HEALTH & SAFETY LABORATORY

ENABLING A BETTER WORKING BRITAIN

Accounts 2009/2010

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HEALTH & SAFETY LABORATORY

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FOREWORD

By the Chief Executive Eddie Morland

Once again, I am pleased to be able to report a successful year for the Health and Safety Laboratory. Given our focus on Health and Safety, we are pleased to have improved our own performance in this area. In addition, this year saw HSL achieve full certification to ISO 14001, thus demonstrating our commitment to improving the environment.

The laboratory continues to work across a broad spectrum of scientific disciplines and market sectors. Of course, difficult economic conditions did cause contraction in some sectors, causing some clients to cancel or delay contracts they had already placed with HSL, particularly at the beginning of the financial year. However, the laboratory demonstrated its flexibility and resilience under such circumstances by focussing on those sectors which were growing.

One such example is the Nuclear Power sector, where we saw a further increase in demand for our skills, both from our parent organisation HSE and also directly from industry itself. In addition, the senior management team agreed new priorities and duties (outlined under Developments at HSL on page 9) for itself, to reinforce our ability to respond to dynamic market conditions.

Of course none of these changes would have had an effect if our staff had not responded to them positively and enthusiastically. They did! As usual therefore, I would like to take this opportunity to thank all staff at HSL for their performance and commitment throughout the year and for demonstrating increasing flexibility and team working.

The laboratory continues to focus on the key areas of keeping things healthy and safe, winning new business, delivering that business and investing for the future.

We have continued the good work done previously on such health issues as the assessment and management of Display Screen Equipment (DSE) but have extended our ambition away from simply avoiding ill-health, towards proactive improvement of wellbeing. Our multi-disciplinary wellbeing team draws on skills from across the laboratory, including clinical medical capability, psychologists and other occupational health and hygiene professionals. These combined approaches have helped us reduce sickness absence to 3.8 days per person (lower than the 5.3 days per person of the previous financial year). We have been equally diligent on safety.

We have continued our strong near-miss reporting process, and monthly senior management safety walkabouts, as well as extending these to the next layer of management in the organisation. All of this has helped HSL ensure that incidents and accidents were, once again, lower than the prior year. RIDDOR events were restricted to a single occurrence for the third year in succession.

HSL had a successful year in winning new contracts, from both HSE and external customers. In terms of HSE, our work for Nuclear Directorate showed a 23% increase and this was in addition to continued demand across all other areas of our work for HSE. In terms of external business, whilst more orders were secured than in the prior year, not all were fulfilled, as mentioned earlier.

Nonetheless, as well as nuclear, we also saw growing demand for our services in the healthcare sector (including a new strand of incident investigation activities), our work in major hazard industries such as oil and gas remains strong, and there is emerging interest from a number of new sectors such as the retail industry.

Switches of market sector are, of course, not without risk and one new project incurred irrecoverable costs which were material. Once again we have responded swiftly to mitigate further commercial risks through a revised bidding and pricing process, new duties for directors and an overall strengthening of project management procedures.

The laboratory delivered total revenues of £39.2m in 2009/10. Whilst revenues for HSE were higher, the combination of unfulfilled or late orders and the need to adjust market focus in-year, meant that external revenues were down by around 8% (to £7.1m). In response to lower external revenues and irrecoverable costs being incurred on the contract noted in the paragraph above, other costs were well controlled and HSL delivered a surplus on its normal operations of £540k. However, mandatory re-valuation of the HSL property during the year was adversely affected by the economic recession’s impact on building costs, resulting in a write down of £845k leading to a net loss of £305k for the year.

In order to support a sustainable future for the laboratory, we continue to invest in our staff in terms of Learning and Development, with this now being clearly related to the five career paths (project management, science, engineering and technical, business management, business development and corporate) available to staff. As well as continued capital investment in scientific equipment and facilities, this year saw a major investment in a new incident materials store. This secure and efficient new facility ensures that we can cope with even higher volumes and larger pieces (such as tower cranes) of incident material for our vital work on behalf of HSE. Finally, with HSE support, we continue to invest in our internal research programme, thus ensuring that we stay ahead of new developments such as carbon capture and other emerging energy technologies.

Taking all of this together, HSL has had another successful year. Despite challenging economic conditions, we have demonstrated the ability of the laboratory to deploy its multi-disciplinary skills in new ways and at short notice. This has allowed us to continue to make a major contribution to reducing accidents and sickness in the workforce of Great Britain, whilst enabling the safe introduction of vital new technologies, thereby helping keep Britain safe, healthy, productive and innovative. Everyone at HSL is proud to be enabling a better working Britain!

HEALTH AND SAFETY LABORATORY (HSL) – BACKGROUND INFORMATION

HSL was established as an in-house Agency of the Health and Safety Executive (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 by section 10 of the Health and Safety at Work etc. Act 1974. HSE is a Crown Non-Departmental Public Body, sponsored by the Department for Work and Pensions (DWP).

The accounts have been prepared in accordance with a direction given by HSE. They are prepared on an accruals basis and show the full in-year resource costs of HSL.

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 £48,500 (2008/09 £43,000).

During the year, NAO also reviewed work done by HSL in preparation for the first time adoption of International Financial Reporting Standards from 2009/10: the charge of £7,000 for this work is shown separately in these Accounts under Other Administrative Expenses.

PRINCIPAL ACTIVITIES

HSL's principal activities 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.

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.

HSL's forward strategy recognises these principal activities and the overwhelming importance of key relationships between customers and staff. The strategy is based on three principal objectives:

1. Building a strategic relationship between HSL and HSE which is of growing benefit to both entities
2. Growing sustainable and value-adding non-HSE business
3. Growing HSL's capability in terms of expertise and delivery

The strategy is guided by our **vision** where we see ourselves:

Using our brains to save and improve the lives of workers.

Our **mission** can therefore be simply stated:

To maximise our contribution to the Health and Safety System.

SERVICE PERFORMANCE

As part of its Framework Agreement, HSL is required to prepare an Annual Performance Agreement, which lays down overall objectives for key areas where service performance is then measured against pre-defined targets. These objectives, and performance against the targets are given below.

Service Objectives

A. Contribute to delivery of HSE's overall strategy "The Health and Safety of Great Britain – Be part of the solution."

B. Achieve Financial/Efficiency Targets agreed with HSE.

C. To transfer HSL knowledge to others and to demonstrate competitiveness by winning non-HSE business.

Service Delivery Targets

Deliver research projects, scientific intelligence and forensic work to HSE in line with the HSE Science Plan and deliver research projects and consultancy to other Government Departments/Agencies and Private Sector clients.

HSE's science strategy supports delivery of the national targets for improving occupational health and safety set out in the Revitalising Health and Safety (RHS) strategy statement launched in June 2000, DWP's Departmental Strategic Objective to 'improve health and safety outcomes in Great Britain, through progressive improvement in the control of work-related risks', and HSE's other enforcement and statutory duties. HSE applies science: to understand problems and develop effective, practical solutions to control a range of workplace risks; to provide HSE with evidence on the causes of ill-health and incidents in the workplace; and to influence HSE's priorities.

In 2009/10 HSL delivered a wide range of research, forensic investigation and other scientific and technological services closely aligned to HSE's strategic programmes and operational activities.

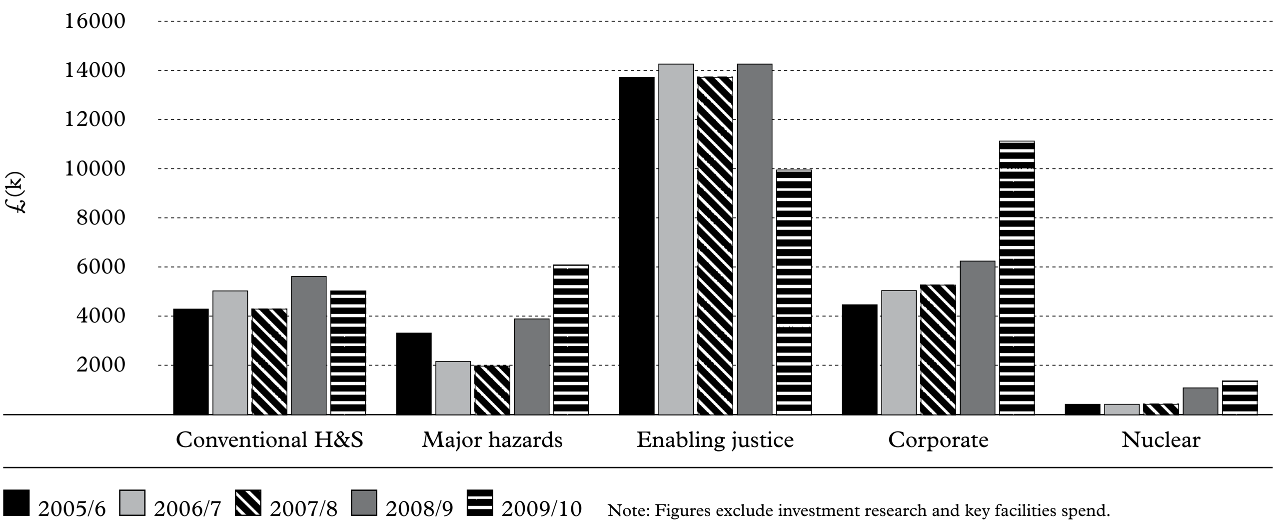
The figure on page 8 shows the distribution of HSE's spend with HSL in 2009/10 and the four previous years across HSE's main areas of science and technology activity as follows:

- Conventional Health and Safety – aimed at reducing injuries, ill-health and working days lost from work-related injury and ill-health.
- Major Hazards Strategic Programme – this regulates and assures safe management of those industries where failure to manage risks can have catastrophic effects.
- Enabling Justice Programme – this supports front-line and regulatory work and includes forensic support to investigations.
- Corporate Programme – this includes underpinning work to ensure HSE's effectiveness, where such work cuts across the strategic programmes. Examples are evaluation, epidemiology and statistics, horizon scanning and cross-cutting research.
- Nuclear Safety Programme – this is designed to achieve effective and efficient nuclear safety regulation.

The figure indicates that:

- Delivery in Conventional Health and Safety was broadly in line with the average of the last 5 years
- A slight increase in Major Hazards spend by HSE with HSL in year when compared to 2008/09 and virtually double that of 2007/08
- A reduction in the Enabling Justice Programme with a matched increase in the Corporate Programme due to Core Activity Projects being moved between these programmes
- HSL continues to significantly grow the level of support provided to the Nuclear Safety Programme.

