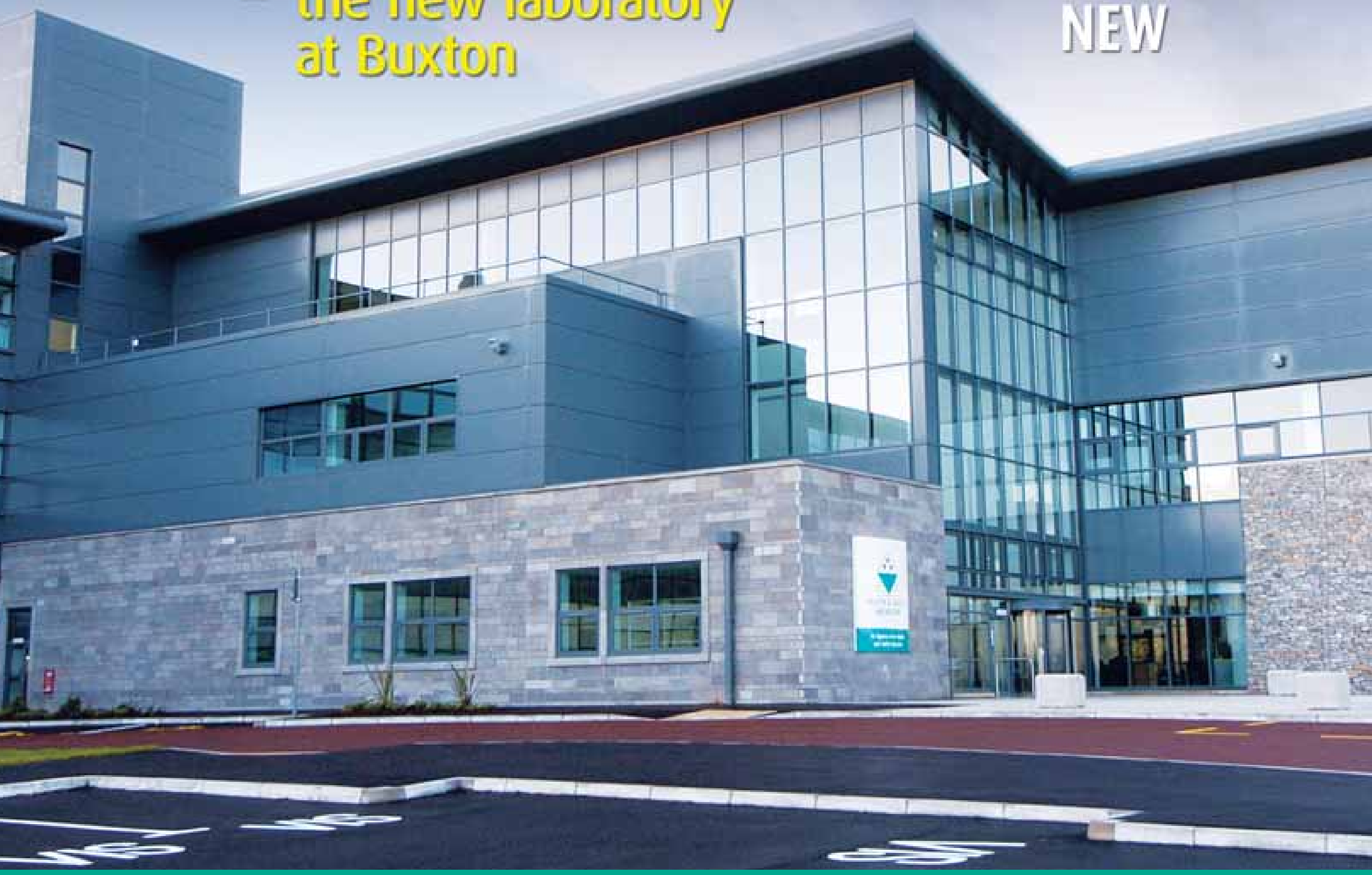
2004-2005 | ANNUAL REPORT & ACCOUNTS | HEALTH AND SAFETY LABORATORY

NewBuilding

An Agency of the Health & Safety Executive

We explore
the new laboratory at Buxton

HSL HAS MOVED TO PASTURES NEW



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HEALTH & SAFETY LABORATORY

Foreword to the accounts

The accounts have been prepared in accordance with a Direction given by the Health and Safety Executive (HSE). They are commercial style financial accounts prepared on an accruals basis that show the full in-year resource costs of the Health and Safety Laboratory (HSL).

Background information

HSL was established as an in-house Agency of HSE on 1 April 1995 and operates on "Next Steps Agency" principles. Prior to this date the laboratory was a division of HSE.

HSE is a statutory body established, together with the Health and Safety Commission, by section 10 of the Health and Safety at Work etc. Act 1974. HSE is a Crown Non-Departmental Public Body.

Principal activities

The principal activities of HSL are:

- to carry out and publish research and provide scientific and forensic services to high scientific and ethical standards to meet the needs of its customers in a cost-effective way;
- to continue to maintain and advance its scientific competence and expert knowledge of scientific developments relevant to health and safety world-wide to meet the needs of its customers;
- to achieve the effective exploitation of intellectual property, in conjunction with the relevant customers;
- to develop the business by carrying out seed-corn research and staff training to maintain and improve its scientific capability and expertise in relevant key areas of technology.

Financial performance

With effect from 1 April 1996, HSL has been controlled on the basis of its Net Administration Costs. HSL is required to recover its full economic costs, taking one year with another, through charges which it makes for the services it provides to HSE and other public and private sector customers.

In the year 2004/05, which saw the successful completion of the move into the new accommodation in Buxton, HSL generated sales of £26,956,000 against net costs of £26,120,000 to produce an operating surplus of £836,000. After deducting interest payable and similar charges, but before taking account of an exceptional item of transitional funding, HSL produced a deficit of £1,812,000 for the financial year. As previously agreed with HSE, HSL has utilised from a previously accumulated surplus of £13,735,000, an amount of transitional funding equal to the calculated in-year deficit, such that HSL had no surplus or deficit for the financial year.

