

HEALTH & SAFETY LABORATORY »

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013



HEALTH & SAFETY
LABORATORY

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CHIEF EXECUTIVE'S FOREWORD

One year ago, I reported that an independent review of HSL's future commercial prospects, undertaken by Deloitte LLP on behalf of HSE, had concluded that, given some additional operational freedoms, these were substantial and sustainable. I reported that HSL was therefore embarking on a new 5-year plan based on the recommendations of the review, which had been endorsed by the Minister for Employment. This year's report represents the results of the first year of that new plan. The principal challenge of the new plan was, and is, for HSL to grow its commercial income. However, given our role and our mission, this challenge has to be achieved without any diminution in the quality of our delivery to HSE and without any departure from our commitment to the health and safety of our staff, suppliers and clients, the environmental sustainability and security of our business or the quality of our scientific outputs. I am therefore delighted to be able to report that this has been a successful first year of the plan, on all dimensions.

With respect to the vital areas of Health, Safety, Environment and Security we had our third consecutive full year without a RIDDOR event, achieved a sickness absence rate of 4.7 days per person had no adverse environmental impacts and no personal data losses. We have retained accreditation of the laboratory to the OHSAS 18001 standard for Health and Safety Management, the ISO 9001 standard for Quality and the ISO 14001 standard for Environmental Management. In addition, we have fully complied with Government requirements on data security. To do all of this whilst meeting demanding commercial objectives is a tribute to the professionalism and dedication of our staff.

As planned, contract delivery under the HSE Science and Technology programme was less than prior year at £26.4m (£28.1m prior year). However, HSE did support a culture change and re-shaping programme within the laboratory, in line with the 5-year business plan, as part of a 2-year investment to increase commercial awareness and process improvement within HSL. Our work for the Office for Nuclear Regulation (ONR) remained in the region of £0.9m but with an increasing mix of work on organisational behaviour and regulatory foresight issues.

Revenues from external work including products developed from HSL's intellectual property, were the highest ever in HSL's history. Excluding miscellaneous items, revenue from technical services and sales of software and other products was £9.1m which is 21% (£1.5m) higher than prior year. Given the wider economic situation this is a very good result. Furthermore, HSL's reputation and success is growing internationally. In addition to providing training and technical support to companies in the USA and Europe, HSL has recently secured an 18 month project in open competition, to advise the Government of Singapore on regulatory approaches to high-hazard industry. Taken together with a strong position on secured sales for the coming financial year, these results provide confidence in the strategy adopted in the 5-year plan: of focus on key external market sectors plus more strategic partnering with other organisations, in order to 'extend reach' in a cost effective manner.

In order to provide sustainable growth, HSE continues to support HSL's investment in both key scientific facilities and proficiencies, including extending our capabilities in the aerospace sector. Finally, with respect to quality of science, HSL has been subject to two reviews during the year, covering around 50% of our entire range of technical offerings. These reviews, on behalf of the Chief Scientific Adviser of HSE, include peer review by recognised external experts from the UK and abroad. Once again, both reviews were successful and both identified areas of truly world-class performance within the laboratory.

In summary, HSL has successfully risen to the challenge of growing its commercial income in competitive marketplaces under globally difficult macro-economic conditions. This has been done, not only without compromise to quality, safety and sustainability, but also with a lower average number of full time equivalent staff than in any year for the past 8 years. Discretionary (non-fixed) costs have been tightly controlled and were lower than budget, and transition funding agreed with HSE was on budget. These facts demonstrate that commercial growth is being secured in a sustainable manner and that demand for quality services and products remains robust, both at home and internationally. HSL remains a vibrant organisation full of talented and dedicated people who continue to prevent disaster and catastrophe, whilst enabling effective innovation across multiple market sectors. Both of these tasks provide vital support to the national growth agenda, so that this year, more than ever, I can say that I feel privileged to lead HSL.

MANAGEMENT COMMENTARY
HEALTH AND SAFETY LABORATORY (HSL)

Background Information

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

The accounts have been prepared in accordance with the accounts direction given by HSE, on an accruals basis, showing 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 issued by HSE. The cost reflected in the accounts for audit services provided by NAO for the year was £49,000 (2011/12 £49,000).

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 HSE and 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 worldwide 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.

Our **vision** is:

A world of sustainable organisations causing minimal harm.

Our **mission** is:

Using Science to enable a better working world.

HSL's strategy recognises the overwhelming importance of key relationships between customers and staff and looks to deliver the mission and vision through:

- Improving our generation of new knowledge;
- Systematically improving access to this knowledge;
- Improving transfer of this knowledge to others;
- Working with leading organisations, in both the public and private sectors, on a long-term basis to improve health and safety at work.

Service Performance

Each year, HSL lays down overall objectives for key areas where service performance is then measured against pre-defined targets. The objectives set for the year ended 31 March 2013, and performance against the targets, are set out below.

Service Objectives

- A. Contribute to the delivery of HSE's strategy "The Health and Safety of Great Britain: Be part of the solution."*
- B. 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 plan supports delivery of the HSE business plan. HSE applies science, engineering and analytical skills to support front line regulatory functions (e.g. incident investigation) and to look ahead to identify future challenges. The science we undertake provides robust evidence to underpin policy and delivery of operational activities, supporting HSE's role as evidence based regulator and in our mission to prevent death, injury and ill-health to those at work and those affected by work activities.

In 2012/13 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.

Consistent with the need for greater fiscal constraint across the public sector, HSE's budget with HSL will reduce over a five year period from £32m in the financial year 2009/10 to £24m in 2014/15; in 2012/13 HSL delivered £26.4m research and support activity for HSE. The figure on page 6 shows the distribution of HSE's spend with HSL in 2012/13 across HSE's main Directorates and Agencies. The change to Directorate budgets means that comparison of spend across previous financial years is not possible.

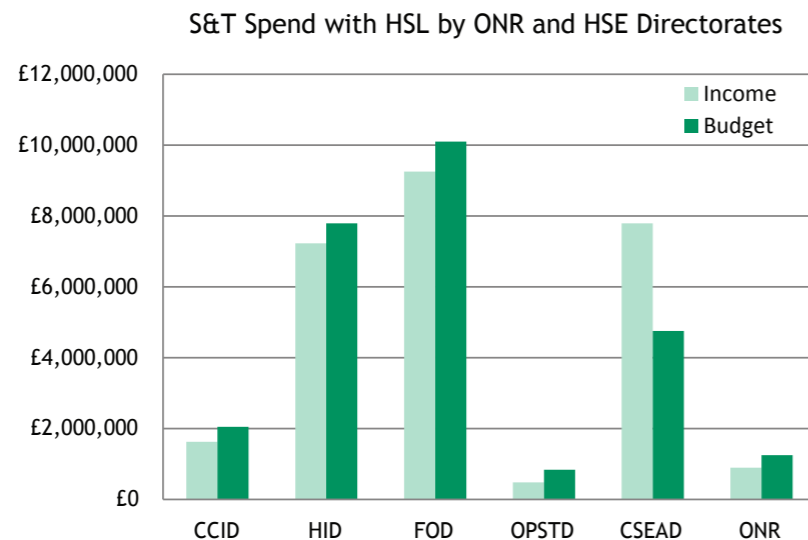
MANAGEMENT COMMENTARY continued

HSE main Directorates and Agencies are as follows:

- Cross-cutting Interventions Directorate (CCID): CCID manages a range of workstreams and interventions from generic issues, such as health and safety leadership and competence, through to specific hazards, such as occupational disease, noise and vibration, slips and trips and gas safety;
- Field Operations Directorate (FOD): FOD provide advice and guidance on how to comply with the law, inspecting workplaces, investigating accidents and complaints and taking enforcement action where necessary;
- Hazardous Installations Directorate (HID): HID's role is the effective regulation of major hazard industries whose products are essential to our everyday life, but where failures in safe management and risk control can lead to catastrophic harm to workers and the public at large;
- Operational Strategy Division (OPSTD): lead for FOD and HSE in discussions with employers/trade associations and trade unions in their industry sector; set operational policy for their sector, and advise operational staff on the inspection priorities for the sector; produce published guidance for their sector;
- Corporate Science Engineering and Analysis Directorate (CSEAD): has a central role in developing and monitoring arrangements to ensure HSE's policies and programmes of work are based on sound evidence, particularly scientific, statistical, economic, social research, risk and evaluation evidence;
- Office for Nuclear Regulation (ONR): ONR's role is securing nuclear safety and security in the UK and influencing global safety and security standards.

The figure indicates that:

- HSL delivered 0.4% above the original budget for the HSE mainstream science and technology programme;
- The increase in spend by CSEAD was due in part to the development of the Strategic Research Programmes, and the delivery of an increased investment research programme. Delivery in the Nuclear Programme has remained in line with last year despite delays in the provision of project inputs from other stakeholders and a decline in use of support contracts by Office for Nuclear Regulation.



Safety Targets

To have no more than two RIDDOR events.

There were no reportable events in 2012/13 (2011/12: none) 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 at least 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 deficit on ordinary activities of £724,000 (2011/12: deficit of £598,000) after a gain on revaluation of £12,000 (2011/12: £36,000).

Prompt Payments

Whilst maintaining high standards of internal control, HSL strives to achieve as close to 100% as possible against the HM Treasury target which requires all Government entities to make 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 is later. Once again, in 2012/13, HSL achieved a performance of over 99% of payments within 10 days.

