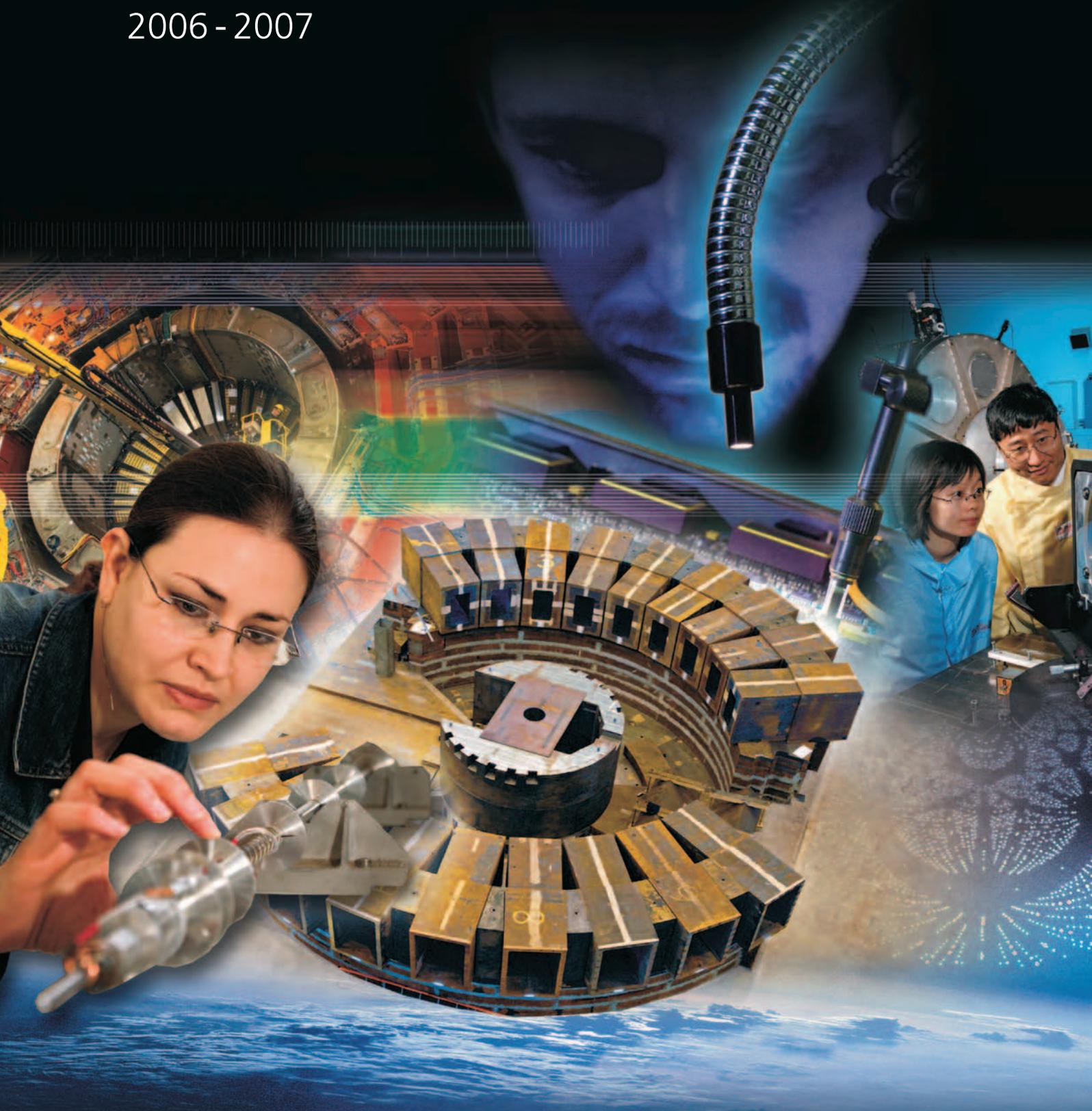


CCLRC Annual Report and Accounts

2006 - 2007



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CCLRC Annual Report and Accounts

2006-2007

Council for the Central Laboratory of the Research Councils (CCLRC)
Report and Accounts 2006 - 2007

Presented pursuant to the Science and Technology Act 1965, C4, S(1), 2(2), 3(3)
on 24 July 2007.

Ordered by the House of Commons to be printed on 24 July 2007.