Service performance

Service performance targets for 2004/05 were set for HSL in the form of an Annual Performance Agreement. HSL met all four of the financial targets (see Note 17 to the financial statements). Further details on the non-financial targets are available in the Achievements section.

Future developments

In 2004/05, HSL's scientific and technical output to non-HSE customers rose to 14% (2003/04 12%). In 2005/06 and beyond, HSL will continue to seek increased income from other sources, whilst maintaining a special relationship with HSE.

Research and development activities

The research and development work of the Laboratory underpins the activities of HSE, which are to protect the health, safety and welfare of employees and to safeguard others, principally the public, who may be exposed to risks from work activities. Expenditure on research and development is written off as it is incurred.

Fixed assets

All assets are held by HSE on behalf of HSC, and in turn are used by HSL in its day to day activities. HSL is responsible for meeting the capital and other charges associated with its usage of the assets.

Movement on reserves

Reserves have increased by £3,191,000 – see note 12 to the accounts.

Post balance sheet events

There are no post balance sheet events.

HSL Management structure

The HSL Board is responsible for the day to day running of the Agency's operations and for ensuring that customers' requirements are met. Membership of the HSL Board in 2004/05 comprised:

Dr David Buchanan
Chief Executive

Dr Norman West
Operations Director

Dr Clive Jackson
Head of Planning and Administration

Mr John Verney
Head of Finance

The Chief Executive is appointed in open competition and is retained on a contract for an agreed number of years, which can be terminated on three months notice from either side. The Chief Executive's present contract term was extended by mutual agreement to December 2005, and he will therefore retire during the 2005/06 financial year.

Diversity

HSL is an Equal Opportunities Employer and treats everyone fairly, irrespective of gender, ethnic origin, marital status, religious belief, age, sexual orientation or disability.

As part of HSE, HSL is actively participating in HSE's Diversity Action Programme and its Personnel Section has staff trained in diversity matters. Diversity is a standing item on the agenda of the HSL Board meetings and members of staff are encouraged to discuss the subject at section meetings. HSL contributes to HSE's reports to the Cabinet Office on diversity.

Foreword to the accounts

Employee involvement

HSL operates a system of quarterly meetings with the recognised trade unions. Between meetings the unions are consulted on appropriate issues as they arise. In addition there are various arrangements for communicating with staff. For example, the Chief Executive makes half yearly addresses to staff during which he updates people on plans, achievements and challenges. In addition both the Chief Executive and Operations Director visit sections on a regular basis to discuss work issues and listen to staff views.

The full time Estates Rationalisation Staffing and Communications Manager holds regular surgeries for staff to raise queries on any aspect of the Buxton move. Most of the information on all issues related to the Estates Rationalisation Project (ERP) is readily accessible to staff through the ERP Forum on HSL's intranet. These facilities continue following the move whilst staff move house, consider their options or need help with other issues.

Training and development

HSL is an Investor in People and it continues to use the IiP framework to take forward its training and development activity. This includes the production of annual training and development plans and regular evaluation of the training and development that has been undertaken.

Prompt payments

HSL is committed to the prompt payment of bills for goods and services received, in accordance with the CBI Code of Prompt Payments. Payments are normally made as specified in the contract. If there is no contractual provision, or other understanding, payment is due to be made within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later. In 2004/05 HSL achieved a performance of 99.8% (2003/04: 98.8%) of invoices paid within the agreed credit period.

Auditors

The accounts of HSL are audited by the Comptroller and Auditor General. The audit is undertaken by agreement, rather than because of any statutory requirement, as HSL's transactions and balances are included in the statutory accounts of HSE, and this discharges the responsibility to report to Parliament.

The audit provides an opinion on whether the financial statements provide a true and fair view and have been properly prepared in accordance with the accounts direction given by HSE.

The cost reflected in the accounts for audit services provided by NAO for the year was £37,500. No non-audit works were carried out by NAO, nor were any further assurance services provided.

Health and safety

HSL strives to promote a strong health and safety culture among its staff and contractors.

In conducting its scientific activities, HSL staff need to control a significant range of risks, ranging from those normally associated with the operation of a laboratory through to those associated with large scale field trials. Control of these activities is achieved using a safety management system based on Health and Safety (Guidance) publication HS(G)65.

Each year HSL reviews its performance and sets a challenging and measurable Health and Safety Plan for improvement. Some significant achievements were: review and revision of HSL's emergency procedures; successful planning and implementation of HSL's move into the new building; and the safe driver awareness training undertaken

Unfortunately, HSL and its contractors reported 65 events in 2004/05. Of these, 15 were near misses and 6 were identified as reportable under the Reporting of Industrial Diseases and Dangerous Occurrences Regulations (RIDDOR). The RIDDORs were mainly related to manual handling of incident material and a programme of training for relevant staff has been instigated.

Environment

HSL has continued to pursue and promote best environmental practice and to implement the initiatives established by the Government.

In particular HSL:

- is undertaking environmental risk assessments of all its activities which have the potential to cause significant environmental harm, and is working to minimise those impacts. HSL is working towards implementing its environmental management system to achieve the Government's target that it meets the requirements of BS 14001 by 2006
- rigorously complies with legal and other requirements in relation to the control of radioactive substances;
- has ensured that the new Buxton building is constructed to a high standard of energy efficiency and has achieved a Very Good BREEAM (Building Research Establishment Environmental Assessment Monitoring) rating.

Dr D J Buchanan FREng

Chief Executive
Health and Safety Laboratory
accounting officer
20 June 2005

Statement of responsibilities of the accounting officer of the Health and Safety Executive and the Chief Executive of the Health and Safety Laboratory

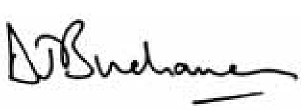
Under paragraphs 14(1) and 20(1) of Schedule 2 of the Health and Safety at Work etc Act 1974, HSC and HSE are required to prepare statements of accounts for each financial year in the form and on the basis determined by the Secretary of State with the consent of the Treasury. HSL was established as an in-house agency of HSE on 1 April 1995.