MANAGEMENT COMMENTARY continued

Workforce Matters

Human Resources

In order to update our understanding of the resources available to deliver our business, the HR Business Partner has completed the annual human capital audit of all HSL staff in consultation with Unit Heads, and Senior Management Team colleagues. The Performance Management framework was used to facilitate the review and assess performance and potential. In addition, we captured career path aspirations (both individual and Unit Heads views) and looked at succession planning and career development over the five year plan period.

As a result of a previous human capital and competence audit a Business Management Development Programme, for staff who demonstrated the interest, motivation, potential and aptitude to pursue the Business Management Career Path, has been completed. Developmental projects and placements across the Laboratory are underway to enable delegates to experience some of the elements of business management.

The HSL scheme that allows our professional Line Managers to manage staff in higher bands is still working well and overall feedback remains positive. We have used analysis obtained from the Line Manager Review to identify Line Managers and staff who would benefit from participating in this process.

Employee Numbers

Ministerial approval of HSL's 5 year Business Plan has given freedoms to HSL to enable recruitment of certain key staff to meet demand for services. As a result HSL has recruited 22 new staff with 17 staff having left over the year. This gives an end of year total staff in post figure of 383 (2011/12: 378), equating to a Full Time Equivalent number of staff of 359 at 31 March (2011/12: 352). The turnover rate (calculated using the average staff in post of 381 staff for the 12 month period) is 4.5% for the full year (2011/12: 3.7% and 2010/11: 5.5%). In response to the need to be more flexible with resources, we have retrained some staff in areas of high demand and Resourcing Managers have been appointed within Units to help to facilitate this activity. The "opportunities shop", which advertises longer term internal secondments, continues to be a useful developmental and resourcing tool. The opportunities shop has been particularly useful in identifying staff for land use planning work.

Sickness Absence

The provisional rolling 12-month absence from 1 April 2012 to 31 March 2013 was 4.63 absence days per employee (2011/12 4.96), below the target of five days and the average level across the Public Sector. HSL's Health, Work and Wellbeing Unit continues to take appropriate action with Line Managers when absence triggers are reached. HSL have a number of initiatives to help keep sickness absence levels to a minimum, which benefits both staff and the business. These include an on-going wellbeing strategy, HSL HR absence management, monitoring and control together with Line Manager training and support.

Learning and Development (L&D)

HSL focuses its investment in L&D through priorities agreed annually by the HSL Board. Annual Unit L&D Plans are produced against these priorities which reflect the individual L&D needs identified as part of the Performance Management process.

Diversity, Social and Community Issues

Diversity is discussed at HSL Board meetings and, as an equal opportunities employer, HSL ensures everyone is treated fairly irrespective of gender, age, ethnic origin, religious belief, sexual orientation or disability and has adopted the HSE Diversity - Vision, Priorities and Action Plan. The HSE Diversity Steering Group is responsible for driving the diversity priorities forward. An HSL Board member serves on the HSE Women's Network committee and continues to contribute to the development and delivery of diversity initiatives and events for HSE and HSL staff.

HSL has a policy on young people, allowing HSL to offer work experience opportunities for up to nine days to those aged 16 to 18 who have a family member or friend at HSL who is willing to take full responsibility for them. HSL has also participated in the government wide apprenticeship scheme and currently employs 1 scientific apprentice and 4 business administration apprentices. In addition, HSL supports individual employees working with school-age people to promote scientific careers and also hosts visits to the laboratory for local 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 Directors visit units on a regular basis to discuss work issues and listen to staff views. The HSL Way Programme will also help ensure that staff are fully involved in the changes needed to deliver the HSL Plan with the high level strategy being cascaded to all levels of staff using a strategy deployment matrix.

There are quarterly meetings of the Safety, Health and Environment (SHE) committee, comprising management and staff safety representatives, to discuss progress on the Health and Safety Plan, accident and near miss statistics and other SHEFS issues of concern to staff. In addition, HSL continues to drive forward its approach to health, work and wellbeing via the Health, Work and Wellbeing Unit.

HSL participated in the annual Civil Service-wide People Survey process, which was rolled out across HSE during October last year, with 169 staff (42%) completing the survey. The survey shows that HSL has an encouraging level of engagement at 54%, and when compared to the previous year's survey, showed either some improvement or no change in staff ratings across some of the key themes of the survey. HSL have used the key findings from the Survey to produce a People Survey Action Plan, and will also use them to supplement data collected from the recent HSL Organisational Culture Survey and from other staff consultations. This will inform the development of a plan that will move HSL further towards the culture we need in order to achieve the 5 year plan objectives and strategy, as part of the "Defining the HSL Way" project.

MANAGEMENT COMMENTARY continued

Health and Safety

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 wide range of risks, ranging from those normally associated with the operation of a laboratory through to those associated with large-scale field trials. Control of these activities is achieved using a safety management system originally based on Health and Safety Executive guidance publication HS(G)65. HSL achieved certification to OHSAS 18001 in February 2012 and in 2012/13 we successfully completed two 6-monthly certification reviews of our Health and Safety Management System (HSMS) against the requirements of OHSAS 18001. 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, with particular emphasis in 2012/13 on safety culture and behaviour change, particularly staff engagement, management of contractors undertaking work on the HSL site, benchmarking our performance against similar organisations across both the public and private sectors and finally continuing to improve the management of key scientific facilities and buildings.

We use near misses as a leading indicator to help target our health and safety activities. There has been a similar level of near miss reporting compared with the previous 12 months and reporting awareness campaigns continue to be run on a regular basis.

There were no incidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) in the year. Our target for the year was to have no more than two RIDDOR events. Our reportable accident incident rate for the year was zero (2011/12: 0) per 100,000 employees and our all accident & ill-health frequency rate was 21.6 (2011/12: 34.1) per million hours worked.

HSL has continued to operate a health, work and wellbeing strategy in the year 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. The continued low absence rate is one measure of the beneficial impact of this approach.

HSL continues to invest in health and safety training by both internal and external providers. This year HSL staff attended courses including working at heights, and workplace hazards & risk assessment.

Environment and Sustainability Report

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

We have successfully completed two 6-monthly certification reviews of our Environmental Management System (EMS) against the requirements of ISO 14001 and continue to integrate the environmental control procedures with health and safety control procedures.

Every year, the HSL Board now agrees a robust Environmental Management plan with challenging targets, and this year, the majority of our targets have been met.

We have expanded recycling arrangements on site and have continued to progress our energy savings plan and continued to progress avenues to reduce our energy consumption. This was particularly successful in 2012/13 following the completion of work to optimise the building management system and increase controls on key plant items.

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.

HSL's 2012/13 environmental plan reflects the targets for Greening Government Commitments: Operations and Procurement (GGOP) announced by the Government in April 2011 and HSL's policy commitment to, "make environmental considerations an integral part of its business activities."

These targets include:

- Reductions in carbon emissions associated with travel and the estate as well as in absolute terms;
- Increases in energy efficiency and in the renewables share;
- Reductions in waste and increases in recycling;
- Sustainable procurement.

The Sustainability report can be found at Annex 1 on page 55.

MANAGEMENT COMMENTARY continued

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 aims to recover its costs through charges it makes for the services it provides to HSE and other public and private sector customers. Under HSL's five year plan, a reduction in spend with HSL by HSE is to be offset by increased commercial income. Initially, trading losses are anticipated in the plan before HSL moves into surplus, in line with HSL's remit to at least recover its full costs taking one year with another.

Results for the Year - Statement of Comprehensive Income

During the year, HSL generated revenue of £37,213,000 (2011/12: £36,505,000) against net costs of £34,076,000 (2011/12: £33,189,000), to achieve an operating surplus of £3,137,000 (2011/12: £3,316,000). After deducting PFI Finance interest costs of £3,861,000 (2011/12: £3,914,000), HSL reported a deficit on ordinary activities of £724,000 (2011/12: deficit of £598,000) for the financial year.

Financial position – Statement of Financial Position

Property, plant and equipment with a net book value of £64m are a significant component of the statement of financial position, including £55m of buildings.

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 £53m, of which £49m relates to PFI obligations.

Statement of Cash Flows

The statement of cash flow shows cash generated from operating activities of £5,764,000 (2011/12: £5,638,000). The improvement in cash generated from ordinary activities in 2012/13 is mainly a result of an increase in Payables as at 31 March, helping to reduce the working capital requirement.

Net cash outflow of £1.5m (2011/12: £2.1m) from investing activities has, as the most significant constituents, expenditure on plant & machinery, IT and buildings.

Mr E Morland
Chief Executive, Health and Safety Laboratory
Accounting Officer
19 June 2013


REMUNERATION REPORT
UNAUDITED INFORMATION

HSL Management Structure

The Chief Executive was appointed from the Private Sector, 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.

Nine of the ten Board members have been recruited from the Private Sector over the last eight years. This approach has been adopted in order to facilitate the change in focus to a more commercial organisation.

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 2012/13, together with details of the service contract for each Board member who has served on the Board during the year ended 31 March 2013, are shown below.