TRENDS IN HSE S&T SPEND WITH HSL BY PROGRAMME



Note: Figures exclude investment research and key facilities spend.

Safety Targets

To have no more than two RIDDOR events.

There was one reportable event in 2009/10 (2008/09: one) under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR).

Financial Targets

Recover Full Economic Costs (FEC) on an accruals basis taking one year with another.

HSL is required to cover its FEC for the services it provides to HSE and other public and private sector customers, taking one year with another. In year, HSL made a surplus on ordinary activities of £540,000 (2008/09: £1,449,000 IFRS adjusted) prior to deducting a loss on revaluation of £845,000 (2008/09: £32,000).

Improve efficiency of commissioning and delivery of HSE programmes

The 2009/10 customer satisfaction survey by ORC International, which reports on trends since the previous survey, showed that overall, HSE's satisfaction with HSL has improved by 3%, satisfaction with commissioning has improved by 4% and satisfaction with HSL's delivery of project objectives and technical reporting has increased by 5%.

Achieve external sales of £8.2m in 2009/10.

The difficult market conditions contributed to a low order intake in the early part of the year when orders in the region of £600,000 were cancelled by customers. In the second half of the year significant volumes of orders initially due to be delivered in 2009/10 moved into the following year for final completion and invoicing. As a result, Science and Technology income in 2009/10 from customers external to HSE was £7.0m (18%) (2008/09: £7.7m (20%)).

To generate £75k income from exploitation of Intellectual Property/products in 2009/10.

Through 2009/10, HSL has further progressed its understanding of the commercialisation process and in year earned £56k of income through the exploitation of IP and the sales of products against a target of £75k. At 31 March, eleven live opportunities are at various stages of maturity, with many more now being identified. Three products were launched in the year (these being the Safety Climate Tool (SCT), the Local Exhaust Ventilation (LEV) training model and the Microdrone Air Sampler) and the first two of these have already secured sales. HSL is now actively seeking further development partners to help bring additional products to market.

In 2009/10 the total value of HSL's scientific and technical output was higher than ever before. However, the proportion provided to external (non-HSE) customers was 18%, which is a slight decrease on the prior year. Whilst this was due in part to an increase in the value of work required by HSE (including a 23% increase in the value of work undertaken for Nuclear Directorate), there was also an 8% decrease in the value of external work delivered which was undoubtedly influenced by the wider economic climate (over 10% of the total value of external contracts won during the year were either cancelled or postponed until 2010/11 on the instruction of clients). Nonetheless, working in partnership, HSL and HSE took two positive and significant actions during the year, in response to current, and potential future, market conditions.

Firstly, the HSL senior management team (SMT) carried out operation 'Beagle'; a thorough review and examination of how we could improve our own contribution to the business still further. Acting upon the guiding principles of improved delegation, faster decision-making and devotion of more senior management time to external activity, through this exercise we have replaced the vertical Operations Group-based structure with a flatter matrix-based approach.

Our new roles reinforce the concepts of Keeping it Safe, Winning it, Delivering it and Looking after it. Thus, Peter Davies takes on the new role of Corporate Information and Services Director, taking responsibility for the key issues of Health & Safety, PFI Building, Estates & Environment and Security throughout HSL. Using his extensive private-sector experience of IT and software development, Peter will also lead our new focus on software products. Bill Nixon expands his role from Business Development to Commercial Director, taking over responsibility for terms and conditions of sales in addition to bidding activity. Karen Russ becomes Project Delivery Director with responsibility for all projects (HSE and external) in HSL. Andrew Curran becomes Science and Resources Director with responsibility for ensuring the continued quality of our science, the development of career paths and continued investment in technical resources of all kinds. Chris Neilson and myself remain as Finance Director and Chief Executive respectively.

However, in addition to these duties all six Directors have agreed to an increased role in winning external business. In undertaking these changes, which came into effect in Q4 of 2009/10, we have increased delegated powers to colleagues in the next layer of the organisation and are working with them ever more closely within a wider 'Leadership Team'. Whilst this new approach is already demonstrating benefits (at the end of Q4 we had secured our best ever level of orders for the following financial year), it is amplified by the additional changes to HSL's relationship with HSE.

Secondly, HSE and HSL have worked jointly together throughout the year to explore still further benefits to the wider Health and Safety system from our partnership. In January 2010, the HSE Board accepted the recommendation from a joint HSE/HSL working group that enhancing the existing Agency status of HSL, via amendment to the HSE / HSL Financial and HR Memoranda, would facilitate realisation of these benefits.

The Enhanced Agency Status model will allow HSL:

- to be measured on its financial performance over 5 years, as in the Trading Fund model, as well as annually against its income and expenditure planned position. HSL's objective is to generate extra resources over the planning period;
- to discuss and agree with HSE the treatment and use of surpluses, generated in the later years of the five year plan;
- to implement a reward system designed to incentivise staff to deliver long term growth without compromise to quality.

This model will provide HSL with the ability to take a medium to long term view of its operation and enable it to invest in and develop new areas of knowledge and expertise. HSL anticipates that this will lead to increased income which will reduce the demands on HSE to fund HSL's operation and also enable HSL to support HSE's mission more effectively. Additionally HSL will be able to broaden its outreach to both public and private sectors on Health and Safety issues. Taken together, these two developments provide a platform for an even more invigorated HSL next year and beyond.

WORKFORCE MATTERS – HUMAN RESOURCES (HR)

Following the restructuring described earlier under Developments at HSL, in order to help understand the resources available to deliver our business, the Science and Resources Director and the HR Business Partner have completed a human capital and competence audit of all HSL staff in consultation with Unit Heads and SMT colleagues. An assessment framework based on performance and potential (developed by the Cabinet Office) was used to help facilitate the review. The review also provides a forward look at the organisation's resource requirements over a 5-year time frame to assist with work force planning.

The Local Career Review Group process, which enables the SMT to review succession planning, workforce planning and promotions, has been revised to ensure that affordability issues are included as an integral part of the process. This group will also review the human capital audit findings.

EMPLOYEE NUMBERS

HSL has recruited 14 new staff, to replace leavers and adjust the skill base to fit business need. 21 staff left, giving an end of year total staff in post figure of 405 (2008/09: 412). Despite this, HSL saw a small increase in the Whole Time Equivalent number of staff over the year (see note 6 for more details). The turnover rate (calculated using the median of 409 staff for the 12 month period) still continues to be affected by the economic situation and is less than expected at 5.1% for the full year (2008/09: 8% and 2007/08: 10%).

SICKNESS ABSENCE

HSL lost an average of 3.8 sick days per employee over the 12 month period which is well within the HSL target of 6.2 days.

LEARNING AND DEVELOPMENT (L&D)

HSL is recognised as an Investors in People (IiP) organisation and focuses its investment in L&D through L&D priorities which are agreed annually by the HSL Board. An annual corporate L&D Plan is produced against these priorities which reflects the individual L&D needs identified as part of the Performance Management process. In 2009/10 HSL spent 11% more on L&D than in 2008/09.

From April 2010, all staff will be provided with a "Professional Portfolio" in which they will be required to keep their CPD records, and any other useful information regarding their professional development. Candidates for promotion will also be expected to provide this at interview.

DIVERSITY

HSL is actively participating in HSE's "Equal" forum, as part of the HSE Equality Schemes Vision. Diversity is discussed at the monthly HSL Board meeting and, as an equal opportunities employer, HSL ensures everyone is treated fairly irrespective of gender, age, ethnic origin, religious belief, sexual orientation or disability. An HSL Board member serves on the HSE Women's Network committee and contributed to the development and delivery of A Work Life Balance workshop open to all HSE and HSL staff. HSL has a policy on young people, allowing HSL to offer work experience opportunities to those aged 16 to 18 who have a family member at HSL who is willing to take full responsibility for them. In addition, HSL supports individual employees working with school-age people to promote scientific careers and hosts visits for school parties.

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, and issues frequent "Communication Briefs" through the bi-monthly internal HSL electronic newsletter. The Chief Executive and Group Directors visit units on a regular basis to discuss work issues and listen to staff views.

There are quarterly meetings of the Safety, Health and Environment (SHEFS) committee, comprising management and staff safety representatives, to discuss progress on the Health and Safety Plan, accident and near miss statistics and other SHE issues of concern to staff. In addition, HSL has revitalised and re-energised its approach to health, work and wellbeing and the Health, Work and Wellbeing Group will present the new strategy at a launch event for all staff early in the new financial year.

HSL REVIEW

As noted on page 9 in Developments at HSL, it has now been granted the freedom to negotiate additional HR freedoms under the HSL Review. The Science and Resources Director and HSL's HR Business Partner are now undertaking a series of visits to other government agencies and private sector companies to gather information regarding alternative pay and reward schemes used in a similar operating environment. A negotiating team will be established in the near future to begin negotiating the new system with the Trade Unions.

Health and safety issues continue to be given a high priority as HSL seeks to remain a Beacon of Excellence in Health and Safety; we can report good progress towards the objective this year.

In conducting its scientific activities, HSL needs to control a significant number 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 Executive guidance publication HS(G)65. Over the next 12 months, we will also work towards achieving OHSAS 18001 certification, the internationally recognised assessment specification for occupational health & safety management systems. Every year, the HSL Board agrees a robust health and safety plan with challenging targets, and this year, the majority of our targets have been met.

We use near misses as a leading indicator to help target our health and safety activities. Transport accounted for 61% (137) of all reported near miss incidents, with 72% (99) of these being attributed to incidents on the approach road to the HSL site. This has resulted in plans being drawn up for an investment in the approach road to improve the safety for all users (drivers, cyclists and pedestrians). There has been an overall drop of 3% in near miss reporting compared with the same period last year. A near miss reporting awareness campaign commenced in January 2010.

There was only one incident reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), when a member of staff slipped whilst loading materials onto a flatbed trailer. Our target for the year was to have no more than two RIDDOR events. Our reportable accident incident rate for the year was 245 (2008/09: 260) per 100,000 employees and our all accident & ill-health frequency rate was 40.6 per million hours worked.

To enhance the safety for visitors and members of the public on the wider site, we have undertaken a programme of erecting additional security fencing around our experimental facilities to help prevent unauthorised access into the areas. This work will continue throughout 2010 with the diversion and fencing in of one of the main public footpaths through the site.

HSL is developing a health, work and wellbeing strategy in consultation with staff from across all areas of the business. The aim of the strategy is to ensure that staff are healthy, happy and at work, and that HSL becomes one of the best places to work within the public sector. An action plan for implementation has been drawn up and agreed. The launch day for the strategy is 19 May 2010.