The Executive has instructed the Chief Executive of the Laboratory to prepare an annual report and accounts for each financial year in the form and on the basis determined by the Executive. The accounts are prepared on an accruals basis and must show a true and fair view of the Laboratory's affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing its accounts the Laboratory is required to:

- observe the accounts direction issued by HSE, including 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that HSL will continue in operation.

The Director General of the Executive has appointed the Chief Executive of the Laboratory as accounting officer for the Laboratory. As such, the Director General's relevant responsibilities as Accounting Officer for the Executive have been delegated to the Chief Executive in respect of the Laboratory. These responsibilities, including those for the propriety and regularity of the public finances of the Laboratory and for the keeping of proper records, are set out fully in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.



Dr D J Buchanan FREng

Chief Executive
Health and Safety Laboratory
accounting officer
20 June 2005

Statement on Internal Control (SIC)

1. Scope of responsibility

As accounting officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of HSL's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

As accounting officer and Chief Executive of HSL I am appointed by HSE and supported by the HSL Board. The primary role in respect of Corporate Governance rests with the HSL Board, which meets regularly to review performance (including risk management) and strategy.

I produce a formal quarterly progress report which I submit to HSE for consideration and resolution of any issues of concern. I also meet at least twice a year with the Executive, and three external advisers to the Executive, appointed to advise on issues related to HSL.

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 HSL'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 HSL for the year ended 31 March 2005, and up to the date of approval of the annual report and accounts, accords with Treasury guidance.

3. Capacity to handle risk

HSL gives leadership to the risk management process through regular HSL Board and Audit Committee meetings. The importance of risk awareness is communicated to staff in specific internal training courses. In addition staff utilise the existing cascade and feedback arrangements of Group Head, Section Head and Section meetings to identify risks.

HSL, as a part of HSE, is very much aware of the importance of risk awareness – it is this that underpins much of health and safety policy and procedures. But HSL also does much to emphasise the need for the consideration of risk through the formal HSL Quality and Safety Management Systems, both of which are subject to significant audit scrutiny.

4. The risk and control framework

HSL has an overall risk management strategy, and utilises the following processes to identify, evaluate, and control risk:

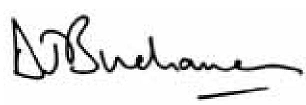
- The continued development and maintenance of HSL's risk register. This includes reviewing the major risks facing the organisation and ranking these high, medium or low;
- Risk management has been incorporated fully into the corporate planning and decision making processes of HSL.

Risk management is firmly embedded into the culture of HSL. The Risk Register is considered quarterly by the HSL Board, with particular consideration being given to whether new risks have arisen. The process enables HSL to identify and review the main risks to HSL as a business. As at 31 March 2005, thirteen main risks have been identified, three of which are regarded as high priority. These are the potential for a major health, safety or environmental incident, the potential failure to maintain sufficient levels of science and technology business, and the failure to control effectively HSL's business systems. Following the successful collocation exercise, risk number 5, which related to the move itself, has been replaced with a new risk, namely the risk of "Failure to manage effectively the Private Finance Initiative project". For all risks, specific potential weaknesses have been identified and systems put in place either to reduce the likelihood of occurrence of an event or to mitigate the effects should one occur. In addition HSL formally reviews its Risk Register on an annual basis, seeking the views of all staff (via internal meetings). This review incorporates consideration of the relative priority of the risks to HSL as a business.

5. Review of effectiveness

As accounting officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within HSL 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 Board and the Audit Committee, and plans are in place to address weaknesses and ensure continuous improvement of the system. In addition:

- The HSL Board meets monthly, and on a quarterly basis its agenda includes the subject of Corporate Governance, incorporating work on risk management and internal control;
- The Audit Committee is chaired by a non-executive adviser and attended by HSL's internal auditors (PricewaterhouseCoopers) and external auditors (National Audit Office). It reports to the accounting officer on the adequacy of audit arrangements and on the implications of assurances provided in respect of risk and control in HSL. It considers all audit reports and recommendations and the formal management responses by the HSL Board. It also considers additional regular reports that may indicate potential risks to HSL on issues including Quality, Environment, Health and Safety, Science Audit, Professional Standards, IiP and Customer Surveys;
- The Head of Internal Audit has a direct line of communication to the accounting officer. In addition the Head of Internal Audit regularly reports to the HSL Audit Committee in accordance with Government Internal Audit Standards, incorporating the Head of Internal Audit's independent opinion on the adequacy and effectiveness of HSL's system of internal control. The Head of Internal Audit also produces an annual statement which in respect of 2004/05 includes the following formal opinion: "On the basis of our audit work completed, we conclude that established procedures are adequate to meet management's overall control objectives for the systems we have reviewed. We have made a number of recommendations to improve controls and are satisfied with the planned management action. On the basis of our selective testing of key controls, and with some minor exceptions, we conclude that these controls were generally operating satisfactorily for the period under review."



Dr D J Buchanan FREng

Chief Executive
Health and Safety Laboratory
accounting officer
20 June 2005

Health and Safety Laboratory

The Certificate of the Comptroller and Auditor General to the Health and Safety Executive

I have audited the financial statements on pages 30 to 45, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 33 and 34.

Respective responsibilities of the Chief Executive of the Health and Safety Laboratory and the Auditor

As described on page 27 the Chief Executive is responsible for the preparation of the financial statements in accordance with directions issued by HSE, and for ensuring the regularity of financial transactions. The Chief Executive is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as an independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with HSE directions, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Laboratory has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

HSE has directed HSL to comply with Treasury guidance on the Statement on Internal Control. I review whether the Statement on Internal Control on page 27 reflects HSL's compliance with the guidance. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the accounting officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Laboratory's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to HSL's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the Health and Safety Laboratory at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions issued by the Health and Safety Executive; and 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.