Name	Position at 31 March	Board Membership		Contract Date	Unexpired Term @ 31 March	Notice period
		From	To			
Mr Eddie Morland	Chief Executive	01/04/2012	31/03/2013	19/09/2005	Open ended	13 weeks
Dr Karen Russ	Project Delivery & Sales Director	01/04/2012	31/03/2013	04/09/2006	Open ended	13 weeks
Dr Andrew Curran	Science and Resource Director	01/04/2012	31/03/2013	07/10/1991	Open ended	13 weeks
Mr Peter Davies	Corporate Information and Services Director	01/04/2012	31/03/2013	05/11/2007	Open ended	13 weeks
Mr Chris Neilson	Finance Director	01/04/2012	31/03/2013	23/03/2009	Open ended	13 weeks
Dr Bill Nixon	Commercial Director	01/04/2012	31/03/2013	01/11/2007	Open ended	13 weeks
Dr Peter Watson	Non-Executive Director	01/04/2012	31/03/2013	01/03/2012	1 year 11 months	13 weeks
Dame Sue Ion	Non-Executive Director	01/04/2012	31/03/2013	01/03/2012	1 year 11 months	13 weeks
Dr Richard Stephenson	Non-Executive Director	01/04/2012	31/03/2013	01/07/2011	1 year 3 months	13 weeks
Mr Martyn Thomas	Non-Executive Director	01/04/2012	31/03/2013	01/03/2012	1 year 11 months	13 weeks

Notes:

- Mr Morland is also a member of the HSE Senior Management Team.
- The contracts of Dr Peter Watson, Dame Sue Ion and Martyn Thomas were extended in year, the extension running from 1 March 2013 until 28 February 2015.

Board Remuneration

	Salary Band	Bonus within 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
2012/13	£'000	£'000	£	£	£'000	£'000	£'000	£'000
Mr E Morland	125-130	0	4,200	7,300	2.5 - 5 + 0 lump sum	80 - 85 + 0 lump sum	1,369	69
Dr K Russ	75-80	0	0	4,500	0 - 2.5 + 0 lump sum	5 - 10 + 0 lump sum	127	18
Dr A Curran	70-75	5-10	0	2,500	0 - 2.5 + 0 - 2.5 lump sum	15 - 20 + 50 - 55 lump sum	268	4
Mr P Davies	70-75	0	0	4,300	0 - 2.5 + 0 lump sum	5 - 10 + 0 lump sum	100	13
Mr C Neilson	55-60	0	0	3,300	0 - 2.5 + 0 lump sum	5 - 10 + 0 lump sum	83	17
Dr W Nixon	50-55 See Note	0	0	1,300	See Notes	See Notes	See Notes	See Notes
Dr P Watson	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
Dame S Ion	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
Dr R Stephenson	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
Mr M Thomas	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
2011/12	£'000	£'000	£	£	£'000	£'000	£'000	£'000
Mr E Morland	140-145	10-15	4,300	4,300	0 - 2.5 + 0 lump sum	70 - 75 + 0 lump sum	1,229	7
Dr K Russ	75-80	0	0	2,700	0 - 2.5 + 0 lump sum	5 - 10 + 0 lump sum	99*	14
Dr A Curran	60-65	0	0	1,000	0 - 2.5 + 0 - 2.5 lump sum	15 - 20 + 45 - 50 lump sum	248	0
Mr P Davies	80-85	5-10	0	2,600	0 - 2.5 + 0 lump sum	5 - 10 + 0 lump sum	76*	7
Mr C Neilson	55-60	0-5	0	2,000	0 - 2.5 + 0 lump sum	0 - 5 + 0 lump sum	58*	12
Dr W Nixon	55-60 See Note	0-5	0	1,300	See Notes	See Notes	See Notes	See Notes
Dr P Watson	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
Dame S Ion	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
Dr R Stephenson	10-15	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes
Mr M Thomas	0-5 See Note	N/A	0	See Notes	See Notes	See Notes	See Notes	See Notes

REMUNERATION REPORT continued

Notes:

- "Salary" includes gross salary; performance pay or bonuses paid in year in respect of the prior year; overtime; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. It does not include employer pension contributions and the cash equivalent transfer value of pensions. On Cabinet Office guidance severance payments, where relevant, are not included in the figures.
- The taxable benefit amount for the Chief Executive relates to the provision of a car under the Private User Scheme.
- The remuneration of the highest paid director in HSL, the Chief Executive, in the year 2012/13 was £126,441 (2011/12: £140,080), being 3.41 (2011/12: 3.86) times the median remuneration of the workforce which was £37,066 (2011/12: £36,317).
- In 2011/12 and 2012/13, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,103 to £126,441 (2011/12: £ 17,090 (restated) to £140,080).
- Dr Bill Nixon works part time and the full year equivalent salary for his post is in the band £65,000-70,000.
- As members of the PCSPS premium pension scheme, no lump sums are payable to Mr Eddie Morland or Dr Karen Russ.
- Dr Bill Nixon is a member of a Partnership Pension arrangement (see below). For 2012/13, employer's contributions of £8,400 (2011/12: £9,483) were made on his behalf.
- All the Non-Executive Directors' appointments are non-pensionable.
- The factors used in calculating CETVs were revised mid year, and as a result the opening CETV for the 2012/13 calculations may differ from the closing CETV figure for 2011/12. Hence, the 2011/12 comparative shown above may differ from the figures shown in last year's published accounts (those affected are marked *).
- 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.

Civil Service Pensions (CSP)

Pension benefits are provided through the CSP arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to these contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the CSP arrangements can be found at the website: <http://www.civilservice.gov.uk/pensions>

REMUNERATION REPORT continued

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 member 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 worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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
19 June 2013


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.

HSE's Chief Executive's relevant responsibilities as Accounting Officer have been delegated to the HSL Chief Executive in respect of the Laboratory.

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 consistently;
- 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.

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.

Mr E Morland
Chief Executive, Health and Safety Laboratory
Accounting Officer
19 June 2013



GOVERNANCE STATEMENT

Introduction

The Governance Statement provides an overview of arrangements for the stewardship of HSL, the systems of internal control and the key risks faced by HSL and its management in 2012/13.

Governance Framework of HSL

Background

On 1 April 1995 the HSL was established as a Laboratory of the HSE operating on what were "Next Step Agency" principles. The Chief Executive of the HSE as HSE's Accounting Officer has designated the Chief Executive of HSL as HSL's Accounting Officer.

HSL's Chief Executive as Accounting Officer is personally responsible for:

- Safeguarding the public funds for which he has charge;
- Ensuring propriety and regularity in the handling of those public funds; and
- The day-to-day operations and management of HSL.

In addition, the Chief Executive should ensure that HSL operates on the basis of the governance standards, and decision-making and financial management, set out in HM Treasury's Managing Public Money.

The Board

The Board meets monthly except in August and comprises HSL's Chief Executive, five Executive and four Non-Executive Directors. The Non-Executive Directors bring judgement, which is independent to that of management to Board deliberations. The Executive Directors have responsibility for day to day business operations.

The Board is appointed to assist HSL's Chief Executive fulfil his responsibilities for the overall management, strategic direction, maintaining sound risk management and internal control systems, succession planning and performance of the Laboratory. It discharges its responsibilities through regularly scheduled meetings and ad hoc meetings, as may be required. The Board has formally reserved specific matters to itself for determination and approval which include strategic issues, HSL's risk profile, the annual budget, and capital expenditure in excess of £100,000. In addition, it reviews HSL's internal controls and risk management policies. It also monitors and evaluates the performance of HSL as a whole, through engaging with the Chief Executive Officer, Finance Director and members of the Executive Team, as appropriate. Matters not formally reserved to the Board are delegated to Board Committees, whose functions are described below, and to the Executive Team.

Board members receive detailed information from the Executive Directors, and other senior managers to enable them to discharge their responsibilities effectively. The financial and performance data, which is provided to the Board, is extracted from HSL's corporate accounting or operational systems. These data systems and the procedures that support their use are subject to regular internal quality assurance audits and independent internal audits to ensure the integrity of the information provided to the Board. All Directors have access to employees of HSL and are able to seek independent advice at HSL's expense, where they feel it is appropriate.

Committees of The Board

The Board has established an Audit Committee for the purpose of overseeing the accounting and financial reporting processes of HSL, the audit of its financial statements and the effectiveness of its risk management and internal control framework. The Audit Committee met on three occasions in 2012/13 and the members of the Audit Committee are the Independent Non-Executive Directors. HSL's Chief Executive, Head of Internal Audit and Finance Director together with HSE's Head of Internal Audit and representatives of the National Audit Office are invited to attend meetings.

The Board does not consider either a Remuneration or Nomination Committee is appropriate for HSL because all Board appointments are agreed with HSE in accordance with HSE's recruitment and pay policies. However it has two committees comprising Executive Directors and senior managers in the following areas:

- Investment Committee which oversees the approval of capital expenditure;
- Science Council which monitors the quality of science at HSL.

The Science Council submits quarterly reports to the Board, and the Investment Committee reports monthly progress through the Finance report and raises key projects when they arise.

The Board's relationship with HSE

HSE and HSL have a framework agreement which sets out the respective roles and responsibilities to which HSL operates and also sets out delegated authorities which HSE has granted HSL. In addition to the framework agreement, the following are important to the relationship with HSE:

- A quarterly report is issued by HSL to HSE summarising performance of HSL in all aspects of its operation;
- The Board of HSL including the Non-Executive Directors attend the Partnership Board at which key issues are discussed with HSE's Chief Executive and Senior Management Team members. These meetings are scheduled to take place twice a year.

GOVERNANCE STATEMENT continued

Board performance

The Board of HSL meets regularly and its deliberations focus on ensuring HSL's performance is professional in all aspects of its operation.