HSL continues to invest in health and safety training by both internal and external providers. This year three hundred and ninety three staff received approximately three hundred days of health and safety training. Courses included safe driver training, risk assessment, control of contractors, Health and Safety for managers and manual handling.

ENVIRONMENT

We have continued our commitment to sustainability over the year and have made key steps forward in terms of our systems and structures for environmental management.

We appointed a permanent, full-time environmental manager in June, which has provided us with the necessary resource and the focal point for environmental improvement.

We have also appointed staff environmental representatives and established a forum for management and staff consultation on environmental issues.

We have successfully completed the implementation of an Environmental Management System (EMS), which is designed to control the impact of our activities on the environment. Our EMS achieved certification to ISO 14001 in February 2010. In implementing the EMS we have integrated the environmental control procedures with health and safety control procedures, thereby avoiding duplication of effort.

We have expanded recycling arrangements on site and begun to explore options for composting of biodegradable waste.

We have had mixed success in tackling low humidity within the main building. Whilst we have identified and tested a suitable solution, it comes at the expense of increased electricity consumption. Further, less power-hungry options are therefore being explored. We fall within scope of the Government's Carbon Reduction commitment initiative and are investigating a number of avenues to reduce our energy consumption.

We have continued a programme of woodland management aimed at improving the wildlife habitats on the site and we actively monitor rare species and remain vigilant in monitoring invasive non-native species.

PROMPT PAYMENTS

From 1 January 2009, HM Treasury required that all parts of Government made payments to suppliers within ten working days of the receipt of the goods or services on presentation of a valid invoice or similar demand, whichever was later. In 2009/10, HSL achieved a performance of 99.7%. In the final quarter of 2008/09 under the new terms, HSL paid 97.2% of invoices within the target terms.

PERSONAL DATA RELATED INCIDENTS

There have been no incidents related to personal data which require disclosure.

DECLARATION

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 HSL's auditors are aware of the information.

FINANCIAL POSITION AND RESULTS FOR THE YEAR

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 costs, taking one year with another, through charges it makes for the services it provides to HSE and other public and private sector customers.

Results for the year – Income Statement

During the year, HSL generated revenue of £39,186,000 (2008/09: £38,777,000) against net costs of £ 34,930,000 (2008/09: £32,681,000), to achieve an operating surplus of £4,256,000 (2008/09: £6,096,000). After deducting Finance costs of £4,561,000 (2008/09: £4,679,000), HSL reported a deficit on ordinary activities of £305,000 (2008/09: surplus of £1,417,000) for the financial year.

The operating surplus before loss on revaluation was £180,000 above Budget, despite Revenue being £364,000 below the level budgeted.

	Note	Outturn £'000	Budget £'000	Variance £'000
Revenue	2	**39,186**	**39,550**	**(364)**
Cost of sales	3	**(11,702)**	(12,293)	591
Gross surplus		**27,484**	**27,257**	**227**
Other income	4	**69**	50	19
Administrative expenses	3	**(22,452)**	(22,386)	(66)
Operating surplus pre revaluation		**5,101**	**4,921**	**180**
Loss on revaluation		**(845)**	(100)	(745)
Operating surplus		**4,256**	**4,821**	**(565)**
Finance costs	5	**(4,561)**	(4,821)	260
Deficit for the financial year		**(305)**	**0**	**(305)**

Financial position – Statement of Financial Position

Property, plant and equipment with a net book value of £63m are a significant component of the statement of financial position, including £53m of buildings (see PFI details below).

HSL has a PFI contract for the provision of serviced accommodation for laboratory and support services at the Buxton site, the finance element of which is represented in the statement of financial position by the long-term liability to pay finance lease charges, and hence HSL's statement of financial position shows payables of £55m, of which over £51m relates to PFI obligations.

Statement of Cash Flows

The statement of cash flow shows cash generated from operating activities of £7,349,000 (2008/09: £8,977,000). The reduction in cash generated from ordinary activities in 2009/10 reflects a deterioration in trading performance and an increase in working capital.

Net cash outflow of £3.1m (2008/09: £1.8m) from investing activities has, as the most significant constituents, expenditure on a new storage building for incident-related materials, plant & machinery and IT asset additions.

Mr E Morland
Chief Executive,
Health and Safety Laboratory
Accounting Officer 23 June 2010

REMUNERATION REPORT - UNAUDITED INFORMATION

HSL Management Structure

The Chief Executive was appointed in open competition and is retained on an open-ended contract, which may be terminated on 13 weeks notice from either side.

The remuneration of those Board members who are Senior Civil Servants (SCS) is in line with the recommendations by Cabinet Office and the Senior Salaries Review Body. Performance management and reward, and the proportion of remuneration subject to performance conditions for SCS, are managed within HSL in line with the relevant recommendations by the Senior Salaries Review Body. The standard terms and conditions defined by Cabinet Office for SCS apply where appropriate, including those applicable to the provision of compensation for early retirement.

The remuneration of those Board members who are not SCS is dealt with as part of HSE's annual pay negotiations. Their performance management and reward, and the proportion of remuneration subject to performance conditions, are managed in line with the HSE appraisal policies and procedures. The standard terms and conditions defined by Cabinet Office for Civil Servants apply where appropriate, including those applicable to the provision of compensation for early retirement.

REMUNERATION REPORT - AUDITED INFORMATION

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 2009/10, together with details of the service contract for each Board member who has served on the Board during 2009/10, are shown below.

REMUNERATION REPORT – AUDITED INFORMATION

Name	Position at 31 March	Board membership		Contract date	Unexpired term @ 31.3.10	Notice period
		From	To			
Mr Eddie Morland	Chief Executive*	01/04/2009	31/03/2010	19/09/2005	Open ended	13 weeks
Dr Karen Russ	Project Delivery Director	01/04/2009	31/03/2010	04/09/2006	Open ended	13 weeks
Dr Andrew Curran	Science and Resource Director	01/04/2009	31/03/2010	07/10/1991	Open ended	13 weeks
Mr Peter Davies	Corporate Information and Services Director	01/04/2009	31/03/2010	05/11/2007	Open ended	13 weeks
Mr Chris Neilson	Finance Director	01/04/2009	31/03/2010	23/03/2009	Open ended	13 weeks
Dr Bill Nixon	Commercial Director	01/04/2009	31/03/2010	01/11/2007	Open ended	13 weeks
Dr Peter Watson	Non-Executive Director	01/04/2009	31/03/2010	03/02/2010**	1 year 11 months**	13 weeks
Dr Sue Ion	Non-Executive Director	01/04/2009	31/03/2010	03/02/2010**	1 year 11 months**	13 weeks
Dr Richard Stephenson	Non-Executive Director	01/04/2009	31/03/2010	01/07/2008	1 year 3 months**	13 weeks

Notes:
* Mr Morland is also a member of the HSE Senior Management Team.
** The contracts for these Non Executive Directors, which were due to expire by the year end, have both been extended to 28 February 2012.

REMUNERATION REPORT – AUDITED INFORMATION

	Salary band	Taxable benefits in kind	Member pension contribution	Real increase in pension & lump sum at 60	Total accrued pension at 60 at 31 March	CETV at 31 March	Real increase in CETV
2009/10	**£'000**	**£**	**£**	**£'000**	**£'000**	**£'000**	**£'000**
Mr E Morland	135-140	3,900	3,900	2.5 - 5 + 0 lump sum	65 - 70 + 0 lump sum	1,133	76
Dr K Russ	80-85	0	2,700	0 - 2.5 + 0 lump sum	0 - 5 + 0 lump sum	60	15
Dr A Curran	70-75	0	1,000	0 - 2.5 + 2.5 - 5 lump sum	10 - 15 + 40 - 45 lump sum	218	22
Mr P Davies	75-80	0	2,600	0 - 2.5 + 0 lump sum	0 - 5 + 0 lump sum	38	14
Mr C Neilson	50-55	0	1,900	0 - 2.5 + 0 lump sum	0 - 5 + 0 lump sum	18	16
Dr W Nixon	50-55*	0	1,200	*	*	*	*
Dr P Watson	10-15	0	*	*	*	*	*
Dr S Ion	10-15	0	*	*	*	*	*
Dr R Stephenson	10-15	0	*	*	*	*	*
2008/9							
Mr E Morland	130-135	4,900	3,900	0 - 2.5 + 0 lump sum	60-65 + 0 lump sum	990	0
Dr K Russ	80-85	0	2,600	0 - 2.5 + 0 lump sum	0-5 + 0 lump sum	39	12
Dr A Curran	65-70	0	900	0 - 2.5 + 0 - 2.5 lump sum	10-15 + 35-40 lump sum	182	5
Mr P Davies	70-75	0	2,500	0 - 2.5 + 0 lump sum	0-5 + 0 lump sum	21♦	11
Mr J Verney Left 06/04/09	60-65	0	900	0 - 2.5 + 0 - 2.5 lump sum	30-35 + 90-95 lump sum	748♦	0
Mr C Neilson Started 23/03/09	0-5	0	0	0 - 2.5 + 0 lump sum	0-5 + 0 lump sum	0	0
Dr W Nixon	50-55	0	1,200	*	*	*	*
Dr P Watson	10-15	0	*	*	*	*	*
Dr S Ion	10-15	0	*	*	*	*	*
Dr R Stephenson Started 01/07/08	10-15	0	*	*	*	*	*

* Please see notes on next page.

♦ The factors used in calculating CETVs were updated mid year, and as a result the opening CETV for the 2009/10 calculations may be different from the closing CETV figure from 2008/09. Hence, the 2008/09 comparative shown above may differ from the figures shown in last year's published accounts (those affected are marked ♦).

* 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.
- The taxable benefit amount for the Chief Executive relates to the provision of a car under the Private User Scheme for the year 2009/10.
- As members of the Premium pension scheme, no lump sums are payable to Mr Eddie Morland, Dr Karen Russ or Mr Peter Davies.
- Mr John Verney took annual leave for the latter part of his employment with HSL, his last working day being in March 2009.
- The full year equivalent salary for Dr Bill Nixon is in the band £65–70,000.
- Dr Bill Nixon is a member of a Partnership Pension arrangement (see below). For 2009/10, employer's contributions of £8,000 (2008/09: £7,900) were made on his behalf.
- All the Non-Executive Directors' appointments are non-pensionable.
- HSL paid £2,111 to Dr Andrew Curran during 2009/10 in respect of Excess Daily Fares (EDF) (2008/09 £3,143): note Dr Curran's eligibility for EDF payments ended on 31 October 2009. Such payments were available to all HSL staff eligible for a move at public expense.
- No significant awards were made to past senior managers, nor was any compensation payable to former senior managers, nor were any amounts payable to third parties for services of a senior manager.
- The factors used in calculating CETVs were updated mid year, and as a result the opening CETV for the 2009/10 calculations may be different from the closing CETV figure from 2008/09. Hence, the 2008/09 comparative shown above may differ from the figures shown in last year's published accounts (those affected are marked ♦).