Colin Wilcox

Director
For Comptroller and Auditor General
27 June 2005

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

Accounts

Income & Expenditure Account
For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover	2	**26,956**	**25,469**
Cost of sales	3	(2,625)	(2,191)
Gross surplus		**24,331**	**23,278**
Expenses - administrative	3	(20,579)	(18,255)
- programme	3	(3,121)	(2,827)
Total expenses		(23,700)	(21,082)
Other operating income	4	205	412
Operating surplus		**836**	**2,608**
Interest payable & similar charges	5	(2,648)	(367)
(Deficit)/surplus on ordinary activities		**(1,812)**	**2,241**
Exceptional item – transitional funding		1,812	0
Surplus for the financial year	12	**0**	**2,241**

All operations were continuing operations and there were no acquisitions or disposals affecting operations during 2004/05.

Statement of total recognised gains and losses
For the year ended 31 March 2005

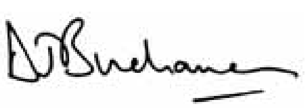
	Note	2005 £'000	2004 £'000
Net surplus for the financial year		0	2,241
Net gain/(loss) on revaluation of tangible fixed assets	12	5,621	(12)
Total recognised gains for the financial year		**5,621**	**2,229**

The notes on pages 33 to 45 form part of these accounts.

Balance Sheet
As at 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Tangible assets	8		67,980		11,131
Debtors: amounts falling due after more than one year	9		4,550		49
Current assets					
Stocks: work in progress		491		448	
Debtors	9	1,410		1,098	
		1,901		1,546	
Creditors: amounts falling due within one year	10	(2,419)		(1,487)	
Net current (liabilities)/assets			(518)		59
Total assets less current liabilities			72,012		11,239
Creditors: amounts falling due after more than one year	10	(57,607)		0	
Provision for liabilities and charges	11	(932)		(957)	
			(58,539)		(957)
			13,473		**10,282**
Taxpayers' equity					
General reserve	12		7,057		7,679
Revaluation reserve	12		6,416		2,603
			13,473		**10,282**

The notes on pages 33 to 45 form part of these accounts.



Dr D J Buchanan FREng

Chief Executive
Health and Safety Laboratory
accounting officer
20 June 2005

Cash flow statement
For the year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Net cash inflow from operating activities	[a]	1,704		5,246	
Capital expenditure and financial investment	[b]	(693)		(1,871)	
Financing	[c]	(1,011)		(3,375)	
Movement in cash in the period			0		0
Note [a] Reconciliation of operating surplus to net cash inflow from operating activities					
Operating surplus			836		2,608
Interest receivable		(4)		(7)	
Depreciation		2,010		2,024	
Loss on revaluation of fixed assets		66		143	
(Profit)/loss on disposal of assets		(626)		2	
Interest element of finance lease payments		(827)		(5)	
Working capital adjustments relating to operating activities					
(Increase)/decrease in stock		(43)		(156)	
(Increase)/decrease in debtors		(275)		(209)	
Increase/(decrease) in creditors		592		251	
Increase/(decrease) in provisions		(25)		595	
			868		2,638
Net cash inflow from operating activities			**1,704**		**5,246**
Note [b] Capital expenditure and financial investment					
Interest received from early retirement prepayments release of discount		4		7	
Payments to acquire tangible fixed assets		(1,657)		(1,895)	
Net receipts from sale of tangible fixed assets		960		17	
Net cash outflow from investing activities			**(693)**		**(1,871)**
Note [c] Financing					
Capital element of finance lease & on-balance sheet PFI repayments		(10)		(16)	
Cash surplus retained by HSE		(2,813)		(3,359)	
Transitional funding		1,812		0	
Net cash outflow			**(1,011)**		**(3,375)**

The figure of £1,657,000 shown above for "Payments to acquire tangible fixed assets" represents the Acquisitions figure from Note 8 of £58,175,000 net of the increase in Capital Creditors of £56,518,000.

For 2004/05, "Interest element of finance lease payments" has been shown under Note [a] rather than Note [b] in the 2003/04 accounts.

Notes to the accounts

1. Accounting policies

The financial statements have been prepared in accordance with the 2004/05 Resource Accounting Manual (RAM) (www.resource-accounting.gov.uk) issued by HM Treasury.

The accounting policies contained in the RAM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

The particular accounting policies adopted by HSL are those judged to be the most appropriate for the purpose of giving a true and fair view and have been applied consistently in dealing with the items considered material in relation to the accounts.

a) Direction on the annual accounts

In accordance with a direction issued by HSE, HSL has prepared a Foreword, an Income and Expenditure Account, a Balance Sheet, a Cash Flow Statement and a Statement of Total Recognised Gains and Losses for the financial year.

b) Accounting convention

The financial statements are prepared under the historical cost convention modified to include the professional revaluation of land and buildings and specialist plant and the current replacement cost of other fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued or adopted by the Accounting Standards Board and accounting disclosure requirements issued by HM Treasury from time to time; in so far as those requirements are appropriate.

c) Tangible fixed assets

Items of equipment costing less than £2,000 are charged to expenditure in the year of purchase, except for computer equipment costing over £500 but less than £2,000 and items of furniture costing less than £2,000, which are grouped for capitalisation by year of acquisition.

Fixed assets are capitalised at cost of acquisition, including installation where relevant.

All assets are subject to revaluation each year as at 31st March, using a professional valuation or appropriate indices.

Professional revaluations of land and buildings are undertaken at least every five years, in accordance with the Resource Accounting Manual and FRS 15. As at 31st March 2005, the majority of buildings are valued at Gross Depreciated Replacement Cost, because of their specialised nature and location. Land is included at market value in existing use. All land and buildings were revalued as at 31 March 2005 by an independent surveyor, Jones Lang LaSalle.

The indices used for the revaluation of non-property assets are produced by the Office for National Statistics (ONS).

Items acquired under a finance lease are capitalised as an asset. Repayments of interest on leased items are charged to the Income and Expenditure Account over the period of the lease.

d) Depreciation

Freehold land is not depreciated. For this purpose, the land utilised for the PFI contract buildings, and currently subject to a 30 year lease arrangement with the PFI provider, Investors in the Community (Buxton) Limited, is treated as Freehold land.

Depreciation is provided on all other tangible fixed assets from the month of acquisition.