The Council for the Central Laboratory of the Research Councils' objects, as defined in its revised Royal Charter, are:

- (a) to promote and support high quality scientific and engineering research by developing and providing, by any means, facilities and technical expertise in support of basic, strategic and applied research programmes funded by persons established in this Our United Kingdom and elsewhere;
- (b) to support the advancement of knowledge and technology (including the promotion and support of the exploitation of research outcomes), meeting the needs of the Research Councils, other customers and their user communities and, in such matters as Our Secretary of State may from time to time agree, to co-ordinate the development of policies and strategies to provide access for scientists to large scale facilities both nationally and internationally, thereby contributing to the economic competitiveness of Our United Kingdom and the quality of life;
- (c) in relation to the activities as engaged in by the Council under (a) and (b) above and in such manner as the Council may see fit:
 - to generate public awareness;
 - to communicate research outcomes;
 - to encourage public engagement and dialogue;
 - to disseminate knowledge; and
 - to provide advice.

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Foreword

“managing a step-change in international leadership and economic impact”

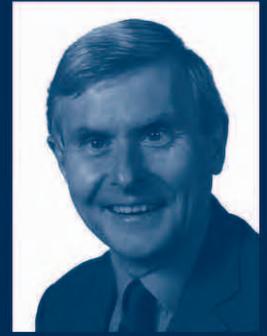
I am proud to present this last annual report of CCLRC on behalf of all the staff that have contributed to the immense scientific impact the organisation has had during its existence. Being in the vanguard of investigative research involves constant change and taking risks. As CCLRC merges with the Particle Physics and Astronomy Research Council (PPARC) this now gives the UK a unique opportunity to develop a coherent international strategy and to further advance its knowledge exchange to maximise the return on public investment.

It is remarkable that the time from the Government announcement that the CCLRC would merge with PPARC to the creation of the Science and Technology Facilities Council was just nine months and it is a credit to all staff involved that we were able to deliver an integrated, forward-looking new Research Council. At the same time, our finance team has worked tirelessly to ensure the CCLRC has left behind a healthy financial legacy.

One of the key drivers for the merger was to enable the UK to exert greater leadership and leverage in the development and implementation of strategies for large facilities. I am pleased to say that the CCLRC has positioned itself well on the international scene and it has become a serious contender to host, or provide leadership for, future international projects. As the chair of the European Strategy Forum on Large Infrastructures (ESFRI), I was delighted to see the publication of the first European Large Facilities Roadmap published in October 2006. The roadmap sets out the vision for several projects that we might become involved in over the next 10 to 20 years including high power lasers, a European Spallation Source and fourth generation light sources. We are already taking the lead on HiPER – a European High Power laser Energy Research facility – dedicated to demonstrating the feasibility of laser driven fusion. For the future, the Science and Technology Facilities Council will be able to take a more holistic view across a much broader cross-section of large facility projects including extra large telescopes, a neutrino factory and the Large Hadron Collider.

Credibility to lead on large facility capital projects comes from delivering on those we are already committed to. In November 2006, the Prime Minister visited Diamond to celebrate first light in the beamlines. He said, “This new world-class facility shows the importance this country attaches to science and scientists”. Then at the beginning of 2007, I was thrilled that Diamond, the world’s brightest third generation synchrotron, opened its doors to the first scientific users on time, on budget and to specification. This is a huge achievement for everyone involved in the project.

We need to make sure that all of this investment is fully exploited through encouraging innovation and knowledge exchange. The year has seen a step-change for the CCLRC in this area, with the creation of a new marketing team and huge steps forward with both Science and Innovation Campuses. I am pleased to see that the Daresbury Science and Innovation Campus now houses 45 high impact companies and the Cockcroft Institute has attracted a top scientist from the Jefferson Laboratory as its new Director. Great progress has also been made with the Harwell Science and Innovation Campus, where we are close to selecting a partner for the Joint Venture. This year has also seen the CCLRC selling its first shares in the spin-out company Orbital Optics. We look to the future optimistically.



As I sign-off the accounts for the CCLRC for one last time, I am confident that the new research council we have created will have a bright future.