The Board meeting in January 2013 was cancelled because of severe weather and as a result there were ten meetings held in the year ended 31 March 2013. The attendance of the Directors at Board and Committee meetings held in the year ended 31 March 2013 was as follows:

Directors	Role	Board Meeting (10 in year)	Audit Committee (3 in year)	Partnership Board (1 in year)
Eddie Morland	Chief Executive	10	3	1
Karen Russ	Project Delivery & Sales Director	8	N/A	1
Andrew Curran	Science and Resources Director	9	N/A	1
Peter Davies	Corporate Information and Services Director	10	N/A	1
Bill Nixon	Commercial Director	8	N/A	1
Chris Neilson	Finance Director	10	3	1
Peter Watson	Non-Executive Director	8	2	1
Sue Ion	Non-Executive Director	8	3	1
Richard Stephenson	Non-Executive Director	10	3	1
Martyn Thomas	Non-Executive Director	8	3	-

During the year the Board undertook a review of its performance using a self-assessment of effectiveness questionnaire. Overall the responses submitted by the Board indicated that the Board was effective. However, the Board has drawn up an action plan to introduce improvement in performance in certain areas including:

- Changing the nature of meetings in order to introduce more challenging debate particularly on strategic matters;
- Continuous improvement of Board capability.

HSL Board members including Non-Executive Directors complete an annual return of related party transactions and conflicts of interest as part of the annual audit. Board members are aware of HSL's policies on gifts, related party transactions and conflicts of interest and the requirement to report any instances to the Board. There were no events reported in 2012/13.

Highlights of Board Committee Reports and Work Programme

The quality of science undertaken at HSL is fundamental to its reputation and long-term viability. During the year two external peer reviews of HSL's scientific activities have been undertaken and the Science Council has overseen HSL's preparation and conduct of the reviews. The outcome of both reviews has been positive and the review teams have commented on the high levels of technical competence demonstrated by HSL staff. The Science Council will now review the lessons to be learnt and recommend changes to practices where appropriate.

HSL owns the majority of the access road to its site which is also used by tenants of an adjoining privately owned industrial park. The access road is narrow and there is no separation between pedestrians, cyclists and vehicles despite regular use by heavy goods vehicles, and as such poses both a major safety risk and a source of potential liability issues. The Investment Committee has undertaken a project to review the viability of upgrading the access road to reduce the risk of incurring liability from incidents on the road and improving operational resilience. A preferred scheme has now been drawn up and approved by the Investment committee after consultation with planners and local users of the access road.

Key areas covered by HSL's Audit Committee include:

- Reviewing and challenging the risk management processes within HSL;
- Considering the scope of, and received reports from external and internal audit on the major findings on their work;
- Reviewing HSL's financial statements and recommending that the Accounting Officer can sign them.

The Internal Audit programme raised 21 recommendations in 2012/13 (2011/12: 27) of which 6 were medium priority and 15 were low priority. By the end of the financial year 5 medium and 9 low priority for 2012/13 and 4 low priority recommendations from the previous year had not been actioned but remained in time for completion. The Audit Committee has been advised by the Head of Internal Audit that HSL has a sound system for monitoring and implementing agreed audit recommendations.

The Head of Internal Audit produced an annual statement, which in respect of 2012/13 included the following formal opinion:

"Based on our audit work carried out, in our opinion HSL's system of internal control was sound during the year ended 31 March 2013. 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."

GOVERNANCE STATEMENT continued

Corporate Governance Compliance Statement

As HSL is not a Government Department it complies with the Code of Good Practice 2011 of Corporate Governance in Central Government departments only where applicable. HSL does not comply in the following areas:

- As noted above there is no remuneration or nominations committee;
- The composition of the Board is not equal between Non- Executive and Executive members. However HSL now has four Non-Executive Directors which provides the Board with an appropriate balance of independent oversight.

HSL's Board does operate according to recognised precepts of good Corporate Governance. It has set out and communicated to HSE a business strategy from which HSL's long term planning decisions are developed. The Board has wide ranging experience in commercial, public sector, scientific and technical areas to enable it to provide rigorous challenge and informed scrutiny of HSL's performance. The Board promotes accountability through clear and consistent reporting of results compared to its operating plans and encourages HSL to deliver its performance on a long-term sustainable basis.

Risk Management, Compliance and Internal Control

As Accounting Officer, HSL's Chief Executive has overall responsibility to maintain sound risk management and internal control systems to safeguard public funds and HSL's assets and to regularly review the effectiveness of such systems. Whilst HSL's Chief Executive acknowledges his responsibility for the systems of risk management and internal control, such systems are designed to manage rather than eliminate all risk. Accordingly even the most effective systems of risk management and internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

HSL's Chief Executive and its Board have developed a Risk Register which covers all aspects of the business and is discussed at the monthly meetings of the Board. In addition a system of internal controls is operated by HSL and subject to regular audit internally. The Audit Committee independently considers whether the Risk Register and the system of internal controls are fit for purpose and operating effectively at its meetings, which take place three times a year.

HSL's risk management, compliance and internal audit strategy is based on a risk and control framework containing the following key elements:

- An effective control environment;
- An effective process to identify, assess and manage risks;
- Effective internal control procedures; and
- Effective internal audit.

Effective control environment

The key elements of the HSL's control environment are as follows:

- HSL's Chief Executive has overall responsibility to maintain the risk management and internal control systems and has delegated certain responsibilities to the Audit Committee;
- A framework of Corporate Values and the Civil Service Code of Practice which sets appropriate standards of ethical behaviour are operational throughout HSL;
- The internal structure of the organisation is well documented with clear reporting lines and clear limits of authority for different matters;
- A range of corporate policies, procedures and training have been implemented;
- The internal audit function is outsourced to PKF LLP, overseen by a partner of that firm who is HSL's Head of Internal Audit, carries out regular reviews of internal controls and reports findings to management and the Audit Committee;
- HSE commissions an annual external review of the quality of science undertaken by HSL covering all technical areas on a four year rolling programme;
- HSL operates a Quality Management System (ISO 9001), an Environmental Management System (ISO 14001) and a Health and Safety Management System (OHSAS 18001). These systems are regularly audited both internally and externally for certification purposes; and
- The Audit Committee considers the major findings of any internal investigations and management's response to them. The Audit Committee reports annually to HSE on the effectiveness of the HSL's control environment.

Effective identification, assessment and management of risks

HSL has an on-going process for identifying, evaluating and managing the significant risks that it faces. This process has been in operation throughout the period under review and up to the date of signing the Annual Report and Accounts. 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) and therefore looks across all aspects of HSL's operation. As such 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. A summary of the significant control challenges is included at page 27 of this report.

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.

GOVERNANCE STATEMENT continued

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. The Risk Register is available to Operating Unit Heads at HSL to encourage all levels of staff to contribute to the consideration of risk.

During the year HSL's Senior Management Team and Board have reviewed its Risk Register management process to ensure it remains fit for purpose. As part of this exercise the following actions have been undertaken:

- Key risks have been reassessed;
- Recognition of new and emerging risks will be strengthened;
- Reporting of risk will be improved; and
- The links with day to day risk management will be enhanced.

Effective internal control procedures

HSL has a system of internal control procedures. Compliance with these procedures is monitored through a system of internal review and regular reports prepared by Quality Systems Audits, Internal Audit and the HSL's external auditors. Any significant issues arising are reported to the Audit Committee.

Effective internal audit

The internal review of the HSL's control procedures and compliance with such procedures is mostly undertaken through internal audit. Prior to the start of the year, the Audit Committee agrees a programme of internal audit work taking account of HSL's Risk Register. The Audit Committee monitors and reviews the internal audit programme, considers the findings of internal audit reviews and management's response to them, and ensures efficient co-ordination between HSL's internal and external auditors. HSL's internal audit function, comprising out-sourced resource, was operational throughout 2012/13. The Audit Committee, which is responsible for monitoring the activity of the internal audit function, has reviewed the effectiveness of the internal audit function during 2012/13.

Significant Control Challenges

During 2012/13, HSL has faced a number of challenges in achieving some of its key objectives which have included:

- The time taken by the recruitment process has delayed new staff joining HSL which has impacted on delivery of contracts to all customers;
- Managing the introduction of shared services so as not to reduce the availability of key management information.

HSL has worked closely with HSE to reduce the impact of these challenges on HSL and has been able to perform strongly in all aspects of its operation during the year.

Data Security

There have been no losses of data during the year.

Mr E Morland
Chief Executive, Health and Safety Laboratory
Accounting Officer
19 June 2013



INDEPENDENT AUDITOR'S REPORT TO THE HEALTH AND SAFETY EXECUTIVE

I have audited the financial statements of the Health and Safety Laboratory for the year ended 31 March 2013. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, 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 Board, Accounting Officer 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. I conducted my audit in accordance with 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 Health and Safety Laboratory; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

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 2013 and of the deficit for the year then ended; and
- The financial statements have been properly prepared in accordance with the direction 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 direction issued by the Health and Safety Executive; and
- The information given in the Management Commentary 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

Neil Sayers
Director, for Comptroller and Auditor General

National Audit Office
 157-197 Buckingham Palace Road
 Victoria
 London
 SW1W 9SP
 25 June 2013

HEALTH AND SAFETY LABORATORY ACCOUNTS 2012/13

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
REVENUE	2	37,213	36,505
Cost of sales	3	(11,856)	(11,067)
GROSS SURPLUS		25,357	25,438
Other income	4	56	279
Administration expenses	3	(22,288)	(22,437)
OPERATING SURPLUS before revaluation		3,125	3,280
Reversal of previous losses on revaluation of property	6	12	36
OPERATING SURPLUS		3,137	3,316
PFI Finance interest costs	13	(3,861)	(3,914)
DEFICIT ON ORDINARY ACTIVITIES		(724)	(598)
OTHER COMPREHENSIVE INCOME			
Gain on revaluation of property taken to Reserves	6	487	1,367
TOTAL COMPREHENSIVE INCOME		(237)	769

Notes:

All operations were continuing operations and there were no acquisitions or disposals affecting operations during 2012/13.