Civil Service Pensions (CSP)

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

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

The Partnership Pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (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).

Further details about the CSP arrangements can be found at the website:

www.civilservice-pensions.gov.uk

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement, which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The Real Increase in the Value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include 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.

Mr E Morland
Chief Executive,
Health and Safety Laboratory
Accounting Officer 23 June 2010

HEALTH AND SAFETY LABORATORY ACCOUNTS 2009/10

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, 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 Chief Executive of the Laboratory is required by HSE to prepare an annual report and accounts for each financial year in the form and on the basis instructed. 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, 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 former Director General of HSE appointed the Chief Executive of HSL as Accounting Officer for the Laboratory. As such, HSE's Chief Executive's relevant responsibilities as Accounting Officer have been delegated to the HSL 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 Managing Public Money.

Mr E Morland
Chief Executive,
Health and Safety Laboratory
Accounting Officer 23 June 2010

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 Managing Public Money.

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, and I also formally meet twice per annum with the HSE Partnership Board (Chaired by HSE's Chief Executive and Accounting Officer). HSL's three non-executive directors also fulfil an advisory role at my formal meetings with the Partnership Board, which addresses both ownership and customer issues.

In addition to the above responsibilities, I am a member of the HSE Senior Management Team and Director of HSE's Science and Technology Group.

2 The purpose of the system of internal control

The system of internal control is designed to manage short, medium and long term risks 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 potential 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 2010 and up to the date of approval of the annual report and accounts, and 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 between Directors and Unit Heads, and Unit 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. 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's Audit Committee normally meets three times each year, with extraordinary meetings being held as and when required. For the year ended 31 March 2010 the Committee comprised a non-executive Chairman and two other non-executive directors. HSL's Chief Executive, in his Accounting Officer role, and HSE's Head of Internal Audit and Assurance participate in Audit Committee meetings, but as attendees rather than members.

Risk Management is firmly embedded into the culture of HSL. A key strand of the process is the HSL Risk Register, which has been in place in various forms since 1999/2000. HSL's current Risk Register is aligned with the four main HSL business elements (Keeping It Safe, Winning It, Delivering It and Looking After It), such that it clearly identifies the main risks to HSL, the processes in place to prevent the occurrence of problems or to mitigate the effects should problems emerge. The Register also identifies agreed actions, the officers responsible to undertake these actions and the intended timescales. This helps to assess the inherent and residual risks.

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 Red, Amber or Green.
- Risk management has been incorporated fully into the corporate planning and decision making processes of HSL.
- The Audit Committee serves to co-ordinate the derivation and assessment of assurances regarding the quality of corporate governance in HSL.

The Senior Management Team reviews the Risk Register monthly on a rolling programme and the up-to-date situation is reported to the HSL Board at their monthly meetings. The Risk Register is also reviewed at each meeting of the HSL Audit Committee.

Prior to the start of the year, the Audit Committee agrees a programme of internal audit work taking account of HSL's Risk Register. For each audit assignment, Internal Audit provides an opinion on the adequacy and effectiveness of the system of internal control under review and makes recommendations for improvement. Recommendations arising from audits are followed up promptly to ensure that appropriate action is taken and improvements in the risk management, governance and internal control processes are achieved where necessary. The Audit Committee actively monitors the effective implementation of recommendations.

During 2009/10, HSL has continued to take steps to improve the management of its information assets, under the supervision of its Corporate Information and Services Director, who is the Director responsible for IT.

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, as well as 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 year, the HSL Board met each month, excluding August, and on a quarterly basis its agenda included the subject of Corporate Governance, incorporating work on risk management and internal control.

The Audit Committee met in June 2009, October 2009 and March 2010, and HSL's internal auditors (PKF (UK) LLP) and external auditors (National Audit Office) attended the meetings. The Committee reported 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 considered all audit reports and recommendations and the formal management responses by the HSL Board. It also considered additional regular reports which might indicate potential risks to HSL on issues including Health and Safety, Quality, Environment and a Science Audit.

Throughout the year HSL's Head of Internal Audit had a direct line of communication to the Accounting Officer. In addition the Head of Internal Audit reported regularly to the HSL Audit Committee in accordance with Government Internal Audit Standards, providing 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 produced an annual statement, which in respect of 2009/10 included the following formal opinion:

"Based on our audit work carried out, in our opinion HSL's system of internal control was satisfactory during the year ended 31 March 2010. On the basis of our selective testing of key controls, we conclude that these controls were generally operating effectively for the period under review. However, it should also be noted that a small number of recommendations to strengthen the control in place have been made in most areas audited."

As at 31 March 2010, the agreed audits from the internal audit programme for the year had been performed. The completed reports contained no high priority recommendations (2008/09: 2) and 9 medium priority recommendations (2008/09: 24).

The Cabinet Office issued version 2.0 of the Security Policy Framework (SPF) in May 2009. A gap analysis has been performed and quantified using red/amber/green rankings to enable a prioritised action plan to be agreed. As at 31 March 2010 no red gaps remain and there are no significant weaknesses at this time.

6 Significant Control Challenges

HSL's Risk Register overviews the key risk areas facing HSL during the year and the evolving risk is commented upon below. Additionally, as HSL increases its revenue from customers other than HSE, the commercial risk of being involved with projects that adversely impact on trading performance increases. Action was taken to limit the irrecoverable amounts and strengthen the controls designed to mitigate this risk but a small number of contracts have resulted in a write off of irrecoverable costs which have significantly outweighed surpluses on contracts during the year. HSL is constantly improving its approach to obtaining value for the difficult and complex work it is often involved in. All contract proposals have to complete a rigorous review process before being submitted to the customer. As a result HSL is adopting a very proactive approach to managing this commercial risk.

HSL's Risk Register at 31 March 2010 identified nine main risk families of which one main risk family was ranked at Red, "Delivering It – External Business". Six of the remaining families were ranked as amber and two were green.

Over the course of the year the following significant changes were made to the risk rankings of the key risk areas:

- "Keeping It Safe and Healthy" had been at Red during the period between June 2009 and January 2010, mainly due to concerns regarding on-site facilities most notably the high number of breaches of fire containment in the building. A number of actions have been undertaken in conjunction with the PFI Service provider to reduce the risks which enabled HSL to rank this risk family at Amber.
- "Winning It – HSE Business" started the year at Amber, and was green for one month before moving between Red and Amber during the year. This was due to HSE looking to reduce the funding associated with the maintenance of selected equipment and staff expertise and the withdrawal of funding for four programmes relating to standards. Meetings and discussions have taken place between senior management in HSE and HSL, which has resulted in the overall risk being reduced to amber. For example, some work is being phased out over a period of time rather than being withdrawn immediately and the commissioning of work with HSE has improved in many areas.
- "Delivering It – External Business" started the year at Amber, due to high demand from HSE, the cancellation of orders by customers due to the prevailing economic conditions and constraints on the recruitment of staff. Actions were undertaken to prioritise resources to ensure delivery on External business. However, the severe adverse weather conditions between December and February, resulted in several days being lost due to snow and freezing conditions, including some machinery being unable to operate. The ranking of this risk family increased to Red as orders due to be delivered in 2009/10 slipped into the following year
- "Delivering It – HSE Business" started the year at Amber because HSL's project management system had been implemented at the start of the financial year. Planning and reporting on progress using the new system had met with some teething problems giving rise to issues when keeping HSE informed. The Risk family moved to green as HSL's delivery on HSE projects and its monitoring of progress improved.
- "Looking After It - Category A – Infrastructure" remained at Amber throughout the year because HSL's Board considered that continued vigilance was required to ensure a good standard of service was received from the PFI Service provider. Good progress has been made by the PFI Service provider but there have been some senior management changes and monitoring is still required. At the end of the financial year the Board decided to split the family between PFI related issues and those items of infrastructure which are controlled by HSL.
- "Looking After It – Category C – People" moved from Green to Red in the first half of the year. This was due to the significant pressure on staff resources; including restrictions on the recruitment of new staff; and the high demand from HSE in some areas (e.g. Major Hazards). In response to this the reorganisation of directors' responsibilities created a new role of Science and Resources Director with single responsibility for resourcing. As a consequence the performance/potential of all staff competencies required to deliver their work programme and urgent replacement posts have been discussed. HSL now has greater information on its people resources and is better placed to utilise this resource effectively and efficiently enabling HSL to rank this risk family as green.

Mr E Morland
Chief Executive,
Health and Safety Laboratory
Accounting Officer 23 June 2010

HEALTH AND SAFETY LABORATORY
The Certificate of the Comptroller and Auditor General to the Health and Safety Executive

I have audited the financial statements of the Health and Safety Laboratory for the year ended 31 March 2010. These comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Responsibilities of the Accounting Officer of the Health and Safety Executive and the Chief Executive of the Health and Safety Laboratory, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health and Safety Laboratory's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Safety Laboratory; and the overall presentation of the financial statements.

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

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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Safety Laboratory's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the directions issued by the Health and Safety Executive.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the directions issued by the Health and Safety Executive; and
- the information given in the Chief Executive's foreword, Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

CRWilcox

Colin Wilcox
Director, for Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SWIW 9SP
29 June 2009

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010	2009 Restated
		£'000	£'000
Revenue	2	**39,186**	**38,777**
Cost of sales	3	**(11,702)**	(11,438)
Gross surplus		**27,484**	**27,339**
Other income	4	**69**	57
Administrative expenses	3	**(22,452)**	(21,268)
Operating surplus before loss on revaluation		**5,101**	**6,128**
Loss on revaluation of property assets		**(845)**	(32)
Operating surplus		**4,256**	**6,096**
Finance costs	5	**(4,561)**	(4,679)
(Deficit)/surplus on ordinary activities		**(305)**	**1,417**

Notes:

All operations were continuing operations and there were no acquisitions or disposals affecting operations during 2009/10.

2008/09 figures restated for Cost of sales and Administration expenses – see note 3 for more details.