John Wood

Professor John Wood CBE FREng
Accounting Officer
Date: 12 July 2007

History and Statutory Basis of the Council

The Council for the Central Laboratory of the Research Councils (CCLRC) was established on 1 April 1995 as an independent research council under the Science and Technology Act 1965. Its Royal Charter was granted by Her Majesty the Queen on December 1994 and amended by Privy Council on 17 July 2003. Its activities during 2006-07 have been in accordance with the objects set out in its Charter which is available on the CCLRC Freedom of Information website (see http://www.foi.cclrc.ac.uk/Publication_Scheme/section_01.aspx).

The CCLRC Group

Throughout 2006-07, the Council continued to trade as a corporate Group (CCLRC Group). The Council's principal activity continued to be the management of its world-class research facilities at Rutherford Appleton Laboratory, the Daresbury Laboratory and the Chilbolton Observatory in accordance with its Charter mission. The Council also continued to fulfil its strategic role on behalf of Research Councils UK, as the national focus for large scale facilities for neutron scattering, synchrotron radiation and high power lasers. This included the continued management of the UK interests in the Institut Laue Langevin (ILL) and European Synchrotron Radiation Facility (ESRF).

As well as continuing to operate as a single entity, the Council (CCLRC) has operated its own wholly-owned trading subsidiary, Central Laboratory Innovation and Knowledge Transfer Limited (CLIK). The CCLRC also continued to be the major shareholder in Diamond Light Source Limited (DLS), a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy synchrotron radiation source. The CCLRC also continued to manage its own conference facility at The Cosener's House in Abingdon, Oxfordshire.

Key Stakeholders

CCLRC's key stakeholders are illustrated in the following diagram:



Management Commentary

Financial Performance – Review of the Year

Introduction

Throughout 2006-07, the Council has continued to trade as a corporate Group (CCLRC Group). As well as continuing to operate as a single corporate entity, the Council (CCLRC) has operated its own wholly-owned trading subsidiary, Central Laboratory Innovation and Knowledge Transfer Limited (CLIK). In addition, throughout the year, CCLRC continued to be the major shareholder in Diamond Light Source Limited (DLSL), a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source.

Group Financial Performance

This year, for the first time, as a consequence of a change in HM Treasury policy, the accounts for the CCLRC Group are presented as a Consolidated Statement of Net Expenditure in place of the more widely recognised Income and Expenditure presentation. The key difference in the presentation is the treatment of central government Grant-in-Aid (GiA) funding which is now treated as Balance Sheet financing instead of being credited as operating Income. Based on this new presentation the CCLRC Group accounts for 2006-07 show a Net Expenditure for the year of £146.1 million (2005-06, Net Expenditure of £134.7 million). Included within the Consolidated total was a small surplus of £0.5 million reflecting the Group's share in DLSL.

Provisions

On 7 March 2005, as part of the publication of H.M. Government's Spending Review 2004, the Secretary of State for Trade and Industry formally announced the closure, at the end of 2008, of the Council's synchrotron radiation source at its Daresbury Laboratory site. As a consequence of this announcement, based on a thorough assessment of the foreseen costs, the Council, in accordance with Financial Reporting Standard 12, made full provision for the exceptional costs of this closure in 2004-05 (£26.1 million at 2006-07 prices (see note 12)).

In addition, in 2005-06, the Council instigated a full review of its administrative operations and put in place a programme for their reduction, the implementation of which has yielded substantial cost savings over the last two years. A sum of £6.1 million was originally set aside to meet the consequential restructuring costs linked to this programme. Given that these costs have been largely expended by the end of 2006-07 this provision has been reduced by £5.1 million.

The Council also has in place a provision for the decommissioning of the ISIS pulsed neutron source at the Rutherford Appleton Laboratory and for other minor decommissioning work related to the Synchrotron Radiation Source at the Daresbury Laboratory (£10.1 million at 2006-07 prices (see note 12)).

All these provisions, which were fully reassessed at the end of 2006-07, have been made with the full knowledge and agreement of its parent government Department, the Department of Trade and Industry through the Office of Science and Innovation (OSI).

Beyond 2006-07, as a consequence of the planned merger of the Council with the Particle Physics and Astronomy Research Council (PPARC) to form the Science and Technology Facilities Council from 1 April 2007, such assurance will continue to be provided on behalf of the new Council.