The notes on pages 34 to 54 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 £'000	2012 £'000
NON CURRENT ASSETS			
Property, plant and equipment	6	64,235	64,843
Intangible assets	7	449	537
Other receivables	8	29	72
TOTAL NON CURRENT ASSETS		64,713	65,452
CURRENT ASSETS			
Inventories: Work in Progress		551	210
Trade and other receivables	8	2,375	2,066
Cash and cash equivalents	9	54	166
TOTAL CURRENT ASSETS		2,980	2,442
TOTAL ASSETS		67,693	67,894
CURRENT LIABILITIES			
Trade & other payables	10	(4,266)	(3,691)
NON CURRENT ASSETS + NET CURRENT ASSETS		63,427	64,203
NON CURRENT LIABILITIES			
Trade & other payables	10	(48,511)	(49,275)
TOTAL NON CURRENT LIABILITIES		(48,511)	(49,275)
ASSETS LESS LIABILITIES		14,916	14,928
TAXPAYERS' EQUITY			
General reserve		6,485	6,765
Revaluation reserve		8,431	8,163
TOTAL TAXPAYERS' EQUITY		14,916	14,928

The notes on pages 34 to 54 form part of these accounts.

Mr E Morland
Chief Executive, Health and Safety Laboratory
Accounting Officer
19 June 2013



STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013	2012
	£'000	£'000
Cash flows from operating activities		
Deficit on Ordinary Activities	(724)	(598)
Adjustments for non cash transactions & finance costs:		
Depreciation and amortisation (Notes 6 & 7)	2,731	2,750
Reversal of previous losses on revaluation of property assets	(12)	(36)
PFI Finance interest costs	3,861	3,914
Loss on disposal of assets	0	32
Operating profit before changes in working capital & provisions	5,856	6,062
(Increase)/decrease in inventory	(341)	(15)
(Increase)/decrease in receivables (Note 8)	(266)	(243)
Increase/(decrease) in payables	515	(116)
Use of provisions (Note 11)	0	(50)
Cash generated from operating activities	5,764	5,638
Cash flows from investing activities		
Purchase of Property, Plant & Equipment	(1,443)	(1,713)
Purchase of Intangible Assets	(107)	(347)
Proceeds from disposal of property, plant and equipment	14	1
Net cash outflow from investing activities	(1,536)	(2,059)
Cash flows from financing activities		
Capital element of finance lease payments on Statement of Financial Position	(699)	(647)
Interest element of finance lease payments	(3,866)	(3,918)
Cash transferred from DWP	225	1,118
Net financing	(4,340)	(3,447)
Net movement in cash and cash equivalents	(112)	132

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2013

		General Reserve	Revaluation Reserve	Total Reserves
	Note	£'000s	£'000s	£'000s
Brought forward at 1 April 2011		6,073	6,968	13,041
Movements in Reserves in 2011/12				
Realised elements of revaluation reserve		172	(172)	0
Cash funding by DWP		1,118	0	1,118
Movement in reserve on revaluation of property	6	0	1,367	1,367
Deficit on ordinary activities		(598)	0	(598)
Balance at 31 March 2012		6,765	8,163	14,928
Movements in Reserves in 2012/13				
Realised elements of revaluation reserve		219	(219)	0
Cash funding by DWP		225	0	225
Movement in reserve on revaluation of property	6	0	487	487
Deficit on ordinary activities		(724)	0	(724)
Balance at 31 March 2013		6,485	8,431	14,916

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounts direction issued by HSE and the 2012/13 Government Financial Reporting Manual (FRoM) (see www.financial-reporting.gov.uk) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) adapted or interpreted for the Public Sector context.

Where the FRoM 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 convention

The financial statements are prepared under the historical cost convention modified for the revaluation of property and intangible assets.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of estimation means that actual outcomes could differ from those estimates. They are based on historic and other factors that are believed to be reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis.

The key source of estimation uncertainty is the estimate of total costs to be incurred to complete a contract. HSL reviews cost to complete by reference to its project management system and an assessment of the cost of outstanding tasks.

Accounting standards, interpretations and amendments to published standards

Adopted in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2013, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FRoM.

Effective for future Financial Years

The following IFRSs, IFRIC Interpretations and Amendments have been issued but are not yet effective and have not been early adopted. An assessment will be undertaken to consider the impact of the IFRSs on HSL's financial statements:

Accounting Standard	Effective for periods beginning on or after
IFRS 7 Financial Instruments: Disclosure	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1 Presentation of financial statements	1 July 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Consolidated and Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates	1 January 2013
IAS 32 Financial Instruments: Presentation	1 January 2014
IPSAS 32 Service Concession Arrangement	1 January 2014

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

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

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

HSL comes within the scope of HSE's VAT registration, and therefore HSL's revenue from HSE is not subject to VAT, resulting in a net VAT receivable position. HSE subsequently recovers this amount under its registration with HMRC. HSE settles the receivable for VAT with HSL, as at 31 March each year, removing the need to include the outstanding VAT Receivable figure in these Accounts. HSL's receivable position for work done for HSE is similarly settled (see below) as at 31 March each year and hence does not appear in these accounts.

HSL's bank account is funded or de-funded on a monthly basis by DWP based on an estimated month end balance, any difference resulting in a year end bank balance. 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 not settled in cash, but is settled in part by the offset of expenses which HSE pays out to employees and suppliers on HSL's behalf. Any additional cash funding required as a result is provided by DWP as described above.

NOTES TO THE ACCOUNTS continued

HSL's financial remit is to at least break even on an annual basis by recovering its full economic cost 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 may result in cash surpluses, depending on the level of investment in capital expenditure. Since 31 March 1999, any cash surpluses have been deducted from the General reserve, and any deficits added to the General reserve, to reflect the funding arrangements between HSL and HSE/DWP.

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 services, net of any VAT, provided from the ordinary activities of the business. Revenue is recognised when earned.

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

Staff Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) described at Note 5. The defined benefit scheme is unfunded. 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 and Senior Civil Service employees' bonuses are recognised to the extent that HSL has a present obligation that can be measured reliably.

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 Statement of Comprehensive Income.

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 has therefore been applied to the following asset categories: Transport & Equipment, Plant & Machinery, Information Technology and Furniture & Fittings.

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 are measured initially at cost, restated to current value using external professional valuations at least every five years, and for buildings 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 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.

NOTES TO THE ACCOUNTS continued

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.

Internally generated 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. Costs are categorised as research or development costs and accounted for accordingly (see below).

Internally generated 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 Statement of Comprehensive Income in the year in which it is incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period. Development expenditure is considered as an asset under construction until the asset is available for use, at which time the asset is transferred to the relevant asset class.

NOTES TO THE ACCOUNTS continued

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	6 years
Intellectual property assets	commercial life of the project, being 3-5 years

Development expenditure is amortised and is also subject to regular impairment reviews.

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. Impairments arising from a clear consumption of economic benefits are taken directly to the Statement of Comprehensive Income.

Inventory and Work In Progress

Consumable inventory items are expensed on receipt.

Work in progress on contracts is valued at the lower of cost and net realisable value. Cost comprises materials, labour and attributable overhead incurred to date in delivering the contract, less any amounts already invoiced. Net realisable value represents the full contract value less the total of costs to date plus estimated costs to complete the contract.

Profit is recognised on completion of contract, or in the case of larger, long term contracts, where the outcome is reasonably certain. Full provision is made for anticipated future losses as soon as they are identified, and these are accounted for within work in progress.

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 at the time HSL became party to the contract that gave rise to them. They are subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount. HSL's cash holdings comprise bank balances and petty cash only - for funding details see note 1 – "Impact of HSL's relationship with HSE and DWP on reporting in the Annual Accounts". HSL has no cash equivalents.

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 Statement of Comprehensive Income.

HSL operates an early retirement scheme, which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. HSL meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early retirement and normal retirement date. HSL formally recognises this liability in full once the early retirement agreement becomes contractually binding on them, establishing a Payable for the anticipated payments, discounted in real terms. All such liabilities had been settled as at 31 March 2013.

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% (2011/12 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.

NOTES TO THE ACCOUNTS continued

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 and any reversal of previously written off revaluation losses is taken to the Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

2. REVENUE

	2013	2012
	£'000	£'000
HSE – Science & Technology	26,379	28,105
HSE – Other programmes	816	16
HSE – Office of Nuclear Regulation	895	860
External to HSE	8,659	7,189
EU	258	228
Intellectual property	206	107
TOTAL	37,213	36,505

3. COST OF SALES AND ADMINISTRATION EXPENSES

	Note	2013	2012
		£'000s	£'000s
Cost of Sales			
Payroll	5	8,765	8,580
Bought in goods and services		3,362	2,446
WIP movement		(341)	(15)
Depreciation	6	70	56
Total		11,856	11,067
Administration Expenses			
Payroll	5	7,836	8,075
Other Administration expenses		1,108	1,183
Provisions: Creation in year / (Unwinding)	11	0	(31)
Travel & Subsistence – HSL Board		56	51
Travel & Subsistence - Other Staff		514	555
Audit Fee		49	49
Other bought in goods and services		1,153	1,157
Central overhead recharged by HSE		1,065	1,181
Premises costs		7,846	7,491
Depreciation and Amortisation	6 & 7	2,661	2,694
(Profit) or loss on disposal of non current assets		0	32
Total		22,288	22,437

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 £637k (2011/12: £796k).

