	65
Defra accrued income	544	940
Other accrued income	2,288	2,084
Prepayments	379	413
	<b>7,874</b>	<b>8,010</b>

### Amounts falling due after one year

Prepayments	5	16
	<b>7,879</b>	<b>8,026</b>

## 10. Debtors – Intra Government Balances

Amounts falling due within one year	31.3.09 £000	31.3.08 £000
Balances with Other Central Government Bodies	2,752	3,364
Balances with Local Authorities	17	37
Balances with NHS	0	25
Balances with bodies external to Government	5,105	4,584
	<b>7,874</b>	<b>8,010</b>

### Amounts falling due after more than one year

Balances with bodies external to Government	5	16
	<b>7,879</b>	<b>8,026</b>

## 11. Bank and Cash

	31.3.09 £000	31.3.08 £000
Office of the Paymaster General	6,251	5,212
Other bank balances	1,767	813
Cash in hand	0	1
	<b>8,018</b>	<b>6,026</b>

In addition to the above balances for 2008/09, CSL hold £2.79m of monies relating to Third Party Collaborators (2007/08 £1.688m). Cash held in other currencies represents 9% of total cash.

**12. Creditors**

<b>Amounts falling due within one year</b>	<b>31.3.09</b>	<b>31.3.08</b>
	£000	£000
Trade creditors	114	517
Defra creditors	0	150
Other creditors	612	433
Defra prepaid income	614	758
Other prepaid income	2,084	888
Defra accruals	170	30
Other accruals	1,825	2,266
Other taxation and social security	427	425
	<b>5,846</b>	<b>5,467</b>

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>31.3.09</b>	<b>31.3.08</b>
	£000	£000
Balances with Other Central Government bodies	888	1,278
Balances with bodies external to Government	4,958	4,189
	<b>5,846</b>	<b>5,467</b>

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

**14. Provisions for Liabilities and Charges**

	<b>2008/09</b>	<b>2007/08</b>
	£000	£000
Balance at 1 April 2008	1,083	1,075
Provided in the year	419	323
Provisions utilised in year	(574)	(369)
Unwinding of discount	31	54
<b>Balance at 31 March 2009</b>	<b>959</b>	<b>1,083</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 2009/10 are given in the table below, analysed according to the period in which the lease expires.

	<b>31.3.09</b>	<b>31.3.08</b>
	£000	£000
<b>Land and Buildings</b>		
Expiry within one year	5	0
Expiry in two to five years	24	28
Expiry thereafter	0	0
<b>Amount Payable in the following year</b>	<b>29</b>	<b>28</b>
<b>Other</b>	£000	£000
Expiry within one year	8	0
Expiry in two to five years	4	44
Expiry thereafter	0	0
<b>Amount Payable in the following year</b>	<b>12</b>	<b>44</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>2008/09</b>	<b>2007/08</b>
	£000	£000
Balance at 1 April 2008	83,366	88,174
Surplus for the year	38	10
Notional charges	3,994	3,973
Increase / (decrease) in value of investment	0	(3)
Repayment to Defra of excess cash funding	(5,500)	(10,000)
Transfer from Revaluation Reserve	1,397	1,212
<b>Balance at 31 March 2009</b>	<b>83,295</b>	<b>83,366</b>

**17. Revaluation Reserve**

	2008/09	2007/08
£000	£000	£000
Balance at 1 April 2008	36,388	32,710
Surplus on revaluation – cost	7,817	6,825
Surplus on revaluation – depreciation	(2,646)	(1,933)
	5,171	4,892
	<b>41,559</b>	<b>37,602</b>
Adjustment on disposal of revalued assets	0	(2)
Transfer to General Fund	(1,397)	(1,212)
<b>Balance at 31 March 2009</b>	<b>40,162</b>	<b>36,388</b>

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

	2008/09	2007/08
	£000	£000
Operating surplus	3,965	3,792
Depreciation	5,056	4,703
Notional charges (excl. interest on capital)	54	152
(Increase) / Decrease in stock	(3)	3
(Increase) / decrease in work in progress	(78)	104
Decrease / (increase) in debtors	147	(390)
Increase / (decrease) in creditors	379	(1,441)
Decrease / (increase) in provision for liabilities and charges	(124)	8
Loss on disposal of fixed assets	7	29
<b>Net cash inflow from operating activities</b>	<b>9,403</b>	<b>6,960</b>