Depreciation is calculated to write-off the lower of replacement cost or valuation of an asset, less any estimated residual value, evenly over its expected useful life.

HSL re-estimate the remaining lives of assets where the initial estimate of life is due to expire within two years. These estimates are adjusted to take account of normal wear and tear etc.

Assets under construction are not depreciated until the asset is brought into use.

Indicated average lives are:

Freehold buildings	50 years or remaining life assessed by the valuers whichever is lower
Leasehold land	treated as freehold - see comment above
Leasehold buildings	60 year designed life for the PFI building
Specialist plant	remaining life
Furniture under the PFI contract	30 years
Non-PFI furniture	up to 15 years
Office machinery, major scientific equipment	up to 10 years
Telecommunications equipment, computers and vehicles	up to 7 years
Micro computers	up to 5 years
Cars leased to staff	up to 3 years

e) Revaluation reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. In accordance with FRS15, surpluses arising on the revaluation of fixed assets are credited to a revaluation reserve. Deficits are charged to the reserve in respect of amounts previously credited; the balance of any deficit is charged to the Income and Expenditure Account.

1. Accounting policies (cont.)

f) Stocks and work in progress

Consumable stores items are expensed on receipt.

Work in progress represents the value of work carried out on contracts but not yet invoiced, unless there is reason to believe that any part of this sum is irrecoverable. It is shown in the accounts at the lower of cost (including related overheads) or net realisable value.

g) Research

Expenditure on research is charged to the Income and Expenditure Account in the year in which it is incurred.

h) Foreign currency transactions

Amounts paid or received in foreign currency are converted to sterling at the rate ruling on the day of the transaction. Assets and liabilities denominated in foreign currency at the year end are translated into sterling at the exchange rates prevailing at that date. Any differences on exchange are dealt with through the Income and Expenditure Account.

i) Capital charge

A notional charge, reflecting the cost of capital utilised by HSL, has been included in the Income and Expenditure Account. This is calculated using the Government's standard rate of 3.5% (3.5% in 2003/04) on the average total net assets, except for donated assets and cash balances held with the Paymaster General, of which HSL has none.

j) Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes described at note 6. The defined benefits elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. HSL recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the schemes, HSL recognises the contributions payable for the year.

HSL operates an early retirement scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. HSL meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. See note 11.

k) VAT

HSL comes within the scope of the HSE registration. Costs are included net of recoverable VAT. Operating income is stated net of any VAT thereon.

l) Liquid resources

HSL has no liquid resources as defined in FRS1 (Revised).

m) Private finance initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled "How to Account for PFI Transactions" as required by the RAM. Where the balance of risks and rewards of ownership of the PFI property is borne by HSL, rather than the PFI provider, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Where HSL has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract ownership of a property reverts to HSL, the expected fair value of the residual asset on reversion, net of any agreed payment on reversion, is built up over the life of the contract. Contract payments are apportioned between an imputed finance lease charge and a service charge.

n) Provisions

HSL provides for legal or constructive obligations of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the current Treasury discount rate of 3.5% in real terms.

o) Contingent Liability

Disclosure conforms to FRS 12, including discounting where the time value of money is material.

Provision is made for any potential liabilities where we believe that it is more than 50% probable that there will be a monetary transfer and the amount can be reliably estimated.

Potential liabilities that may arise but are less likely to do so or cannot be reliably estimated as to their value are disclosed as contingent liabilities.

2. Turnover

Turnover represents the invoiced amount of services provided from the ordinary activities of the business, and is analysed as follows:

	2005	2004
	£'000	£'000
HSE	23,276	22,366
EU	442	412
Other non-HSE	3,238	2,691
Total	**26,956**	**25,469**

In the course of the year HSL, as lead partner on a number of European Union contracts, received £56,000 (2003/04 £208,000) from the European Union, which was subsequently paid out to partners working with HSL. None of these receipts have been included within Turnover in the Income & Expenditure Account, as HSL felt that to do so would mislead the reader.

Turnover is generated from:-

	2005	2004
	£'000	£'000
Administrative costs	21,962	20,630
Programme costs	4,994	4,839
Total	**26,956**	**25,469**

3. Cost of sales and expenses

Notes

The figure for Rates included above is net of rebates of £529,000 accounted for within the financial year, relating to the period April 2000 to March 2005 inclusive.

Losses & special payments of £11,000 were incurred during the year, the most significant being losses on foreign currency exchange of £5,000 and bad debts of £4,000; of the latter, £3,000 were provided in 2003/04. In addition, further losses valued at £5,000 were incurred around the time assets were transferred to Buxton, the most significant being the loss of three portable PC's costing £4,000 suspected to have been stolen. These latter items are not formally recorded as losses within these Accounts. This compares to 2003/04, when losses & special payments reported were £12,000, the most significant category being losses on foreign currency exchange of £9,000.

The auditors received no remuneration for other assurance services or non-audit services.

The net profit on disposal of fixed assets includes a profit of £784,000 on the disposal under the PFI contract of the land and buildings at Sheffield.

		2005	2004
	Notes	£'000	£'000
Cost of sales			
Administrative		671	689
Programme		1,954	1,502
Total		**2,625**	**2,191**
Administrative expenses			
Staff costs	6	11,901	10,975
Depreciation	8	2,010	2,024
Loss on revaluation of fixed assets		66	143
Net (gain) / loss on disposal of fixed assets		(626)	2
Travel, subsistence & hospitality – HSL board		23	25
Travel, subsistence & hospitality – other staff		841	688
Rates, maintenance, other premises costs & PFI service element	14	4,727	2,720
PFI consultancy costs		122	148
Provisions not required written back	11	(70)	(22)
Audit fee		37	37
Other administrative expenses		1,548	1,515
Total administrative expenses		**20,579**	**18,255**
Programme expenses			
Extramural research & support		1,895	1,610
Central overhead		1,047	1,094
Other programme expenditure		179	123
Total programme expenses		**3,121**	**2,827**
Total expenses		**23,700**	**21,082**

4. Other operating income

	2005 £'000	2004 £'000
Services to HSE tenants	31	215
Royalties	44	77
Other services	62	51
Miscellaneous	64	62
Interest on prefunded pension payments (note 11)	4	7
Total	**205**	**412**
Other operating income is generated from:-		
Administrative costs	167	334
Programme costs	38	78
Total	**205**	**412**

5. Interest payable and similar charges

	2005 £'000	2004 £'000
Interest on capital (notional)	383	362
Finance charges payable under finance leases	2,265	5
Total	**2,648**	**367**

6. Staff costs

a) Salary Costs

The costs of employing staff include all costs incurred in respect of staff permanently employed, including those on outward secondment, and all costs incurred in respect of those engaged on HSL's objectives, including those on inward secondment or loan from other organisations, temporary agency staff and contract staff.