The deficit on ordinary activities in year was after including a loss on HSL's five yearly revaluation of property, brought about by the exceptional impact of the deep economic recession during the last two years on building costs, which has not only reversed previous substantial revaluation gains, but has impacted the Income Statement to the extent of £845,000.

See also comment under note 2 regarding the presentation of Intellectual property revenue in the 2008/09 Account.

The notes on pages 30 to 55 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Note	2010 £'000	2009 Restated £'000	2008 Restated £'000
Non current assets				
Property, plant and equipment	7	**62,824**	67,691	71,122
Intangible assets	8	**360**	347	109
Other receivables	9	**49**	89	22
Total non current assets		**63,233**	68,127	71,253
Current assets				
Inventories: work in progress		**534**	617	558
Trade and other receivables	9	**2,591**	1,962	1,922
Total current assets		**3,125**	2,579	2,480
Total assets		**66,358**	70,706	73,733
Current liabilities				
Trade & other payables	10	**(3,919)**	(3,472)	(2,695)
Total assets less current liabilities		**62,439**	67,234	71,038
Non current liabilities				
Trade and other payables	10	**(50,658)**	(51,331)	(51,872)
Provision for liabilities and charges	11	**(52)**	(84)	(136)
Total non current liabilities		**(50,710)**	(51,415)	(52,008)
Total net assets		**11,729**	15,819	19,030
Taxpayers' equity				
General reserve		**6,961**	6,358	6,800
Revaluation reserve		**4,768**	9,461	12,230
		11,729	15,819	19,030

The notes on pages 30 to 55
form part of these accounts.

Mr E Morland
Chief Executive,
Health and Safety Laboratory
Accounting Officer 23 June 2010

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009 Restated
	£'000	£'000
Cash flows from operating activities		
(Deficit)/Surplus for the financial year	(305)	1,417
Add back:		
Depreciation and amortisation (Notes 7 & 8)	2,669	2,614
Loss on revaluation of non current assets	845	32
Impairment of non current assets	6	0
Finance costs	4,561	4,679
Loss on disposal of assets	35	15
Operating profit before changes in working capital & provisions	**7,811**	**8,757**
(Increase)/decrease in inventory	83	(59)
(Increase)/decrease in receivables (Note 9)	(589)	(107)
Increase/(decrease) in payables	76	438
Increase/(decrease) in provisions (Note 11)	(32)	(52)
Cash generated from operating activities	**7,349**	**8,977**
Cash flows from investment activities		
Payments to acquire non current assets	(3,105)	(1,814)
Net proceeds from sale of property, plant and equipment	25	7
Net cash outflow from investing activities	**(3,080)**	**(1,807)**
Cash flows from financing activities		
Capital repayment element of finance lease payments	(474)	(384)
Interest element of finance lease payments	(4,009)	(4,041)
Cash deficit funded by (surplus transferred to) HSE	214	(2,745)
Cash outflow from financing activities	**(4,269)**	**(7,170)**
Net movement in cash and cash equivalents	**0**	**0**

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	General reserve £'000	Revaluation reserve £'000	Total reserves £'000
Brought forward at 1 April 2008 (UK GAAP)	**2,364**	**12,230**	**14,594**
Add back prepayment released between Oct '04 & March '09	525	0	525
Add back reduction in PFI interest charge under IFRS	4,981	0	4,981
Reduction in reserves for contingent rent charge	(816)	0	(816)
Add back to reserves provision not required under impairment rules	25	0	25
IFRS provision for holiday pay accrual	(279)	0	(279)
Brought forward at 1 April 2008 (IFRS)	**6,800**	**12,230**	**19,030**
Movements in reserves in 2008/09 under IFRS			
Realised elements of revaluation reserve	245	(245)	0
Cash surplus transferred to HSE	(2,745)	0	(2,745)
Reduction in reserves on revaluation of property	0	(2,524)	(2,524)
Notional cost of capital (Note 5)	641	0	641
Surplus for the financial year	1,417	0	1,417
Balance at 31 March 2009	**6,358**	**9,461**	**15,819**
Movements in reserves in 2009/10			
Realised elements of revaluation reserve	139	(139)	0
Cash funding by HSE	214	0	214
Reduction in reserves on revaluation of property	0	(4,554)	(4,554)
Notional cost of capital (Note 5)	555	0	555
Deficit for the financial year	(305)	0	(305)
Balance at 31 March 2010	**6,961**	**4,768**	**11,729**

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) (www.financial-reporting.gov.uk) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) adapted or interpreted for the Public Sector context.

IFRS 1 First Time Adoption of International Financial Reporting Standards has been applied in preparing these financial statements. Reconciliations disclosing the effect of the transition from UK GAAP to IFRS on the Agency's financial statements are shown in Notes 19 to 21, HSL's date of transition being 1 April 2008.

Where the FReM permits a choice of accounting policy, the policy judged to be most appropriate to the particular circumstances of HSL for the purpose of giving a true and fair view has been selected. The particular policies adopted by HSL are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Accounting standards, interpretations and amendments to published standards

The IASB and IFRIC issued the following standards and interpretations with an effective date after the date of these financial statements. Where the changes are relevant to HSL's circumstances they will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on HSL's reported income or net assets in the period of adoption.

IAS 24 Related Party Transactions (effective 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and is not expected to impact the current exemption allowed within the FReM. IAS 24 also extends the definition of a related party to include relationships where joint control exists.

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of financial assets, together with the elimination of two categories. The Standard does not include Financial Liabilities. Further proposals are to be introduced during 2010 and HSL will undertake an assessment of the impact of IFRS 9 once these are known.

FReM chapter 11 (effective from 1 April 2010): the removal of Cost of Capital charging from accounts

FReM chapter 8 (effective from 1 April 2010): an adaptation of IAS 36 Impairment of Assets to allow the scoring of all impairments that are caused by a clear consumption of economic benefit to the Operating Cost Statement.

Accounting convention

The financial statements are prepared under the historical cost convention modified for the revaluation of non current assets.

Impact of HSL's relationship with HSE on reporting in the Annual Accounts

In accordance with an accounts direction issued by HSE, HSL has prepared an Income Statement, a Statement of Financial Position, a Statement of Cash Flows and a Statement of Changes in Taxpayers' Equity for the financial year.

All assets are owned by HSE, but are used by HSL in its day-to-day activities, and reflected in these accounts. HSL is responsible for meeting the capital and other charges associated with its usage of the assets.

HSL comes within the scope of HSE's VAT registration. HSE settles the liability for VAT with HSL, as at 31 March each year, removing the need to show the outstanding VAT Receivable figure explicitly in these Accounts; HSE subsequently recovers this amount under its registration with HMRC. The receivable position for work done for HSE is similarly settled, as at 31 March each year, and hence does not appear in these accounts.

The liability for the payment of tax and social security contributions at 31 March each year rests with HSE which is responsible for paying these amounts to HM Revenue & Customs.

HSL receives cash in return for services from non-HSE customers. HSE's trading indebtedness to HSL is offset against payments, which HSE makes to HSL's suppliers and employees on HSL's behalf. HSL's bank account is funded or de-funded to nil on a daily basis as cash is received from or returned to HSE. Therefore HSL holds no bank balances in its own right.

HSL's financial remit is to break even on an annual basis by recovering its full economic cost, including notional/non-cash items such as depreciation, from both HSE and external customers. Since HSL became an agency of HSE both surpluses and deficits have been made from operating activities which have been transferred to the General Reserve.

When HSL recovers its full costs from its customers, including non-cash items such as depreciation, this results in cash surpluses. Since 31 March 1999 any cash surpluses (which are paid over to HSE to fund non-HSL activities) have been deducted from the General reserve to reflect the funding arrangements between HSL and HSE. In 2009/10, HSL received net funding from HSE of £214k (2008/09: £2,745k cash surplus transferred to HSE), which has the effect of increasing the General reserve.

Under the present funding arrangements HSE and DWP have a commitment to support HSL financially and therefore the preparation of HSL's account on a going concern basis is sustainable as a result of this support.

Revenue

Revenue represents the value of completed services, net of any VAT, provided from the ordinary activities of the business.

Operating Segments

Revenue is analysed between HSL's main revenue streams, being work contracted with HSE and work with parties external to HSE, which may also be outside the public sector. These streams attract different risks and returns. However, the Board manages the Health and Safety Laboratory as one entity, and makes strategic decisions on that basis. The Board therefore considers that under IFRS 8 Operating Segments, the laboratory as a whole comprises one operating segment and further segmental analysis would not be appropriate.

Expenses

Operating lease payments

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases and the rentals are charged to the Income Statement on a straight-line basis over the term of the lease.

Staff 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 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.

Short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that HSL has a present obligation that can be measured reliably. Bonuses in relation to Senior Civil Service (SCS) employees are not recognised until payments to individuals have been determined.

Foreign Currency Transactions

Transactions denominated in a foreign currency are converted to sterling at the exchange rate prevailing on the day of the transaction, with any gains or losses on exchange being taken to the Income Statement.

Notional capital charge

A notional charge, reflecting the cost of capital utilised by HSL, has been included in the Income Statement. This is calculated using the Government's real rate of 3.5% (2008/09: 3.5%) on the average total net assets, except for donated assets and cash balances held with the Office of the Paymaster General, of which HSL has none.

Property, Plant and Equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, HSL has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

On initial recognition assets are measured at cost, including installation and provisional disposal costs where relevant. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to HSL and the cost of the item can be measured reliably.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset. Items costing less than £5,000 are charged to expenditure in the year of purchase, except for computer equipment costing over £1,000 but less than £5,000 and items of furniture costing less than £5,000 which are grouped for capitalisation.

Land and Buildings

HSL’s land and buildings are accounted for in accordance with IAS 16 Property, Plant and Equipment, with the exception of that part of the estate leased to Sheffield University, which is classified as an investment property in accordance with IAS 40.

Land and buildings, including any specialist facilities, are measured initially at cost, restated to current value using external professional valuations at least every five years, and for buildings and specialist facilities in the intervening years by use of appropriate published indices.

All land is assessed each year for the likelihood of a material change in value as at 31 March. Where the directors consider that it is likely that there has been a material change in value, assets are revalued using a professional valuation or appropriate indices.

Land is therefore stated at market value in existing use. Buildings on the Buxton estate are stated at Depreciated Replacement Cost (DRC) because of their specialist nature and location, with the exception of the Sheffield University site which is stated at market value in existing use.

Note: Specialist facilities are reported within the plant and machinery asset classification.