NOTES TO THE ACCOUNTS continued

4. OTHER INCOME

	2013	2012
	£'000	£'000
Property related income	45	260
Miscellaneous income	11	19
Total	56	279

2011/12 Property income includes a rebate of £219k re Business Rates relating prior years.

5. STAFF COSTS

5(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.

	2013	2012
	£'000	£'000
Payments to staff with a permanent (UK) contract		
Wages and salaries	13,008	13,035
Other pension costs	2,531	2,529
Social security costs	1,079	1,091
Total Gross Staff Cost	16,618	16,655
Less: Recovery in respect of outward secondment*	(17)	0
Total Net Staff Cost	16,601	16,655

Note: * Includes pension & social security cost.

5(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 accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions/governance-and-rules).

The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. Consequently, a formal actuarial valuation would have been due in 2011. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes in public service pensions and while future scheme changes are developed as part of the reforms to public service pension provision.

The contribution rates are set to meet the cost of the benefits accruing during 2012/13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

For 2012/13 employer's contributions of £2,493,766 (2011/12: £2,490,143) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3% (2011/12: 16.7 to 24.3%) of pensionable pay, based on salary bands. Employer contributions are reviewed every four years following a full scheme valuation by the scheme Actuary. 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 2012/13 employer's contributions of £37,062 (2011/12: £39,049) 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 (2011/12: none); consequently there was no additional accrued pension liability in year (2011/12: £nil). These liabilities are not the responsibility of HSL but are to be paid by the PCSPS.

The notes on Civil Service Pensions on pages 17 and 18 are relevant to all members of staff.

5(c) Average employee numbers

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

	2013	2012
Staff with a permanent (UK) contract		
Scientific, Engineering, Technical & Investigation staff	249	256
Corporate Specialist staff	56	57
Business Management	18	19
Project Management	16	17
Business Development	10	12
Total Staff	349	361

NOTES TO THE ACCOUNTS continued

6. PROPERTY, PLANT AND EQUIPMENT

2012/13	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 2012	1,461	58,035	775	15,686	2,589	3,233	33	81,812
Additions	0	273	78	528	483	20	71	1,453
Revaluation	66	466	0	0	0	0	0	532
Disposals	0	0	(30)	(79)	(167)	0	0	(276)
At 31 March 2013	1,527	58,774	823	16,135	2,905	3,253	104	83,521

Depreciation								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	0	2,445	580	11,289	1,853	802	0	16,969
Charged in year	0	1,247	64	792	320	123	0	2,546
Revaluation	0	33	0	0	0	0	0	33
Disposals	0	0	(19)	(78)	(165)	0	0	(262)
At 31 March 2013	0	3,725	625	12,003	2,008	925	0	19,286
Net book value at 31 March 2013	1,527	55,049	198	4,132	897	2,328	104	64,235
Net book value at 31 March 2012	1,461	55,590	195	4,397	736	2,431	33	64,843

Asset Financing								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	1,527	4,313	198	4,132	897	169	104	11,340
PFI contract	0	50,736	0	0	0	2,159	0	52,895
Net book value at 31 March 2013	1,527	55,049	198	4,132	897	2,328	104	64,235

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

Net book value of land and buildings at 31 March 2013 comprises	2013	2012
	£'000	£'000
Freehold	5,840	5,784
Short leasehold – PFI Contract for 30 years - See Note 13 re accounting for PFI	50,736	51,267
Total net book value	56,576	57,051

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 expiring on 29 September 2016, and which is valued at £280,000 (2011/12 £280,000).

For the year ended 31 March 2013, all buildings were revalued using All In Tender Price indices produced by RICS. Of the net gain on revaluation of £499k (2011-12 £1,403k) in the Property, Plant and Equipment note above, £12k (2011-12: £36k) has been taken to the Statement of Comprehensive Income to reverse losses charged to that Statement in earlier years, with the remainder of the gain being taken to Revaluation Reserve.

HSL's specialist facilities were professionally revalued at 31 March 2008 in line with the accounting policy extant at that time. Following the change in policy in 2009/10, specialist facilities, along with other assets reported in the plant and machinery asset classification, are not now routinely revalued.

Depreciation charged in year on assets under the PFI contract: £1.08m (2011/12: £1.05m).

2011/12	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 2011	1,546	56,058	739	15,205	2,152	3,224	481	79,405
Additions	0	434	45	737	354	9	33	1,612
Revaluation	(85)	1,552	0	0	0	0	0	1,467
Disposals	0	(9)	(9)	(591)	(63)	0	0	(672)
Reclassifications	0	0	0	335	146	0	(481)	0
At 31 March 2012	1,461	58,035	775	15,686	2,589	3,233	33	81,812

Depreciation								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	0	1,195	518	11,022	1,539	680	0	14,954
Charged in year	0	1,195	71	825	377	122	0	2,590
Revaluation	0	64	0	0	0	0	0	64
Disposals	0	(9)	(9)	(558)	(63)	0	0	(639)
At 31 March 2012	0	2,445	580	11,289	1,853	802	0	16,969
Net book value at 31 March 2012	1,461	55,590	195	4,397	736	2,431	33	64,843
Net book value at 31 March 2011	1,546	54,863	221	4,183	613	2,544	481	64,451

NOTES TO THE ACCOUNTS continued

7. INTANGIBLE ASSETS

2012/13	Software Licences	Intellectual Property Assets	Website	Development expenditure	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2012	876	32	58	0	966
Additions in year	53	41	3	0	97
At 31 March 2013	929	73	61	0	1,063
Amortisation					
At 1 April 2012	374	25	30	0	429
Charged in year	166	9	10	0	185
At 31 March 2013	540	34	40	0	614
Net book value at 31 March 2013	389	39	21	0	449
Net book value at 31 March 2012	502	7	28	0	537

2011/12	Software Licences	Intellectual Property Assets	Website	Development expenditure	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2011	520	32	56	52	660
Additions in year	304	0	2	0	306
Category transfers	52	0	0	(52)	0
At 31 March 2012	876	32	58	0	966
Amortisation					
At 1 April 2011	235	14	21	0	270
Charged in year	139	11	9	0	159
At 31 March 2012	374	25	30	0	429
Net book value at 31 March 2012	502	7	28	0	537
Net book value at 31 March 2011	285	18	35	52	390

8. RECEIVABLES

8(a) Analysis by type	2013	2012
	£'000	£'000
Amounts falling due within one year		
Trade receivables	1,417	1,429
Other receivables	7	7
Prepayments and accrued income	951	630
	2,375	2,066
Amounts falling due after more than one year		
Long term staff loans re house moves	3	6
Prepayments	26	66
	29	72
Total	2,404	2,138

8(b) Intra-Government Balances	Current 2013	Current 2012	Non Current 2013	Non Current 2012
	£'000	£'000	£'000	£'000
Balances with other central government bodies	496	355	0	0
Balances with local authorities	25	22	0	0
Balances with NHS bodies	7	6	0	0
Balances with public corporations and trading funds	113	36	0	0
Balances with bodies external to government	1,734	1,647	29	72
Total receivables at 31 March	2,375	2,066	29	72

NOTES TO THE ACCOUNTS continued

9. CASH AND CASH EQUIVALENTS

	2013	2012
	£'000	£'000
Balances at 1 April	166	34
Net change in cash and cash equivalent balances	(112)	132
Balances at 31 March	54	166

The balance at 31 March was represented by cash and cash equivalents held at Government Banking Services.

10. PAYABLES

10(a) Analysis by type	2013	2012
	£'000	£'000
Amounts falling due within one year		
Trade payables	248	260
Trade and other accruals	2,333	1,840
Finance lease obligations under PFI contracts (Note 13)	760	704
Payments on account	925	887
	4,266	3,691
Amounts falling due after more than one year		
Finance lease obligations under PFI contracts (Note 13)	48,510	49,271
Relocation expenses	1	4
	48,511	49,275
Total	52,777	52,966

10(b) Intra-Government Balances	Current 2013	Current 2012	Non Current 2013	Non Current 2012
	£'000	£'000	£'000	£'000
Balances with other central government bodies	24	22	0	0
Balances with local authorities	3	8	0	0
Balances with NHS bodies	36	0	0	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	4,203	3,661	48,511	49,275
Total receivables at 31 March	4,266	3,691	48,511	49,275

11. PROVISIONS FOR LIABILITIES AND CHARGES

	2013	2012
	£'000	£'000
Provision at 1 April	0	50
Provided in the year	0	0
Discount unwound in the year	0	0
Provision utilised in year	0	(19)
Provision not required written back	0	(31)
Provision at 31 March	0	0

12. CAPITAL COMMITMENTS

Capital expenditure contracted for at 31 March 2013 for which no provision has been made in these accounts was £103,378 (2011/12: £147,906).

NOTES TO THE ACCOUNTS continued

13. COMMITMENTS UNDER THE PFI CONTRACT

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 PFI contract is accounted for both as a finance lease and as a service concession arrangement (see Note 1 on Accounting Policies for more detail).

For 2012/13, costs under the contract consisted of repayment of finance lease principal £704k (2011/12: £651k) and interest of £3,861k (2011/12: £3,914k), plus the service element of PFI transactions of £5,369k (2011/12: £4,900k), including Contingent Rent of £1,369k (2011/12 £1,144k). These costs appear within Premises costs under note 3.

Finance lease obligations under HSL's PFI contract comprise:

	2013	2012
	£'000	£'000
Not later than one year	4,565	4,565
Later than one year and not later than five years	18,754	18,613
Later than five years	78,985	83,691
Total gross liabilities	102,304	106,869
Less interest element	(53,034)	(56,895)
Present value of obligations	49,270	49,974

Total obligations under on-balance sheet service concession arrangements

Subject to ICB Ltd achieving contracted levels of service and availability HSL is committed to make payments in future years up to October 2034:

	2013	2012
	£'000	£'000
Not later than one year	5,697	5,362
Later than one year and not later than five years	22,789	21,447
Later than five years	94,433	94,235
Present value of obligations	122,919	121,044

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.