	2005	2004
	£'000	£'000
Payments to staff permanently employed		
Wages and salaries	9,556	8,936
Other pension costs	1,393	1,180
Social security costs	762	676
Sub-total	11,711	10,792
Payments to staff seconded in & agency staff *	190	183
Total staff cost	**11,901**	**10,975**
Less: recovery in respect of outward secondment*	(25)	(31)
Total net staff cost (memo only)	11,876	10,944

*** Pension & social security cost data not available.**

b) Pensions

The PCSPS is an unfunded multi-employer defined benefit scheme but HSL is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004/05 employer's contributions of £1,301,080 (2003/04: £1,219,901) were payable to the PCSPS at one of four rates in the range 12 to 18.5 percent of pensionable pay, based on salary bands. Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary, and rates will increase with effect from 2005/06 following the latest review. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to join a partnership pension account, a stakeholder pension with an employer contribution. For 2004/05 employer's contributions of £2,719 (2003/04 £6,104) were paid to appointed stakeholder pension providers.

During the financial year, two persons (2003/04: no disclosure) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,461 (2003/04: no disclosure).

C) Chief Executive and Board Members – Salary and Pension Entitlements

Total actual emoluments of the Chief Executive David Buchanan	**2004/05**	2003/04
Salary	£85,013	£81,066
Performance related bonus - consolidated	£2,616	£3,449
Performance related bonus - unconsolidated	£1,884	£1,051
Real increase in pension at 60 (£'000)	0-2.5 + 2.5-5 lump sum	0-2.5 + 2.5-5 lump sum
Total accrued pension at 60 at 31st March (£'000)	10-15 + 30-35 lump sum	5-10 + 25-30 lump sum
CETV at 31st March (£'000)	192	163
Real increase in CETV (£'000)	20	24

The performance related element of the Chief Executive's salary is assessed against a predetermined set of criteria agreed with the Director General of HSE. The total bonus included above represents 90% (2003/04: 90%) of that available. No other taxable benefits were paid to the Chief Executive.

6. Staff costs (cont.)

Total emoluments of other board members 2004/05	Dr N West	Dr C Jackson	Mr J Verney
Salary	£65,226	£55,750	£52,217
Taxable benefits in kind	£0	£0	£0
Real increase in pension at 60 (£'000)	0-2.5 + 2.5-5 lump sum	0-2.5 + 0-2.5 lump sum	0-2.5 + 0-2.5 lump sum
Total accrued pension at 60 at 31st March (£'000)	30-35 + 90-95 lump sum	20-25 + 70-75 lump sum	20-25 + 70-75 lump sum
CETV at 31st March (£'000)	564	433	420
Real increase in CETV (£'000)	18	3	3
2003/04	Dr N West	Dr C Jackson	Mr J Verney
Salary	£63,020	£54,907	£51,131
Taxable benefits in kind	£0	£0	£0
Real increase in pension at 60 (£'000)	0-2.5 + 5-7.5 lump sum	0-2.5 + 0-2.5 lump sum	0-2.5 + 0-2.5 lump sum
Total accrued pension at 60 at 31st March (£'000)	25-30 + 85-90 lump sum	20-25 + 65-70 lump sum	20-25 + 70-75 lump sum
CETV at 31st March (£'000)	513	409	393
Real increase in CETV (£'000)	36	17	15

Notes:

"Salary" includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

There were no Employer contributions to partnership pension accounts during the year in respect of Board members.

Cash Equivalent Transfer Value (CETV) is the actuarially assessed value of the pension scheme benefits accrued by a member at a point in time.

HSL made payments during the year totalling £31,818 in respect of John Verney, in relation to his relocation to the Buxton area. Such payments were available to all HSL staff who were eligible for a move at public expense. Norman West received payments totalling £1,325 in respect of detached duty expenses relating to travel to Buxton following the collocation.

6. Staff costs (cont.)

Notes on Pension Schemes

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (Classic, Premium, and Classic Plus). New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality “money purchase” stakeholder-based arrangement with a significant employer contribution (partnership pension account).

Classic Scheme: Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium Scheme: Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the Classic scheme, there is no automatic lump sum but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme: This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic. Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with the Retail Prices Index.

Partnership Pension Account: This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute, but where they do make contributions, these will be matched by the employer up to a limit of 3 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25 per cent of the fund as a lump sum.

d) Number of Employees

The average number of whole time equivalent employees during the year was made up as follows:

	2005	2004
Directly employed staff		
Professional/specialist staff	276	271
Non-specialist staff	80	82
Sub total	356	353
Agency staff & secondments inwards		
Professional/specialist staff	1	1
Non-specialist staff	5	3
Total staff	**362**	**357**

7. Related party transactions

HSE is regarded as a related party. During the year, HSL carried out science and technology projects for HSE to a value of £23,276,000 (2003/04: £22,366,000). In addition, HSL received £1,812,000 of Transitional Funding from HSE within the year. None of the HSL Board or senior managers, or any person connected with these, had any interest in any material transactions with HSE, or have undertaken transactions with key suppliers and contractors to HSL during the year.

In addition, HSL has had a number of transactions with other Government Departments and other central government bodies. These were mainly related to HSL working as a contractor undertaking scientific and technological activity, and were not of material value.

HSL’s Chief Executive, Dr David Buchanan, is a member of the Engineering and Physical Sciences Research Council’s (EPSRC) User Panel. In this role, he acts as an unpaid external advisor to EPSRC, performing some of these duties in his own time.