Depreciation

Freehold land is not depreciated. Depreciation is provided from the month of acquisition on all other property, plant and equipment assets that are available for use. Assets under construction are not depreciated until the asset is commissioned, and thus available for use. Depreciation is calculated to write down the asset to its estimated residual value evenly over its expected useful life.

INDICATED AVERAGE LIVES ARE:

Freehold buildings	50 years or remaining life assessed by the valuers whichever is lower
Leasehold buildings	60 year designed life for the PFI building
Specialist plant	remaining life
Furniture under the PFI contract	30 years
Major scientific equipment	up to 20 years
Non-PFI furniture and fittings	up to 15 years
Vehicles (excluding cars leased to staff)	up to 9 years
Telecommunications equipment, computers and office machinery	up to 7 years
Cars leased to staff (private user scheme)	written down to 32% of cost over 3 years

Leases And Private Finance Initiative (PFI) Transactions

HSL accounts for its' PFI contract in accordance with IAS 17 Leases and IFRIC 12 Service Concession arrangements, as interpreted for the public sector in the FReM. It is classified as a finance lease and reported in the accounts on the basis that substantially all the risks and rewards of ownership are borne by HSL, rather than the lessor. HSL currently has no operating leases and no other finance leases.

Accounting for the transfer of land and buildings to the contractor

As part of the PFI contract, HSL disposed of all of the land and buildings at the Sheffield site to ICB Ltd, at their fair value of £4.6m. This is accounted for as a contribution towards the capital repayment element of the contract at the commencement of the PFI contract occupation period. This reduces the value of the remaining obligations under the lease.

Accounting for the land, buildings and furniture leased to HSL under the contract

The land, buildings and furniture leased under the contract are capitalised, and recorded within non-current assets, at the fair value of the leased assets. See Property, Plant and Equipment accounting policy note for revaluation and depreciation of these assets.

Accounting for payments and liabilities under the contract

Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

Liabilities for the service charge element of the contract, together with the increase in capital repayment and interest element arising from annual movement in the RPI index (contingent rent), are recognised in the year in which the service charge/ annual increase is incurred.

The initial obligations under the capital repayment and interest element of the contract are recognised as liabilities within the accounts and valued at the present value of the minimum lease payments before RPI increases discounted at the interest rate implicit in the lease.

Accounting for reversionary interests due at the end of the contract in October 2034

Under the contract, HSL leased the land (on which the contractor built) to the contractor and the contractor leased the land and buildings back to HSL under the contract. At the end of the contract, ownership of the land, and the buildings built under the contract, reverts to HSL.

Given the location of and potential uses for the Buxton site, the expected fair value of the reversionary interest in the PFI land and buildings has been assessed as not materially different from the valuations of these assets currently reflected in the accounts.

Intangible assets

Purchased software with an expected life of more than one year, which can be separately identified and used independently of a particular tangible asset, is capitalised either individually, if it cost more than £1,000, or grouped with similar assets and accounted for on a pooled basis where their total value exceeds the capitalisation threshold.

Website development costs are capitalised in line with the criteria provided in IAS 38 Intangible Assets and the requirements of SIC 32 Website Costs, which requires that the estimate of a website's life should be short. The website has therefore been awarded a 3 year life for amortisation purposes. Costs are categorised as research or development costs and accounted for accordingly (see below).

Expenditure incurred on a clearly defined, unique project to develop Intellectual Property assets, whose outcome can be assessed with reasonable certainty and which is expected to lead to a new product or revenue stream, is capitalised. It is initially measured at cost, and subsequently at cost less any accumulated amortisation and impairment losses. Expenditure on research activities and any other development expenditure are charged to the Income Statement in the year in which it is incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs are classified as assets under construction until the asset is available for use, at which time the asset is transferred to the relevant asset class.

Amortisation is charged from the month of acquisition on any intangible assets with definite lives that are available for use. Amortisation is calculated to write down the asset to its estimated residual value evenly over its expected useful life. The amortised cost is considered to provide a reasonable estimation of fair value.

INDICATED AVERAGE LIVES ARE:

Software assets	up to 5 years
HSL website	3 years
Intellectual property assets	commercial life of the project, being 3-5 years

Impairment of Non-Current Assets

All non-current assets are reviewed for impairment if it is ascertained that the carrying amount may not be recoverable, the recoverable amount for an asset being the higher of its value in use and its fair value less costs to sell.

Inventory and Work In Progress

Consumable inventory items are expensed on receipt.

Work in progress represents the lower of cost (including related overheads) or net realisable value of work carried out on contracts where the service is not complete at the year end.

Non-Derivative Financial Instruments

HSL classifies its non-derivative financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount.

HSL assesses periodically whether there is objective evidence that financial assets are impaired as a result of events which occurred after the initial recognition of the asset and up to 31 March and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated.

Assets and liabilities denominated in foreign currency at the year end are translated into sterling at the exchange rates prevailing at that date. Any gains and losses on exchange are dealt with through the Income Statement.

HSL operates an early retirement scheme, which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Schemes (PCSPS). 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 retirement and normal retirement date. HSL formally recognises this liability once the early retirement agreement becomes contractually binding on them, establishing a Payable for the anticipated payments, discounted in real terms.

HSL is committed to make payments in respect of such items as Additional Housing Cost Allowance and Excess Daily Fares (EDF) to employees affected by the collocation to the Buxton site in 2004. Such payments were available to all HSL staff eligible for a move at public expense. The eligibility for EDF payments ended in year for the majority of staff, with the remainder ending early in 2010/11. The Payable at 31 March represents the current balance of the initial provision established in 2004/05 for costs relating to the estates rationalisation.

Derivative Financial Instruments and Hedging

HSL does not use derivative instruments such as interest rate swaps or any other hedging facilities.

Provisions

HSL provides for legal or constructive obligations of uncertain timing or amount as at 31 March on the basis of the best estimate of the expenditure required to settle the obligation. Provision is made for those potential liabilities where we believe that it is more likely than not that there will be a monetary transfer and the amount can be reliably estimated. 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 2.2% (2008/09 2.2%) in real terms.

Contingent Liabilities

Contingent liabilities arise out of past events and are possible obligations that will only be confirmed by uncertain future events not wholly within the control of the entity, or present obligations where the outflow of economic benefit is uncertain or cannot be reliably estimated as to its value. Contingent liabilities are not disclosed where the possibility of an outflow of economic benefits is remote.

Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. In accordance with IAS 16, surpluses arising on the revaluation of non current assets are credited to the revaluation reserve to the extent that they do not reverse earlier losses. Deficits are charged to the reserve up to the level of the existing reserve for any asset previously revalued upwards. The balance of any deficit is charged to the Income Statement.

Each year, the realised element of the reserve (i.e. an amount equal to the excess of current cost depreciation over historical cost depreciation) is transferred from the reserve to the General Fund. On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised in the Income Statement.

2 REVENUE

	2010	2009 Restated
	£'000	£'000
HSE	32,125	31,084
EU	230	235
Intellectual property	56	33
Other external to HSE	6,775	7,425
Total	**39,186**	**38,777**

Note: In the 2008/09 Accounts, Intellectual property revenue was shown within note 4 under the heading Royalties: the presentation has been revised to reflect more accurately the nature of this income stream.

3 COST OF SALES AND ADMINISTRATION EXPENSES

	Note	2010	2009 Restated
		£'000	£'000
Cost of Sales			
Payroll	6	8,856	8,638
Bought in goods and services		2,723	2,816
WIP movement		83	(59)
Depreciation		40	43
Total		**11,702**	**11,438**
Administration Expenses			
Payroll	6	7,744	6,744
Other administration expenses		1,748	1,917
Travel & subsistence – HSL board		59	45
Travel & subsistence – Other staff		727	758
Audit fee		49	43
Other bought in goods and services		1,556	1,566
Central overhead recharged by HSE		1,250	1,027
Premises costs		6,649	6,582
Depreciation and amortisation		2,629	2,571
Impairments of assets		6	0
Gain on disposal		35	15
Total		**22,452**	**21,268**

All costs are reported net of recoverable VAT. Expenditure coded to Cost of Sales represents the cost of staff hours directly incurred when carrying out work for customers, together with the cost of materials and services specifically purchased for customer work. All PFI contract and other overhead costs, together with the remaining staff and materials costs are included within administration expenses. It is not possible to allocate the PFI contract service and interest costs meaningfully between cost of sales and administration expenses. Research cost in year not recoverable from customers was £721,000 (2008/09 £1,141,000).

4 OTHER INCOME

	2010	2009 Restated
	£'000	£'000
Property related income	38	29
Miscellaneous income	31	28
Total	**69**	**57**

5 FINANCE COSTS

	2010	2009 Restated
	£'000	£'000
Cost of capital (notional)	555	641
Interest payable under finance leases	4,006	4,038
Total	**4,561**	**4,679**

6 STAFF COSTS

a) Salary Costs

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

SALARY COSTS

	2010	2009 Restated
	£'000	£'000
Payments to staff with a permanent (UK) contract		
Wages and salaries	**13,063**	12,127
Other pension costs	**2,496**	2,329
Social security costs	**1,039**	922
Sub-total	**16,598**	**15,378**
Payments to other staff engaged on HSL objectives	**2**	30
Total gross staff cost	**16,600**	**15,408**
Less: Recovery in respect of outward secondment*	**0**	(26)
Total net staff cost	**16,600**	**15,382**

* Includes Pension & social security cost.

b) Pensions

The PCSPS is an unfunded defined benefit scheme which prepares its own scheme statements and is run on behalf of multiple employers, and as a result HSL is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the Scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2009/10 employer's contributions of £2,468,299 (2008/09: £2,313,709) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3% (2008/09: 17.1 to 25.5%) of pensionable pay, based on salary bands.

Employer contributions are reviewed every four years following a full scheme valuation by the Scheme Actuary. For 2010/11, at the time of writing, the rates will remain as those for 2009/10. 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 2009/10 employer's contributions of £27,941 (2008/09 £14,980) were paid to appointed stakeholder pension providers.

Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent.

During the financial year, there were no early retirements on ill-health grounds (2008/09: none); consequently there was no accrued pension liability relating to this in year (2008/09: £ Nil).

The notes on Civil Service Pensions on page 18 are relevant to all members of staff.