CCLRC Group

2006-07 proved a very challenging year for the Council in terms of financial performance. The Council, as a Non Departmental Public Body (NDPB) is required to remain within its specific budgeted limits agreed with the OSI, under the governance of Resource Accounting and Budgeting (RAB), the regime by which H.M. Treasury, on behalf of central government, ensures public sector spending is satisfactorily controlled. Both in June 2006, and again in December 2006, CCLRC, in compliance with this regime, was required to advise the OSI of its total forecast net expenditure for the year and, based on a requirement from Treasury, adhere as closely as possible to this forecast. This requirement was imposed in addition to the Council's standing requirement, under normal fiscal practice, to breakeven on its operational activities.

Throughout the year, adherence to this forecast required detailed and robust financial management, both in forecasting the annual outcome and in ensuring rapid responses to changing circumstances of its substantial programme, to ensure delivery of the expected outturn.

The original June forecast was based on the Council's approved Operating Plan which was, in turn, based on its Delivery Plan agreed with OSI. However, following revised targets set by Treasury for OSI in December together with significant slippage in the Council's capital expenditure programme against its original Operating Plan, in January 2007, in accordance with the paramount need to meet the revised December 2006 forecast, the Council switched the emphasis on specific programmes of work, involving both operating and capital expenditure, to ensure its targets were met. At all times, in so doing the Council undertook work that was both in line with its strategic objectives and represented good value for money.

During the year, in seeking to ensure the future funding requirements of the Council were soundly based the Council agreed with OSI to instigate a detailed external review of its budgetary process. This review, undertaken by KPMG, was duly completed in October 2006 and, in summary, provided both parties with a high level of assurance on this aspect of the Council's business.

Against this background, income from operating activities was £70.0 million, a small reduction of £1.1 million on the previous year (2005-06, £71.1 million).

Income from other Research Councils was £37.8 million (£41.2 million in 2005-06) due mainly to a reduction in income from PPARC to £26.1 million (£28.2 million in 2005-06). Total income from other Government bodies was higher than last year at £2.9 million (2005-06, £2.2 million). Income from external bodies showed growth in all areas except Overseas and the Private Sector and rose to £29.3 million (£27.8 million in 2005-06).

Grant in aid resource funding for 2006-07 was £91.9 million (2005-06, £77.3 million).

Operating expenditure increased by £15.3 million, from £199.8 million in 2005-06 to £215.1 million in 2006-07, chiefly as a consequence of the following factors:

- the general increase in the Council's volume of business activity and the substantial increase in UK utility prices which led to a significant increase in expenditure under three headings, Equipment and supplies, Services and Other operating costs up by a total of £12.1 million, from £63.9 million in 2005-06 to £76.0 million in 2006-07;
- a substantial increase in the Council's annual depreciation charge from £26.7M in 2005-06 to £30.5 million in 2006-07, due to the accelerated write-off of assets of its Synchrotron Radiation Source at Daresbury, due for closure in December 2008, and general significant growth in the Council's fixed asset base;
- associated with the growth in its fixed asset base, the sum calculated for Notional cost of Capital also increased from £17.8 million in 2005-06 to £22.7 million in 2006-07.

These increases were offset by:

- staff costs – primarily due to the success of its restructuring programme, despite an increase in pay in line with average public sector pay inflation total staff costs fell from £65.2 million in 2005-06 to £64.6 million in 2006-07;
- restructuring – expenditure of £6.2 million in 2006-07 on restructuring costs was offset by a reduction in the provision of £5.1 million, giving net expenditure of £1.1million for the year compared with £4.2 million in 2005-06;
- international subscriptions – the Council's payment of the UK's subscriptions to ILL and ESRF, fell from £21.9 million in 2005-06 to £20.2 million in 2006-07 due to more favourable exchange rates and a reduced capital programme at ILL.

Elsewhere on expenditure, as a consequence of the special cumulative adjustment necessary in 2005-06 to meet HM Treasury's advised reduction in the discount rate to be used for the unwinding of provisions from 3.5 to 2.2%, a significant increase was required to the Council's cumulative charge which cost £5.9 million in 2005-06. This year, no such adjustment has been advised and therefore the charge to expenditure required this year was reduced to £0.8 million.

Total Government Funds at 31 March 2007 amounted to £695.3 million (£570.0 million at 31 March 2006 (see note 13)). The major causes of this substantial increase was the sum attributable to the investment in DLSL, £255.6 million (2005-06, £203.7 million), and the substantial growth in CCLRC's own asset base, £498.4 million (2004-05, £416.9 million).

The Council has remained within its specific budgeted limits, made up of in-year allocations and brought forward funding balances known as End of Year Flexibility, agreed with the OSI, under the governance of Resource Accounting and Budgeting.