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

	2008/09	2007/08
	£000	£000
Interest paid	0	0
Interest received	13	39
	<b>13</b>	<b>39</b>

**20. Capital Expenditure and Financial Investment**

	2008/09	2007/08
	£000	£000
Payments to acquire fixed assets	1,941	1,494
Receipts from disposal of fixed assets	(17)	(3)
	<b>1,924</b>	<b>1,491</b>

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

	2008/09	2007/08
	£000	£000
Balance at 1 April 2008	6,026	10,518
Net cash flow	1,992	(4,492)
<b>Balance at 31 March 2009</b>	<b>8,018</b>	<b>6,026</b>

Third party monies amounting to £2.79m have been excluded from cash balances (2007/08 £1.688m).

## 22. Capital Commitments

There were no Capital Commitments for 2007/08 or 2008/09.

## 23. Related Party Transactions

During the year CSL had dealings with the Department for Environment, Food and Rural Affairs and its sponsored bodies, notably the Veterinary Laboratory Agency 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 (FDL) but received no financial recompense.

During the 2008/09 financial year transactions between CSL and FDL totalled income of £279k and expenditure of £83k. The income related to rent, administrative expense, IT and Health and Safety support; expenditure related to consumables and contractor costs. The outstanding debtors at the year end totalled £186k. There were no outstanding creditors and all transactions were conducted at arm's length.

During the year CSL entered into a number of transactions with Natural England (a non-Departmental Public body sponsored by Department for Environment, Food and Rural Affairs) where Adrian Belton, Chief Executive, has a related party interest. The contracts for the year ending March 2009 totalled £131k. The specific related parties are not involved in contractual negotiations between the organisations.

## 24. Investment in Associate Company

CSL owns 24% of a spin out company Forsite Diagnostics Ltd (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 Year Ending 31 December 2008.

The opening balance as at 1 April 2008	£0k
Revaluation in year	£0k
Closing balance as at 31 March 2009	£0k

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.

	2008/09 £000	2007/08 £000
Surplus from Operating Cost Statement	38	10
Loss / (Profit) on disposal of fixed assets	7	29
<b>Adjusted Surplus / (Deficit)</b>	<b>45</b>	<b>39</b>

In 2008/09 CSL generated income of £49,750k against full economic costs of £49,705k. The adjusted Surplus of £45k therefore represents 100.1% recovery of costs.

This excludes the Early Departure Costs relating to the creation of The Food and Environment Research Agency (Fera) as this was funded through additional monies from Defra for the programme budget (see note 4).

## 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 CSL 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.

**Liquidity risk:** no significant exposure given the Agency's net resource requirement is financed through resources voted annually by Parliament.

**Interest rate risk:** no exposure as the Agency's main financial assets and liabilities carry nil or fixed rates of interest.

**Foreign currency risk:** CSL minimises this risk by trading in Sterling, Euros and Dollars. Regular reviews are carried out on bank balances.

**Credit risk:** the Agency does not have a significant credit risk as the majority of its activities are for Government entities. Working capital is managed to ensure that cash requirements from Defra are kept to a minimum. New commercial customers are reviewed for credit worthiness and appropriate trading terms agreed.

In response to the introduction of FRS 25, 26 and 29 CSL has reviewed current contracts for potential financial instruments and have put in place procedures for the review of future contracts to ensure these are identified.

## 27. Contingent Liabilities

Seventeen female CSL employees 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

Following the merger on 1 April 2009 CSL becomes part of The Food and Environment Research Agency, an executive Agency of the Department for Environment, Food and Rural Affairs. All Assets and Liabilities of CSL transfer to Fera in full.

In 2009/10 the Facilities Management of the Defra estates is being centralised under a single contract, the accounting treatment for the assets and costs covered by this contract are still under discussion.

During 2008/09 CSL has met all the HM Treasury deadlines in preparing for the transition to International Financial Reporting Standards (IFRS) in 2009/10. Work is ongoing to ensure all future deadlines are met for both CSL and Fera.

The Accounts were authorised for issue on the 12 June 2009.

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