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

EMPLOYEE NUMBERS

	2010	2009 Restated
Staff with a permanent (UK) contract		
Scientific, engineering, technical & investigation staff	**300**	289
Corporate specialist staff	**57**	59
Business management	**14**	15
Project management	**11**	11
Business development	**10**	10
Total staff	**392**	**384**

7 PROPERTY, PLANT AND EQUIPMENT
2009/10 – RESTATED

	Land	Buildings	Transport & equipment	Plant & machinery	Information technology	Furniture & fittings	Payments on account & assets under construction	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation								
At 1 April 2009	**1,232**	**63,313**	**751**	**14,260**	**1,737**	**3,018**	**202**	**84,513**
Additions	0	1,532	154	849	565	75	1	3,176
Revaluation	314	(11,924)	0	0	0	0	0	(11,610)
Impairments	0	0	0	(6)	0	0	0	(6)
Disposals	0	(8)	(79)	(293)	(197)	0	0	(577)
Re-classification	0	32	0	48	0	122	(202)	0
At 31 March 2010	**1,546**	**52,945**	**826**	**14,858**	**2,105**	**3,215**	**1**	**75,496**
Depreciation								
At 1 April 2009	**0**	**5,041**	**421**	**9,934**	**991**	**435**	**0**	**16,822**
Charged in year	0	1170	91	833	360	124	0	**2,578**
Revaluation	0	(6,211)	0	0	0	0	0	(6,211)
Disposals	0	0	(63)	(257)	(197)	0	0	(517)
Re-classification	0	0	0	0	0	0	0	**0**
At 31 March 2010	**0**	**0**	**449**	**10,510**	**1,154**	**559**	**0**	**12,672**
Net book value at 31 March 2009	**1,232**	**58,272**	**330**	**4,326**	**746**	**2,583**	**202**	**67,691**
Net book value at 31 March 2010	**1,546**	**52,945**	**377**	**4,348**	**951**	**2,656**	**1**	**62,824**
Asset financing								
Owned	1,546	3,965	377	4,348	951	214	1	11,402
PFI contract	0	48,980	0	0	0	2,442	0	51,422
Net book value at 31 March 2010	**1,546**	**52,945**	**377**	**4,348**	**951**	**2,656**	**1**	**62,824**

ANALYSIS OF LAND AND BUILDINGS BETWEEN FREEHOLD, LONG AND SHORT LEASEHOLD

	2010	**2009**
	£'000	**£'000**
Net book value of land and buildings at 31 March 2010 comprises		
Freehold	5,511	3,801
Short leasehold – PFI Contract for 30 years – See Note 13 re accounting for PFI	48,980	55,703
Total net book value	**54,491**	**59,504**

All land and buildings were professionally revalued as at 31 March 2010, in accordance with the Royal Institute of Chartered Surveyors' (RICS) Appraisal and Valuation Standards by an independent surveyor, Jones Lang Lasalle. This appraisal included that part of the Buxton estate which HSL rents to Sheffield University on a lease which has over 7 years left to run, which is valued at £240,000 (2008/09 £240,000).

HSL's specialist facilities were professionally revalued at 31 March 2008, by Rushton International Limited, an independent firm of valuation specialists. Specialist facilities are reported within the plant and machinery asset classification.

Depreciation charged in the year on assets under the PFI contract was £1.103m (2008/09: £1.143m).

7 PROPERTY, PLANT AND EQUIPMENT
2008/9 – RESTATED

	Land	Buildings	Transport & equipment	Plant & machinery	Information technology	Furniture & fittings	Payments on account & assets under construction	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation								
At 1 April 2008	**1,232**	**65,982**	**652**	**13,557**	**1,855**	**2,874**	**12**	**86,164**
Additions	0	196	77	761	423	67	202	**1,726**
Revaluation	0	(2,865)	41	52	(48)	77	0	**(2,743)**
Disposals	0	0	(19)	(122)	(493)	0	0	**(634)**
Re-classification	0	0	0	12	0	0	(12)	**0**
At 31 March 2009	**1,232**	**63,313**	**751**	**14,260**	**1,737**	**3,018**	**202**	**84,513**
Depreciation								
At 1 April 2008	**0**	**4,062**	**343**	**9,187**	**1,124**	**326**	**0**	**15,042**
Charged in year	0	1,208	72	822	379	98	0	**2,579**
Revaluation	0	(229)	17	34	(20)	11	0	**(187)**
Disposals	0	0	(11)	(109)	(492)	0	0	**(612)**
Re-classification	0	0	0	0	0	0	0	**0**
At 31 March 2009	**0**	**5,041**	**421**	**9,934**	**991**	**435**	**0**	**16,822**
Net book value at 31 March 2008	1,232	61,920	309	4,370	731	2,548	12	71,122
Net book value at 31 March 2009	**1,232**	**58,272**	**330**	**4,326**	**746**	**2,583**	**202**	**67,691**

8 INTANGIBLE ASSETS
2009/10 – RESTATED

	Software & licences	Intellectual property assets	Website	Assets under development	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2009	**229**	**0**	**32**	**150**	**411**
Additions in year	82	22	0	0	104
Reclassifications	140	10	0	(150)	0
At 31 March 2010	**451**	**32**	**32**	**0**	**515**
Amortisation					
At 1 April 2009	**64**	**0**	**0**	**0**	**64**
Charge in year	78	3	10	0	91
At 31 March 2010	**142**	**3**	**10**	**0**	**155**
Net book value at 31 March 2010	**309**	**29**	**22**	**0**	**360**
Net book value at 31 March 2009	**165**	**0**	**32**	**150**	**347**

8 INTANGIBLE ASSETS
2008/9 – RESTATED

	Software & licences	Intellectual property assets	Website	Assets under development	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2008	**138**	**0**	**0**	**0**	**138**
Additions in year	91	0	32	150	273
At 31 March 2009	**229**	**0**	**32**	**150**	**411**
Amortisation					
At 1 April 2008	**29**	**0**	**0**	**0**	**29**
Charge in year	35	0	0	0	35
At 31 March 2009	**64**	**0**	**0**	**0**	**64**
Net book value at 31 March 2009	**165**	**0**	**32**	**150**	**347**
Net book value at 31 March 2008	**109**	**0**	**0**	**0**	**109**

9 RECEIVABLES
(A) ANALYSIS BY TYPE

	2010	2009 Restated	2008 Restated
	£'000	£'000	£'000
Current			
Trade receivables	1,540	1,579	1,227
Other receivables	12	6	12
Prepayments and accrued income	1,039	377	683
	2,591	1,962	1,922
Non Current			
Long term staff loans re house moves	11	14	18
Prepayments	38	75	4
	49	89	22
Total	2,640	**2,051**	**1,944**

(B) INTRA-GOVERNMENT BALANCES

	Current	Current	Non current	Non current
	2010	2009 Restated	**2010**	2009 Restated
	£'000	£'000	£'000	£'000
Balances with other central government bodies	455	365	0	0
Balances with local authorities	26	7	0	0
Balances with NHS Trusts	17	33	0	0
Balances with public corporations and trading funds	213	381	0	0
Balances with bodies external to government	1,880	1,176	49	89
Total receivables at 31 March	**2,591**	**1,962**	**49**	**89**

10 PAYABLES
(A) ANALYSIS BY TYPE

	2010	2009 Restated	2008 Restated
	£'000	£'000	£'000
Current			
Trade payables	**328**	95	252
Trade and other accruals	**2,440**	2,522	1,492
Finance lease obligations under PFI contracts (Note 13)	**603**	489	386
Payments on account	**548**	366	565
	3,919	3,472	2,695
Non Current			
Finance lease obligations under PFI contracts (Note 13)	**50,625**	51,228	51,717
Relocation expenses	**21**	71	106
Early retirements	**12**	32	49
	50,658	51,331	51,872
Total	**54,577**	**54,803**	**54,567**

(B) INTRA-GOVERNMENT BALANCES

	Current	Current	Non current	Non current
	2010	2009 Restated	**2010**	2009 Restated
	£'000	£'000	£'000	£'000
Balances with other central government bodies	0	0	0	0
Balances with local authorities	8	0	0	0
Balances with NHS Trusts	27	24	0	0
Balances with public corporations and trading funds	2	0	0	0
Balances with bodies external to government	3,882	3,448	50,658	51,331
Total payables at 31 March	**3,919**	**3,472**	**50,658**	**51,331**

11 PROVISIONS FOR LIABILITIES AND CHARGES

	2010	2009 Restated
	£'000	£'000
Provision at 1 April	**84**	**136**
Provided in the year	20	57
Discount unwound in the year	0	0
Provision utilised in year	(18)	(109)
Provision not required written back	(34)	0
Provision at 31 March	**52**	**84**

Other provisions

Provisions have been made for miscellaneous items, in accordance with Note 1. No reimbursement is expected in respect of any such claim. It is considered quite feasible that all of the provisions noted above will have been utilised by the end of the next financial year. No discounting has therefore been applied. No further detail of any of the above provisions is given here in the interests of commercial confidentiality.

12 CAPITAL COMMITMENTS

Capital expenditure contracted for at 31 March 2010 for which no provision has been made in these accounts was £350,350 (2008/09: £1,256,000 – Note, this figure included the exceptional commitment for the new incident store).

13 COMMITMENTS UNDER PFI CONTRACTS

With effect from 28 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), 2 years and 29 weeks being the design and build period prior to occupation.

The transactions arising out of this contract have been accounted for in accordance with the FReM (see Note 1 on Accounting Policies for more detail).

The total amount charged in HSL's Income Statement in respect of the service element of PFI transactions, including Contingent Rent of £662,785 (2008/09 £645,148), was £4,136,530 (2008/09: £4,081,555). Subject to ICB Ltd achieving contracted levels of service and availability, the value of the payments to which HSL is committed in respect of the following financial year, is:

	2010	2009 Restated	2008 Restated
	£'000	**£'000**	**£'000**
Expiry within 21 to 25 years (2009 & 2008: 26 to 30 years)	4,517	4,138	4,084

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

FINANCE LEASE OBLIGATIONS UNDER HSL'S PFI CONTRACT COMPRISE

	2010	2009 Restated	2008 Restated
	£'000	**£'000**	**£'000**
Rentals due within 1 year	4,565	4,495	4,424
Rentals due after 1 year but within 2 years	4,565	4,565	4,494
Rentals due after 2 years but within 5 years	13,766	13,696	13,695
Rentals due after 5 years but within 10 years	23,531	23,460	23,320
Rentals due after 10 years but within 15 years	23,784	23,728	23,672
Rentals due after 15 years but within 20 years	23,883	23,855	23,827
Rentals due after 20 years but within 25 years	21,906	23,953	23,953
Rentals due after 25 years but within 30 years	0	2,743	7,534
Sub-total	**116,000**	**120,495**	**124,919**
Less interest element	(64,772)	(68,778)	(72,816)
	51,228	**51,717**	**52,103**

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

HSL does not face the degree of exposure to financial risk that commercial businesses do. In addition financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing HSL in undertaking its activities. HSL relies upon HSE for its cash requirements, having no power itself to borrow or invest surplus funds and HSL's main financial assets and liabilities have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%). The short-term liquidity and interest rate risks are therefore slight, and there is no foreign currency risk, as material income, expenditure, assets and liabilities, are denominated in sterling.