Central Laboratory Innovation and Knowledge Transfer Limited (CLIK)

This company, a wholly owned subsidiary of CCLRC, was established at the start of 2002-03 to manage and exploit, commercially, the intellectual property owned by its parent and, to ensure the optimum exploitation of such property in the United Kingdom economy in accordance with H.M. Government policy. Throughout 2006-07, CLIK continued to develop new trading opportunities via the establishment of specific technology spin-out companies and the licensing of its intellectual property.

As is to be expected with a venture of this nature and well within its planned budgeted financing, fully underwritten by its parent, the company incurred a trading deficit of £135,000 (2005-06, £337,000 deficit). This loss was a substantial improvement on both the previous year and on the budget set for 2006-07 and is due to the company's steadily strengthening trading ability which included, for the first time, the sale of a small spin-out company, Orbital Optics Limited, to the private sector.

Diamond Light Source Limited

Throughout the year, CCLRC continued to be the major shareholder in the DLSL, a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source. The CCLRC shareholding, 86%, is treated as an investment in the CCLRC's accounts. Since it is DLSL's policy to capitalise all expenditure during the construction phase, this investment is reflected in the balance sheet of the CCLRC and of the CCLRC Group with the exception of interest receivable, net of a provision for Corporation tax, of which there is a surplus of £502,000 in 2006-07 (2004-05, £285,000) attributable to CCLRC.

In January 2007, after 5 years work, Phase 1 of the Diamond project, the construction of the synchrotron radiation source and 7 beam lines, costing £263 million was completed on time and within budget. Throughout the remainder of 2006-07, the machine was commissioned and became operational on 1 April 2007.

Creditor Payment Policy

The Council observes the Confederation of British Industry's Code of Practice. The Council adheres to the principles of the Prompt Payers Code and makes every effort to comply with the agreed terms of payment of creditors' invoices, endeavouring to pay them within 30 days of receipt of a valid invoice for goods and services received. During 2006-07 the percentage of all invoices received by the Council which were paid within 30 days was 97% (2005-06, 97%). The Council makes purchases using the Government Procurement Card (GPC) and the percentage of invoices paid within 30 days includes purchases made using the GPC. No payments were made under the Late Payment Act.

Governance

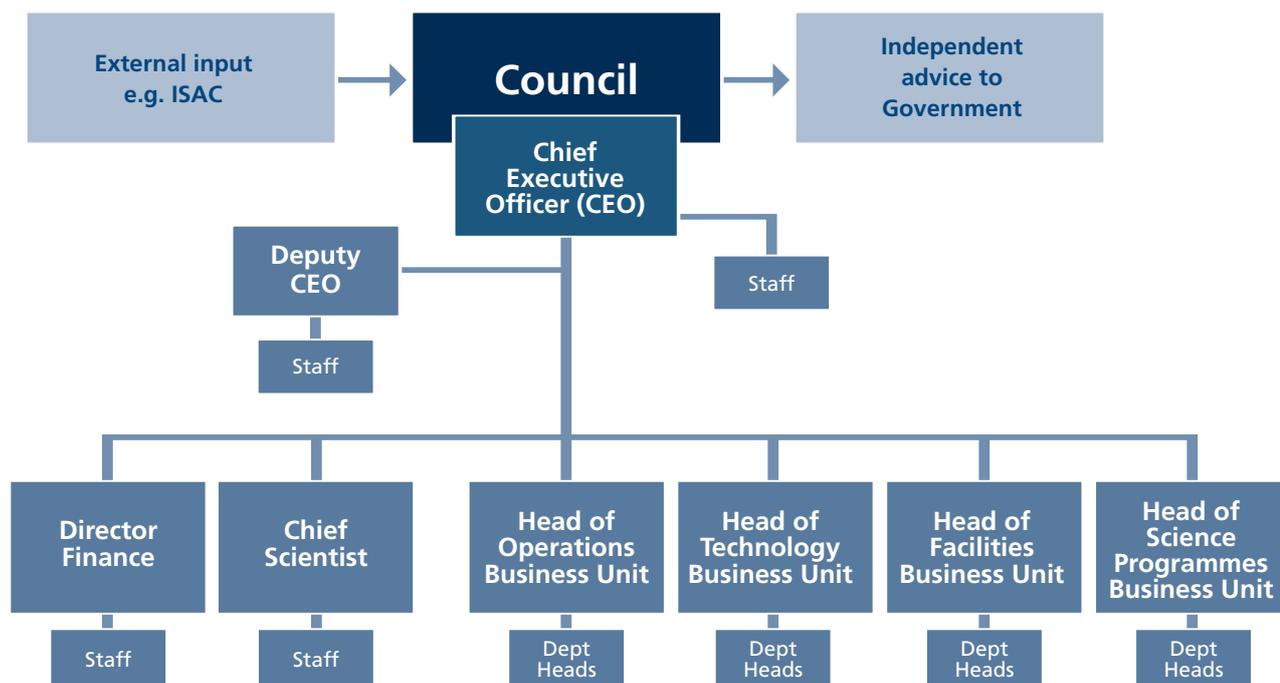
“Planning for the Science and Technology Facilities Research Council”