8. Tangible fixed assets

	Land & buildings £'000	Transport & equipment £'000	Plant & machinery £'000	Information technology £'000	Furniture & office machinery £'000	Payments on account & assets under construction £'000	Total £'000
Cost or valuation							
At 1 April 2004	8,036	421	11,343	1,483	700	97	22,080
Additions	54,045	89	928	415	2,656	42	58,175
Revaluation	5,576	4	(75)	(73)	47	0	5,479
Disposals	(6,359)	(115)	(1,084)	(555)	(514)	0	(8,627)
Re-classification	0	0	61	36	0	(97)	0
At 31 March 2005	**61,298**	**399**	**11,173**	**1,306**	**2,889**	**42**	**77,107**
Depreciation							
At 1 April 2004	1,876	256	7,510	860	447	0	10,949
Charged in year	675	57	829	309	140	0	2,010
Revaluation	0	2	(44)	(32)	(1)	0	(75)
Disposals	(1,685)	(99)	(1,005)	(510)	(458)	0	(3,757)
At 31 March 2005	**866**	**216**	**7,290**	**627**	**128**	**0**	**9,127**
Net book value at 31 March 2004	**6,160**	**165**	**3,833**	**623**	**253**	**97**	**11,131**
Net book value at 31 March 2005	**60,432**	**183**	**3,883**	**679**	**2,761**	**42**	**67,980**
Asset financing							
Owned	3,940	183	3,883	679	189	42	8,916
On-balance sheet PFI contract	56,492	0	0	0	2,572	0	59,064
Net book value at 31 March 2005	**60,432**	**183**	**3,883**	**679**	**2,761**	**42**	**67,980**

Analysis of land and buildings between freehold, long and short leasehold

Net book value of land and buildings at 31st March 2005 comprises	2004/05 £'000	2003/04 £'000
Freehold	3,940	5,568
Long leasehold	0	0
Short leasehold - PFI contract for 30 years	56,492	592
Total net book value	60,432	6,160

Notes to the Tangible Fixed Assets Schedule

The land and buildings on the Sheffield site were disposed during the course of the year, as part of the PFI deal.

All remaining land and buildings were valued as at 31 March 2005 by an independent surveyor, Jones Lang LaSalle, a firm of Chartered Surveyors. The buildings, because of their specialist nature and location, were all valued on the basis of Gross Depreciated Replacement Cost.

The buildings and furniture being acquired through the PFI contract were depreciated only from the first day after the contract became effective, rather than for the whole of the month, because of the significance of the figures involved.

See also Note 14 in respect of the PFI accounting treatment.

9. Debtors

	2005 £'000	2004 £'000
Amounts falling due within one year		
Trade debtors	476	736
Accrued income	406	182
Other debtors	77	8
Prepayments*	451	172
	1,410	**1,098**

*Includes £153,400 relating to Sheffield buildings

	2005 £'000	2004 £'000
Amounts falling due after more than one year		
Prepayment of fair value of Sheffield buildings (Note 14)	4,384	0
Staff Lump Sums re Excess Daily Fares	98	0
Early departure prepayment	38	29
Long term staff loans re house moves	30	20
	4,550	**49**
Total	**5,960**	**1,147**

The debtor for the net recovery of VAT from HM Customs & Excise has been passed to HSE under whose VAT registration these amounts are recoverable.

10. Creditors

	2005 £'000	2004 £'000
Amounts falling due within one year		
Trade creditors	209	368
Trade accruals	1,504	411
Other accruals	314	180
Payments on account	392	518
Finance leases including on-balance sheet PFI contract (see note 14)	0	10
	2,419	**1,487**
Amounts falling due after more than one year		
Imputed finance lease element of on-balance sheet PFI contract (see note 14)	57,607	0
Total	**60,026**	**1,487**

Liability for the payment of tax and social security contributions has been passed to HSE who are responsible for paying these amounts to the Inland Revenue.

11. Provisions for liabilities and charges

	Early departure £'000	Estates rationalisation £'000	Others £'000	Total £'000
Provision at 1 April 2004	**211**	**671**	**75**	**957**
Transfer from estates rationalisation to early departures	172	(172)	0	0
Provided in the year	92	287	22	401
Provision utilised in year	(158)	(194)	0	(352)
Provision not required written back	(29)	(41)	0	(70)
Interest on prefunded pension payments	(4)	0	0	(4)
Provision at 31 March 2005	**284**	**551**	**97**	**932**

Early departure costs

For clarity of future accounts presentation, £172,000 provided in 2003/04 within the £671,000 shown under Estates Rationalisation, has been transferred into Early Departures in order to reflect the ongoing accounting treatment.

HSL meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. HSL provides for this in full when the early retirement programme becomes binding on them, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5% (2003/04: 3.5%) in real terms. Previously, HSL paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England. The balance of this, representing future pension payments, is treated in these accounts as a prepayment.

Estates rationalisation costs

Provision has been made for those costs relating to the collocation which are considered to be more than 50% certain and where these costs can be estimated with a reasonable degree of accuracy.

Other provisions

Provisions have been made for other miscellaneous items, in accordance with note 1 (n). No reimbursement is expected in respect of any such claim.

12. Reserves

	Revaluation reserve £'000	General reserve £'000	Total £'000
Balance at 1 April 2004	**2,603**	**7,679**	**10,282**
Realised elements of revaluation reserve:			
a) Disposal adjustment	(1,710)	1,710	0
b) Depreciation release	(98)	98	0
Cash surplus retained by HSE	0	(2,813)	(2,813)
Net gain on revaluation of fixed assets	5,621	0	5,621
Interest on capital	0	383	383
Surplus for the financial year	0	0	0
Balance at 31 March 2005	**6,416**	**7,057**	**13,473**

13. Capital commitments

Capital expenditure contracted for at 31 March 2005 for which no provision has been made in these accounts was £56,973 (2003/04: £77,264).