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 and DWP for its cash requirements, having no power itself to borrow or invest surplus funds and HSL's main financial assets and liabilities have a nil rate of interest. 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

	2013	2012
	£'000	£'000
Trade receivables	1,417	1,429
Other receivables	10	13
Accrued income	627	327
Cash and cash equivalents	54	166
Total	2,108	1,935

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 2013, HSL has completed a full review and deemed it necessary to impair the value of trade receivables by £21,000 (2011/12 £4,000).

Financial Liabilities by Category

	2013	2012
	£'000	£'000
Trade payables	248	260
Trade and other accruals	2,334	1,844
Total	2,582	2,104

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

15. CONTINGENT LIABILITIES

Since the year end, HSL has been advised of the possibility that the European Commission may attempt to recover some funding previously provided for work already undertaken. HSL disputes both the value and principle of the recovery, and neither the timing, likelihood nor amount of the recovery can be adequately determined at this stage. There were no other contingent liabilities at 31 March 2013.

NOTES TO THE ACCOUNTS continued

16. RELATED PARTY TRANSACTIONS

HSL is an Agency of HSE, which in turn is an NDPB of DWP, and both are therefore regarded as related parties. During the year, HSL carried out projects for HSE to a value of £28,090,000 (2011/12: £28,981,000).

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: Department for Environment, Food and Rural Affairs; Department of Energy and Climate Change; Royal Mail Holdings plc; Government Communications Planning Directorate; High Peak Borough Council; Sheffield Teaching Hospital and Health Protection Agency.

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 Finance Notice 7, 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 25 June 2013. This is the date of the Certificate and Report of the Comptroller and Auditor General.

ANNEX 1
SUSTAINABILITY REPORT - UNAUDITED

Introduction

HSL is committed to the continuous improvement of environmental performance and the prevention of pollution from the activities we undertake. We will comply with all applicable legal and other relevant requirements that relate to our environmental aspects, official codes of practice and, as far as practicable, accepted best practice in environmental management.

We are striving to reduce our greenhouse gas emissions and have taken cognisance of the Greening Government in Operations and Procurement (GGOP) targets in our plans.

The supporting information below, details progress towards improving energy consumption and related reductions in carbon emissions, water consumption and waste management; the key areas against which the Government wishes to measure public bodies' environmental performance.

Government sustainability targets

HSL staff undertake a diverse range of scientific activities to satisfy customer requirements and for the 'greater good' of the Health and Safety of citizens in the United Kingdom and other countries.

HSL operates an Environmental Management System which is certified to ISO 14001:2004 standard and means HSL has controls in place to manage and reduce its impact upon the environment. HSL sets an annual environmental plan including relevant improvement targets which strive also to meet Government targets. HSL's achievements against Government targets are noted on pages 59 and 60 and performance last year indicates that HSL is not on course to meet Government targets. However, as noted below, the nature and mix of the projects undertaken by HSL can significantly impact on HSL's ability to deliver those targets and HSL applied for exemption from the targets within the Greening Government Commitments which was granted in April 2013.

The differing and complex needs of the various work streams means that it is not always technically feasible to apply environmental targets. For example, one project involving testing of safety critical items of equipment for the nuclear industry requires the use of large volumes of water, making it difficult to meet water reduction targets. Similarly, other projects require the consumption of electricity in order to test various aspects of health and safety, whilst we make every effort to conduct the tests as efficiently as possible there is an unavoidable utility usage inherent in them which makes it difficult to meet carbon reduction targets.

With regard to the target to reduce domestic flights, whilst we are fully committed to minimising our impacts on the environment this specific target is not concomitant with our core activities. HSL staff are required to attend major accidents at short notice in order to carry out immediate, in-situ investigations, usually in conjunction with Health and Safety Executive (HSE) inspectors. Domestic flights are essential for a rapid response in some of these instances but the requirement for such flights fluctuates and cannot be predicted for any year. In some such instances achievement of the target could involve delays in the accident investigation process and produce consequential disruption to transport and a perverse outcome. Similarly, although not part of the GGOP targets, some staff have to go on short and long haul international flights in order to satisfy regulatory requirements for inspection of explosives at various overseas manufacturing sites; this is not something that can be done through media such as video conferencing.

ANNEX 1
Sustainability Report - Unaudited

Intangible assets

With regards to waste reduction, many items of 'incident material' (evidence from accidents/incidents) arrive on site every year for forensic examination to determine the cause of failure. Incident material may include large items such as trains and industrial plant weighing many tonnes. Once investigations are complete, the incident material requires disposal and the resources required to separate it from our regular waste streams are not available, hence our waste data may reflect disposal of items that technically don't belong to us, again making it difficult to meet waste reduction targets.

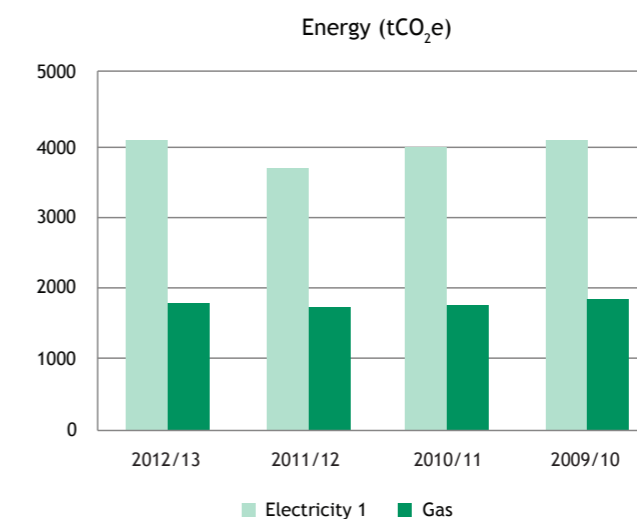
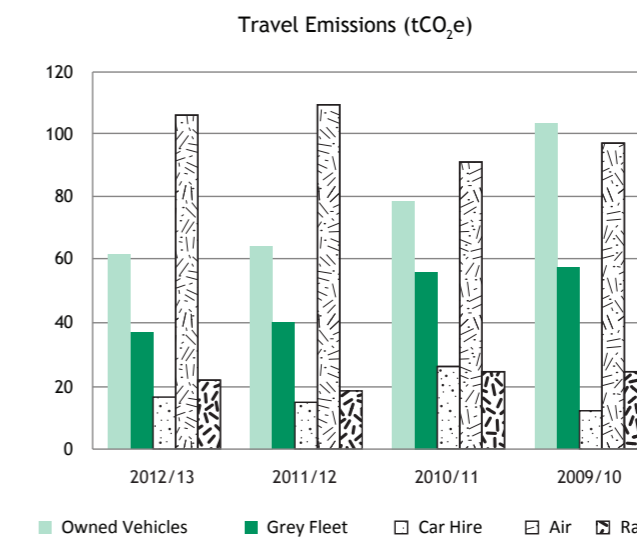
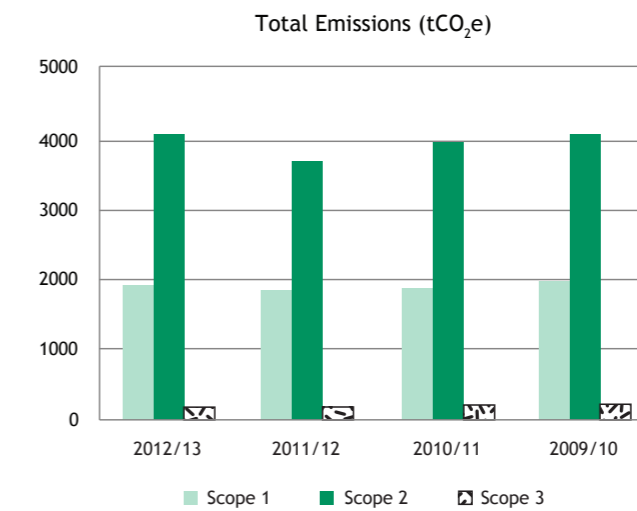
Similarly, our laboratory facilities analyse many samples of various substances such as asbestos (for the HSE as part of regulatory investigations) and tissue/bodily fluid samples as part of ongoing research into occupational health. The analytical techniques employed generate various chemical waste streams that under that current waste legislation framework may have to be disposed of to landfill or incinerated, such as biological material or 'sharps', i.e., the nature of our work means that it is inevitable that we shall generate waste.

HSL has an Environmental Management System certified to ISO14001: 2004. We have already taken steps to demonstrate continuous ongoing improvement for all our environmental aspects and all staff have received environmental awareness training.