The senior management structure for the CCLRC, comprising the Heads of Business Units, together with the Deputy Chief Executive, the Chief Scientist and the Director Finance continued to operate through the CCLRC Executive Board throughout 2006-07 and met finally in June 2007 to review the final accounts. In January 2007, a parallel, shadow management team was also created to oversee the final stages of the merger.

Throughout the 2006-07 reporting year, the CCLRC continued to implement and complete the management changes begun under the ‘Fit for the Future’ (FFtF) programme. By September 2006, the FFtF project had reached approximately 80% of its original savings targets (in terms of staff costs) and it was decided to stand down the core project team and hand over the completion of the project to the heads of the Business Units. Each Business Unit, therefore, set out its plans for continuous improvement and progress against these plans was monitored by the CCLRC Executive Board.

Independent strategic advice required from CCLRC continued to be formally given by the Council, taking account of independent advice provided to them by the International Science Advisory Committee (ISAC). Council has also continued to draw advice from a Resource Allocation Committee (RAC) comprising members of Council and the Executive Board, chaired by the CCLRC Chairman. The RAC provided advice to Council on the preparation of the Operating Budget.

Governance Arrangements



Executive Board and its Committees

The Executive Board was the senior executive committee of CCLRC, and was the main forum through which the Chief Executive Officer (CEO) lead and managed CCLRC and received advice and information from the senior management team. The Executive Board was not the vehicle for providing strategic advice from CCLRC to Government. Financial allocations were decided by Council.

To assist it in this role, the Executive Board continued to draw on advice from a structure of Boards and Committees reporting into it. This structure is illustrated below:

Committee, Board, and Group Structure



Risk Management

In accordance with the best practice requirements of the Turnbull Report (the Combined Code), HM Treasury has established a Risk Management Standard that all Government Bodies are required to maintain. The Standard is incorporated within Chapter 21 of 'Government Accounting'. The CCLRC acts in full compliance with this Standard, with regular reviews by both the Audit Committee and the Executive Board.

In 2006-07, the CCLRC Executive Board approved a revised management structure for risk to help shape a new corporate risk register, linked to performance evaluation, with the CEO ultimately taking responsibility for it. The Audit Committee formally took over responsibility for overseeing risk and was re-named the Audit and Risk Committee to reflect this new responsibility. The Executive Board took on direct responsibility for reviewing reports against the OSI performance evaluation framework and risk and project management issues were reported through focussed sub-committees, in particular the Risk and Business Continuity Committee which took on responsibility for overseeing operational and corporate risk, and for advising the CEO on these matters.

Merger

In March 2006, the Government published "Science and Innovation Investment Framework 2004-2014: Next Steps" (see http://www.dti.gov.uk/science/science-funding/framework/next_steps/page28988.html) – its thoughts on the long-term challenges facing science and innovation in the UK. The document proposed that CCLRC and the Particle Physics and Astronomy Research Council (PPARC) should merge into one council and a public consultation was launched to inform this proposal. The Government also invited views on whether the funding arrangements for physical sciences should be simplified in the wake of these changes.

In July 2006, it was announced that the CCLRC and PPARC would merge to create the Science and Technology Facilities Council. At the same time, it was announced that funding for the support of nuclear physics research would be transferred from the Engineering and Physical Sciences Research Council into the new Council. Preparations for this merger were managed by a Merger Project Board chaired by the CEOs of CCLRC and PPARC and comprising three Senior Staff from each Council plus a Merger Project Manager. A Merger Project Team reported into the Board through the Project Manager. In the later stages of the process, the Merger Project Board was chaired by the CEO designate for the Science and Technology Facilities Council (Professor Keith Mason) and the Merger Board membership was amended to include the new Senior Directors designate. A budget of £440,000, split equally between the Councils, was set aside for the merger.