FINANCIAL ASSETS BY CATEGORY

	2010	2009 Restated	2008 Restated
	£'000	**£'000**	**£'000**
Trade receivables	**1,540**	1,579	1,227
Other receivables	**23**	20	30
Accrued income	**742**	120	468
Total	**2,305**	1,719	1,725

Trade receivables represent HSL's maximum exposure to credit risk in relation to financial assets. HSL assesses the recoverability of trade receivables on an individual basis by reference to age and credit control feedback. At 31 March 2010, HSL has not deemed it necessary to impair the value of any trade receivable.

FINANCIAL LIABILITIES BY CATEGORY

	2010	2009 Restated	2009 Restated
	£'000	**£'000**	**£'000**
Trade payables	**328**	95	252
Trade and other accruals	**2,473**	2,625	1,647
Total	**2,801**	**2,720**	**1,899**

There are no material differences between the fair and book values of any of the above items.

15 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2010.

16 RELATED PARTIES

HSE is regarded as a related party. During the year, HSL carried out science and technology projects for HSE to a value of £32,125,000 (2008/09: £31,084,000).

HSL also had a number of material transactions with other Government Departments and other central government bodies. These mainly related to HSL working as a contractor undertaking scientific and technological activity including the provision of health and safety services. The significant transactions, for the year as a whole, were with: Home Office, Environment Agency, Royal Mail, Food Standards Agency, High Peak Borough Council, Health Protection Agency and Sheffield Teaching Hospitals.

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, or received benefits from HSL suppliers during the year, with the exception of declared hospitality. Under HSL Notice 43, all staff are required to declare any potential conflicts of interests, including company directorships, and a register of these is maintained by the Human Resources section at HSL.

17 LOSSES AND SPECIAL PAYMENTS

There were no losses or special payments in the year requiring disclosure.

18 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no adjusting events after 31 March. The financial statements were authorised for issue on 29 June 2010.

19 RECONCILIATION OF INCOME STATEMENT FOR YEAR ENDED 31 MARCH 2009

	UK GAAP	PFI (Note 21)	Holiday pay accrual (Note 21)	Bad debt provision (Note 21)	Change to classification (Note 21)	IFRS
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	38,744	0	0	0	33	38,777
Cost of sales	(2,754)	0	0	0	(8,684)	(11,438)
Gross surplus	35,990	0	0	0	(8,651)	27,339
Administration expenses	(26,394)	(492)	(3)	(25)	5,646	(21,268)
Programme expenses	(3,070)	0	0	0	3,070	0
Total expenses	(29,464)	(492)	(3)	(25)	8,716	(21,268)
Other income	90	0	0	0	(33)	57
Loss on revaluation	0	0	0	0	(32)	(32)
Operating surplus	6,616	(492)	(3)	(25)	0	6,096
Finance costs	(6,245)	1,566	0	0	0	(4,679)
Surplus on activities	371	1,074	(3)	(25)	0	1,417

20 (A) FIRST TIME ADOPTION RECONCILIATION OF OPENING FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

As at 31 March 2008	UK GAAP	PFI (Note 21)	Holiday pay accrual (Note 21)	Bad debt provision (Note 21)	Changes to classification (Note 21)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Non current assets						
Property plant & equipment	71,122	0	0	0	0	71,122
Intangible assets	109	0	0	0	0	109
Other receivables	3,945	(3,923)	0	0	0	22
Total non current assets	75,176	(3,923)	0	0	0	71,253
Current assets						
Inventories (wip)	558	0	0	0	0	558
Trade and other receivables	2,051	(154)	0	25	0	1,922
Total current assets	2,609	(154)	0	25	0	2,480
Total assets	77,785	(4,077)	0	25	0	73,733
Current liabilities						
Trade and other payables	(1,971)	(386)	(279)	0	(59)	(2,695)
Total assets less current liabilities	75,814	(4,463)	(279)	25	(59)	71,038
Non current liabilities						
Trade & other payables	(60,870)	9,153	0	0	(155)	(51,872)
Provisions for liabilities & charges	(350)	0	0	0	214	(136)
	(61,220)	9,153	0	0	59	(52,008)
Total net assets	14,594	4,690	(279)	25	0	19,030
Taxpayers' equity						
General reserve	2,364	4,690	(279)	25	0	6,800
Revaluation reserve	12,230	0	0	0	0	12,230
Total taxpayers' equity	14,594	4,690	(279)	25	0	19,030

20 (B) FIRST TIME ADOPTION RECONCILIATION OF CLOSING FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

As at 31 March 2009	UK GAAP	PFI (Note 21)	Holiday pay accrual (Note 21)	Changes to classification (Note 21)	IFRS
	£'000	£'000	£'000	£'000	£'000
Non current assets					
Property plant & equipment	67,723	0	0	(32)	67,691
Intangible assets	315	0	0	32	347
Other receivables	3,859	(3,770)	0	0	89
Total non current assets	71,897	(3,770)	0	0	68,127
Current assets					
Inventories (WIP)	617	0	0	0	617
Trade and other receivables	2,115	(153)	0	0	1,962
Total current assets	2,732	(153)	0	0	2,579
Total assets	74,629	(3,923)	0	0	70,706
Current liabilities					
Trade and other payables	(2,650)	(489)	(283)	(50)	(3,472)
Total assets less current liabilities	71,979	(4,412)	(283)	(50)	67,234
Non current liabilities					
Trade & other payables	(61,582)	10,354	0	(103)	(51,331)
Provisions for liabilities & charges	(237)	0	0	153	(84)
	(61,819)	10,354	0	50	(51,415)
Total net assets	10,160	5,942	(283)	0	15,819
Taxpayers' equity					
General reserve	699	5,942	(283)	0	6,358
Revaluation reserve	9,461	0	0	0	9,461
Total taxpayers' equity	10,160	5,942	(283)	0	15,819

20 (C) RECONCILIATION OF CLOSING TAXPAYERS' EQUITY AT 31 MARCH 2009

	General reserve	Revaluation reserve	Total reserves
Taxpayers' equity at 31 March 2009 (UK GAAP)	699	9,461	10,160
Add back Prepayment released between Oct '04 & March '09	679	0	679
Add back reduction in interest charge under IFRS	6,724	0	6,724
Reduction in reserves for contingent rent charge	(1,461)	0	(1,461)
IFRS provision for holiday pay accrual	(283)	0	(283)
Taxpayers' equity at 31 March 2009 (IFRS)	6,358	9,461	15,819

20 (D) RECONCILIATION OF CASH FLOW MOVEMENTS

No reconciliation or further explanation of the cash flow movements between UK GAAP and IFRS reporting is provided as, with only one exception, the changes are driven by the changes to the Income Statement and the Statement of Financial Position shown above and explained below. The exception, which does not impact the overall cash movements but is purely presentational, is the disclosure of the PFI Capital Repayment separately under Financing Activities, rather than as a reduction in the non current payable, as previously.

21 PRINCIPAL IMPACTS OF IFRS ON THE HSL ACCOUNTS

Changes to PFI treatment

As part of the PFI contract, HSL disposed of land and buildings at its Sheffield site to ICB Ltd. Under UK GAAP, the fair value of £4.6m was recognised in the accounts as a prepayment and amortised evenly over the life of the PFI contract. Under IFRS, the fair value of £4.6m has been accounted for as a capital repayment under the PFI contract at the commencement of the contract occupation period. Effectively, this has eliminated the prepayment entry, being £3.923m at 31 March 2009 (£4.077m at 31 March 2008) from the Statement of Financial Position and reduced both current and non current payables due in relation to the PFI contract.

As a result of the above, the Income Statement benefits from a reduced charge to administration expenses of £153k in respect of the released prepayment and additionally a saving on notional interest on working capital of £148k for 2008/09, calculated at 3.5% of the average prepayment level over the year.

The PFI contract contains provision for the amount repayable to increase with inflation in addition to interest. Under UK GAAP this increase was accounted for as an interest payment, thus increasing the liability under the finance lease element of the PFI contract. Under IFRS the interest rate is treated as fixed in accordance with IAS 17, and the additional amount which becomes payable in line with inflation is accounted for as contingent rent under administrative expenses once incurred, a charge of £645k for 2008/09, producing a net increase of £492k on this expense line.

This change in interest basis however results in a reduction of £1,744k in the PFI contract interest charge within the Income Statement and a reduced amount payable under the finance lease over its life, thus reducing non current payables, and contributing to the increase in General Reserve. The reduced interest charge is, however, partially offset by the loss of £326k of notional credit interest, calculated at 3.5% on the reduced non current payable over the year, resulting in an overall net benefit of £1,566k against Finance costs in the Income Statement.

One further impact of the change in interest rate modelling outlined above has been to bring forward the timing of repayment of the PFI payable and this is reflected in an increase in the current payable of £489k at 31 March 2009 (£386k at 31 March 2008) with a corresponding reduction on the non current payable.

Holiday pay accrual

HSL has provided for an accrual of outstanding holiday pay as required by IAS 19 Employee Benefits. The amount accrued was £279k at 31 March 2008, rising to £283k at 31 March 2009, with the increase being a charge in year to the Income Statement.

Bad debt provision

Under the revised Financial Instrument standards adopted with effect from 2008/09, HSL has replaced its previous policy of providing 100% of all non EU debts once they are over 90 days old, with an impairment review which considers the individual circumstances for each debtor. As a result of the introduction of the impairment review, the receivables balance brought forward at 1 April 2008, net of provision for doubtful debts, increased by £25k.

Changes to classifications

As required under IAS 16, HSL's website has now been reclassified as an intangible asset.

The application of the Financial Instrument standards within IFRS has resulted in the reclassification of the early retirement and relocation expense provisions from provisions into trade and other payables.

The Income Statement figures for Cost of sales and Administration expenses have been restated as outlined in note 3.

The presentation of Intellectual property revenue has been revised as outlined in note 2.

Loss on revaluation of property assets has been shown separately from Administration costs in order to highlight the exceptional impact of the deep economic recession during the last two years on rebuilding costs, and ultimately the Operating Surplus result (see also notes to Income Statement).

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