14. Obligations under finance leases including on-balance sheet PFI contracts

With effect from 28th October 2004, HSL took occupation of serviced accommodation for laboratory and support functions provided under a 32 years and 29 weeks term, “design, build, finance and operate” contract with Investors in the Community (Buxton) Limited (ICB Ltd).

The transactions arising out of this contract have been accounted for in accordance with Technical Note No.1 (Revised), entitled “How to Account for PFI Transactions” as required by the RAM. As the balance of risks and rewards of ownership of the PFI property is borne by HSL, rather than the PFI provider, ICB Ltd, the buildings and furniture provided under the contract are recognised as fixed assets on HSL’s balance sheet, and the liability to pay for these assets is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

As part of the PFI contract, HSL handed over all of the land and buildings at the Sheffield site to ICB Ltd, and a prepayment for their fair value of £4.6m, as determined by the contract, is recognised in the accounts and amortised evenly over the life of the PFI contract.

The Accounts are prepared on the basis that the economic effect of granting a lease at Buxton to ICB Ltd is not material because the difference between the existing use value of the freehold land at Buxton as at 31st March 2005 and the value of the reversionary interest in the freehold land as at October 2034, is not significant, given the location of, and potential uses for, the Buxton site.
See also Note 8.

The total amount charged in HSL’s Income and Expenditure Account in respect of the service element of on-balance sheet PFI transactions was £1,260,174 (2003/04: Nil) and the value of the payments to which HSL is committed during 2005/06, subject to ICB Ltd achieving contracted levels of service and availability, is £3,062,199 (2003/04: Nil), this commitment expiring within 30 years.

Future payments for all elements of the PFI contract are linked to inflation, and hence the payments to be made in future years may become significantly higher than those at the present time. However, due to the uncertainty over the likely impact of inflation on payments, no estimates have been included here.

Obligations under finance leases including on-balance sheet PFI contracts comprises:

	2005	2004
	£’000	£’000
Rentals due within 1 year	3,910	12
Rentals due after 1 year but within 5 years	19,381	0
Rentals due thereafter	183,187	0
Sub-total	**206,478**	**12**
Less interest element	148,871	2
	57,607	**10**

15. Financial instruments and financial risks

Short term debtors and creditors have been excluded from these financial instrument disclosures, as permitted by FRS13: Derivatives and Other Financial Instruments. Financial assets consist of interest free loans to employees in respect of relocation expenses, being £30,000 (2003/04: £20,000), repayable within more than one year, the average period to maturity being 111 months (2003/04: 27 months). At 31 March 2005, HSL had financial liabilities of £57,607,183 (2003/04: £Nil) payable beyond one year, the 2004/05 figure resulting solely from the PFI contract, following the expiry of the existing finance lease during the year. There are no material differences between the fair and book values of these items.

Liquidity risk

HSL is not exposed to any significant liquidity risk in respect of its incomes, as it receives over 85% of its income from HSE.

From 2004/05, HSL has an increased exposure to liquidity risk in respect of significant long term borrowings relating to the PFI contract.

Interest rate risk

HSL is not exposed to any interest rate risk as it does not have any cash deposits or any variable rate long term borrowings.

Foreign currency risk

Foreign currency transactions do not form a significant element of HSL's income and expenditure, therefore HSL's exposure to foreign currency risk is negligible.

16. Contingent liability

An increased provision for the staff-related costs of relocation to Buxton is included in these accounts, and this is based on information available at the time of preparation. Qualifying staff had to decide within the six month period after the date of their November 2004 transfer, whether to relocate. Following the expiry of this period, there is no longer considered to be a significant contingent liability.

17. Annual performance agreement measures

As part of its Framework Agreement, HSL is required to prepare an Annual Performance Agreement, which lays down areas where performance will be measured against pre-defined targets. Key financial targets and results for 2004/05 are given in the table opposite.

17. Annual performance agreement measures (cont.)

1. Target	To recover full economic costs on an accruals basis, taking one year with another, after making due allowance for transitional costs related to the PFI deal in a manner agreed with HSE.
Actual performance	**Achieved**. HSL is required to cover its full economic costs for the services it provides to HSE and other public and private sector customers. During the period HSL generated sales of £26,956,000 (2003/04: £25,469,000) against net costs of £26,120,000 (2003/04: £22,861,000), to achieve an operating surplus of £836,000 (2003/04: £2,608,000). After interest payable & similar charges, but before transitional funding, HSL made a deficit for the financial year of £1,812,000 (2003/04: surplus of £2,241,000). As agreed previously with HSE, HSL utilised an equal amount out of a previously accumulated surplus in order to produce neither a surplus nor a deficit within the year.
2. Target	To meet the agreed net administration costs financial control position.
Actual performance	**Achieved**. HSL is required to generate receipts to cover at least the administration cost element (being staff costs and general administration expenses) of its total expenditure each year. To assess performance against this target, receipts are applied to running costs on a basis agreed annually with HSE (see Note 2).
3. Target	To achieve 20% of turnover from non-HSE customers by 2006/07 with an interim target of £3,600,000 in 2004/05 (2003/04: £2,750,000).
Actual performance	**Achieved**. Science and Technology income in 2004/05 from non-HSE customers was £3,680,000 (2003/04: £3,103,000).
4. Target	To take occupancy of the new laboratory in Buxton at a lost opportunity cost of less than £3,000,000.
Actual performance	**Achieved**. Lost opportunity cost of £2,421,000.

18. Intra-government balances

2004/05	**Debtors:** amounts falling due within one year £'000	**Debtors:** amounts falling due after more than one year £'000	**Creditors:** amounts falling due within one year £'000	**Creditors:** amounts falling due after more than one year £'000
Balances with other central government bodies	78	0	39	0
Balances with local authorities	124	0	247	0
Balances with NHS Trusts	9	0	33	0
Balances with public corporations and trading funds	71	0	0	0
Balances with bodies external to government	1,128	4,550	2,100	57,607
At 31 March 2005	**1,410**	**4,550**	**2,419**	**57,607**

Comparative figures were not provided for 2003/04 in the Published Accounts.

NewBuilding

Room to move
Room to experiment

HEALTH & SAFETY LABORATORY

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