The Merger Board agreed that the CCLRC Business Units, created through the CCLRC's Fit for the Future programme, would continue to manage programmes on the CCLRC sites in the new Research Council but that the model should be rationalised to take account of changing business needs and the forthcoming merger. In January 2007, it was announced that the Science and Technology Facilities Council would operate two, rather than three operational business units for the science/technology departments. The Facilities Business Unit was to remain largely unchanged, but with the retirement of the Head of the Technology Business Unit at the end of March 2007, the Science Programmes Business Unit and the Technology Business Unit were to merge. The new Business Unit would also incorporate the Astronomy Technology Centre at Edinburgh. The Operations Business Unit would continue to provide central services and to retain overall responsibility for the common processes and systems needed for the Business Units to operate efficiently and effectively.

Council and its Committees

The Council, CCLRC's governing body, was appointed by the Secretary of State for Trade and Industry, the CCLRC's parent Government Department. The Council membership was drawn from university and industrial communities. The following were members of the Council during the year 2006–07. Their attendance record is also shown.

	Attendance
Chairman	
Sir Graeme Davies FEng, University of London	5/5
Chief Executive	
Professor John Wood CBE FEng	5/5
Members	
Professor Keith Burnett FRS, University of Oxford	2/5
Mr John Burrows, Business Growth and Development Ltd	4/5
Professor Richard Catlow, University College London (<i>from 01 April 2006</i>)	4/5
Dr Derek Chadwick, Novartis Foundation	5/5
Professor Mike Cruise, University of Birmingham	5/5
Professor Graham Davies FEng, University of Birmingham	5/5
Mr Marshall Davies, Independent Advisor	5/5
Professor Robert Donovan, University of Edinburgh (<i>until October 2006</i>)	3/3
Mr Philip Greenish, Royal Academy of Engineering	4/5
Professor Peter Gregson, Queen's University, Belfast	4/5
Ms Anne Kensall, Business Advisor	5/5
Professor Dewi Lewis, General Electric Healthcare (<i>from 01 April 2006</i>)	5/5
Professor David Saxon, University of Glasgow	5/5

In accordance with the Council's Royal Charter, members were appointed by the Secretary of State for a term of office not exceeding four years. Members (other than members who were employees of the Council, including the Chief Executive) who were re-appointed for a second term were not again eligible for reappointment until a year had elapsed. With the exception of the Chief Executive, all the above-named were deemed to be independent in character and judgement. Any financial or business relationships with CCLRC were listed in the Register of Members' Interests and in the Related Party Transactions (see note 20 to the Annual Accounts).

One member of Council was assigned responsibility for investigating and advising on confidential whistle-blowing cases.

The appointments of Sir Graeme Davies, Professor Keith Burnett, Mr John Burrows, Dr Derek Chadwick, Mr Marshall Davies, Mr Phillip Greenish, Ms Anne Kensall and Professor David Saxon were extended to 31 July 2007 and Council met on 26 June 2007 to review the Annual Report and Accounts.

Register of Members' Interests

A register of Council Members' private, professional and commercial interests was maintained by the Council and can be obtained from the CCLRC Freedom of Information web site (see <http://www.foi.cclrc.ac.uk/CCLRCgen/register.aspx>).

Political and Charitable Gifts

The Council made no political or charitable gifts during the year.

International Scientific Advisory Committee

The Council had an International Science Advisory Committee (ISAC), chaired by an independent member of Council, with membership drawn from both the UK and overseas to reflect the main scientific interests of CCLRC. Members were appointed for a maximum three year term of office. Membership during 2006-07 was:

Chairman

Professor Keith Burnett FRS, Clarendon Laboratory, University of Oxford

Members

Professor Alex Bradshaw, Max-Planck-Institut für Plasmaphysik

Professor Keith Hodgson, Head of Chemistry and Director Stanford Synchrotron Radiation Laboratory

Dame Louise Johnson FRS, Laboratory of Molecular Biophysics, University of Oxford

Sir Chris Llewellyn-Smith FRS, United Kingdom Atomic Energy Authority Culham Division, Culham Science Centre