Detailed environmental performance analysis

Greenhouse Gas	2012/2013	2011/2012	2010/2011	2009/2010
Scope 1 emissions				
Gas	1796	1727	1759	1825
Fugitive Emissions	46	46	46	46
HSL Owned vehicles	61	64	79	103
Total Scope 1 (tCO₂e)	1903	1837	1883	1974
Scope 2 emissions				
Electricity: Brown	88	84	60	76
Electricity: Green	4011	3608	3931	4019
Total Scope 2 (tCO₂e)	4099	3693	3991	4095
Scope 3 emissions				
Grey Fleet	37	40	56	57
Car Hire	16	14	26	12
Air	107	109	91	98
Rail	22	19	25	25
Total Scope 3 (tCO₂e)	181	182	198	192
Total Scope 1, 2 and 3 emissions				
Total Emissions (tCO₂e)	6183	5712	6072	6261

Non-financial indicators [Tonnes Carbon Dioxide equivalent(tCO₂e)]



ANNEX 1 continued

Related energy consumption	2012/2013	2011/2012	2010/2011	2009/2010
Scope 1 (KWh)				
Gas	9696807	9325813	9495429	9852451
Scope 2 (KWh)				
Electricity: Brown	168751	161985	115531	146512
Electricity: Green	7707687	6934435	7553553	7722978
Total electricity (KWh)	7876438	7096420	7669084	7869490
Financial indicators (£)				
2012/2013 2011/2012 2010/2011 2009/2010				
Scope 1 and 2 (£)				
Gas	£349,992	£315,883	£261,336	£304,066
Electricity	£812,151	£795,740	£705,212	£892,146
HSL Owned vehicles	£36,149	£43,443	£44,114	£44,787
Total Scope 1 & 2 (£)	£1,198,292	£1,155,066	£1,010,662	£1,240,999
Scope 3 (£)				
Grey Fleet	£51,069	£104,192	£65,681	£67,723
Car Hire	£19,271	£17,459	£16,495	£11,445
Air/Rail	£129,665	£111,259	£146,172	£188,272
Total Scope 3 (£)	£200,005	£232,909	£228,349	£267,440

Carbon Reduction Commitment payment for 2012 calendar year is £70,735.

Normalised performance per full time employee (FTE) and net internal area (NIA) of HSL estate	2012/2013	2011/2012	2010/2011	2009/2010
Travel Normalisation per FTE (tCO ₂ e)	0.6	0.6	0.6	0.7
Elec Normalisation per FTE (KWh)	19840	17522	17960	17845
Gas Normalisation per FTE (KWh)	24425	23027	22238	22341
Travel Normalisation per FTE £	595	682	638	708
Elec Normalisation per FTE £	2046	1965	1652	2023
Gas Normalisation per FTE £	882	780	612	689
Elec Normalisation KWh per NIA (m ²)	280	252	273	280
Gas Normalisation KWh per NIA (m ²)	345	332	338	350

GGOP Targets

Achievement against Target

Reduce Greenhouse Gas Emissions by 25% by 2015 from a 2009/2010 baseline from the whole estate and business related transport.	Working towards target with a 3% reduction achieved in 2013 against the 2009/2010 baseline.
Cut domestic business travel flights by 20% by 2015 from a 2009/2010 baseline.	Domestic flights (mileage) increased by 27% against the 2009/2010 baseline during 2012.

Actions taken to achieve targets and promote awareness

HSL's Carbon Management Team hold regular meetings to facilitate the implementation of energy efficiency improvements	Mr Peter Davies is the Director with responsibility for overseeing carbon performance, in respect of the majority of Carbon Reduction Commitment energy supplies	The heating and ventilation system has been optimised to provide heat only when necessary
A Display Energy Certificate is displayed in reception	An "Environmental Awareness" e-learning package has been completed by all staff which encourages staff to suggest ideas for energy reduction and environmental improvements	Work continues to reduce the amount of heated air removed from the building by fume cupboards
HSL is registered under the Carbon Reduction Commitment Energy Efficiency Scheme as part of HSE	Environmental issues and campaigns are communicated to staff via the intranet site message board and 'eNews' articles e.g.: Government Sustainability targets, recycling, HSL's Car Sharing Scheme	Humidification of non-critical areas has been stopped to save electricity and water. Reducing the compressed air pressure supplied to equipment has reduced electricity consumption

Waste includes non-office and project related waste. The waste management hierarchy is followed but generation of some waste streams is unavoidable, e.g., septic tank waste. Paper used on site is 100% recycled from a closed loop system. Staff are encouraged to adopt electronic filing systems and to view documents on screen to reduce paper consumption. All printers are set to default to double sided, black and white printing. The A4 equivalent paper consumption for this year was 53% less than 2009/2010.

Waste minimisation and management	2012/2013	2011/2012	2010/2011	2009/2010
Waste to landfill (tonnes (t))	37	29	67	75
Waste recycled/re-used (t)	50	63	85	32
Waste incinerated (t)	21	25	16	2
Total waste (t)	109	117	168	109
Waste normalisation per FTE (t)	0.27	0.29	0.39	0.25
Waste normalisation kg per NIAm ²	3.9	4.2	6.0	3.9

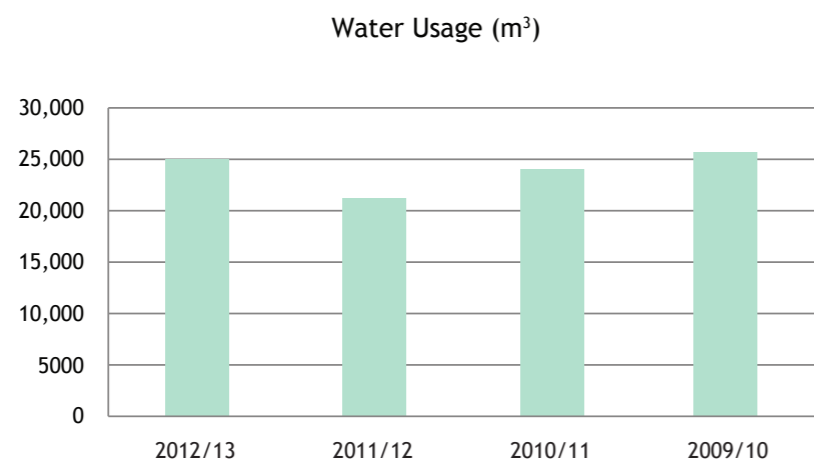
Financial Indicators: Waste removal is one of number of services provided by HSL's Facilities Management for which HSL pays a standard service charge as part of an agreed 30 year contract. As the service charge is not separately itemised, financial indicators for waste minimisation and management are unavailable. Whilst an estimate could be based on the market price this would not add any value to the table as the target is to reduce the quantity of waste, not the cost of waste removal.

ANNEX 1 continued

GGOP Targets	Achievement against Target
Reduce the amount of waste we generate by 25% by 2014/2015 from a 2009/2010 baseline	HSL's waste arisings for 2012 match the 2009/2010 baseline.

Finite resource consumption	2012/2013	2011/2012	2010/2011	2009/2010
Water consumption (m ³)	24951	21,058	24,011	25,463
Water normalisation per FTE (m ³)	63	52	56	58
Water Supply costs (£)	82169	40,630	56,132	54,219

The total water consumption reported below includes all office, laboratory, WC, catering, fire hydrant testing and project use. A number of water leaks were identified and repaired in year.



GGOP Targets	Achievement against Target
Reduce water consumption by 30% by 2015 from a 2009–2010 baseline	In 2012 HSL consumed 2% less water than in 2009/2010

Notes:

1. Emissions are not weather corrected
2. Total emissions have been calculated using DEFRA conversion factors provided for calculations in the Greening Government Commitments.
3. Water expenditure includes sewerage charges
4. 'Owned vehicles' are vehicles used for official business but wholly owned by HSL
5. Car hire: The contracted supplier provides this information although some of it would have been provided to them by their 3rd party supply chain partners

Biodiversity Adaptation Plan

HSL has liaised with Derbyshire Wildlife Trust to review the ecological and nature management of the site. The Buxton site provides a habitat for a number of nationally and regionally rare species of flora.

HSL has undertaken all of its business activities to date without adverse impact on any of these sensitive species.

About 45% of HSL's 220 hectare estate is pasture and meadow land – formally leased to a local hill sheep farmer who manages it in accordance with Natural England's 'Uplands Entry Level Stewardship' scheme, launched in 2010 to support hill farmers with payments for environmental management. The activities undertaken to promote biodiversity on the estate include:

- Not making hay before certain dates to allow the seeds of wild flowers and grasses to set;
- Not cutting grass in certain areas to improve habitats for small mammals, invertebrates and birds;
- Restrictions on the use of fertilisers, herbicides and supplementary feeding;
- Not ploughing the land or cultivating crops;
- Maintaining a range of sward heights during the growing season to allow plants to flower and to provide a more varied habitat;
- Light grazing of sheep. Reduction or cessation of grazing or mowing could lead to growth of rank vegetation and woody species;
- Monitoring and controlling spread of vigorous non-native species; and
- Leaving any felled trees or branches left in situ to provide shelter and overwintering sites for insects.

Fauna on HSL site include badgers, foxes, hares, pine martens, visiting red deer and birds typical of the area such as lapwings and little owls.

An environmental risk assessment on the potential impacts of climate change on the HSL estate showed one of the greatest risks to biodiversity to be prolonged periods of hot and dry weather increasing the risk of wildfires spread by grass and trees. To reduce the risk of grass/wildfires on site, fire breaks are maintained around vulnerable test areas and fire fighting equipment (beaters and hydrants) are located where there is a fire risk, with robust emergency procedures in place.

Other climate change impacts that could occur on site include localised flooding and extreme winds, however effects on biodiversity would be short lived and control measures not practicable.

HSL supports a long term Anglo-American collaborative research project examining the impact of climate change on flora. Since 1989, a small area of HSL species rich grassland (<1 hectare) has been used to carry out climate change experiments, using various techniques to subject plants to predicted conditions 50 years from now to see how fast ecosystems will change as climate changes. Conditions include higher temperatures, severe drought, and floods, and to date no species have been lost, improving the understanding of the underlying mechanisms of resistant high species diversity grasslands.