Professor David Moncton, Advanced Photon Source, Massachusetts Institute of Technology Nuclear Reactor Laboratory

Professor François Richard, Director Laboratoire de l'Accélérateur Linéaire, Université Paris-Sud

Professor Sune Svanberg, Department of Physics, Lund Institute of Technology

Professor David Southwood, Programme Director, European Space Agency

Professor John White FRS, Research School of Chemistry, Australian National University, Canberra

ISAC was established in May 2005 with the remit to provide Council with *"independent and objective strategic advice on existing or future investments in science and technology"*. During 2006-07 the Committee played a major part in advising on a Science and Technology Strategy for the Council, began to consider a strategy for accelerator sciences and continued to advise on the strategy for provision of access to neutron sources for the UK community.

Resource Allocation Committee

The Council's Resource Allocation Committee (RAC) continued to provide advice on strategic-level issues impacting on the Council's financial position, in particular the preparation of the annual Operating Budget. The Committee met once, in June 2006, to provide advice on the line to take with OSI on key issues impacting on the Operating Budget for 2006-07 and the draft budget for 2007-08. Membership during 2006-07 was:

Chairman

Sir Graeme Davies FEng, University of London

Members

Professor Keith Burnett FRS, University of Oxford

Professor Henry Hutchinson, Chief Scientist, CCLRC

Professor David Saxon, University of Glasgow
Professor Colin Whitehouse FEng, Deputy CEO, CCLRC

Meetings were also attended by Professor John Wood, CEO, CCLRC and key CCLRC financial staff.

Audit Committee

The Council had an established Audit Committee, re-named in 2006 to the Audit and Risk Committee, to review internal and external audit matters, internal control and risk management, and the Council accounts. The Committee met four times during the year.

The Committee's Terms of Reference were reviewed in October, and were ratified at the next meeting of the Council. The Committee also produced an annual report on its activities. Both the Terms of Reference and annual reports are publicly available on the Council's Freedom of Information website (<http://www.foi.cclrc.ac.uk>).

The following were members of the Audit and Risk Committee during the financial year:

	Attendance
Mr Marshall Davies, Independent Advisor (Chairman)	4/4
Dr Derek Chadwick, Novartis Foundation	4/4
Professor Dewi Lewis, General Electric Healthcare	3/4
Mrs Gillian Macpherson FCA, Research Machines plc	4/4

The appointments of the Audit Committee members were extended to 31 July 2007 and the Committee met on 26 June 2007 to review the Annual Report and Accounts.

Freedom of Information

In 2003, and in accordance with the Freedom of Information Act 2000, the CCLRC established an external Freedom of Information (FoI) web site in order to make the content of its publication scheme available directly to the public. A summary of Council minutes and meeting notes from the CCLRC's Executive Board are now published on the FoI web site (see http://www.foi.cclrc.ac.uk/Publication_Scheme/section_03.aspx). During 2006-07, the CCLRC received 16 additional requests for information, all but one of which were satisfied within the 20 working day timeframe. No exemptions were applied to the information requested. In one case, the information took longer than 20 days to collate but the applicant was kept apprised of the situation and was satisfied with the outcome.

Auditors

Internal audit was provided by the Research Council's Internal Audit Service.

The Accounts of the Council were audited by the Comptroller and Auditor General of the National Audit Office (NAO), under the terms of Section 2(2) of the Science and Technology Act 1965. Their fee for the 2006-07 audit was £60,000 compared with £57,500 in 2005-06.

The NAO charged £6,000 for non-audit work in relation to the merger with PPARC during 2006-07. No non-audit work was undertaken by the NAO during 2005-06.

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

Performance and Related Trends

“Of the 94 targets specific to 2006-07, 94% were met in full by the target date”

The Council's performance is reviewed formally through the OSI Performance Management System. This was first introduced in 2005-06 and comprises:

- the Delivery Plan – sets out Research Council (RC) plans and programmes for the period 2005-06 to 2007-08;
- the Scorecard – lists the key, strategic-level deliverables and associated metrics and targets from the Delivery Plan;
- the Output Metrics Framework – focuses on the contribution an individual RC makes to achieving the Public Service Agreement target and performance measured against two principal outputs:

Output 1: a healthy UK science and engineering base. Maximise the impact of the Research Council's investment of the Science Budget on maintaining and improving the UK's science and engineering base.

Output 2: better exploitation. Increase the contribution made to improving exploitation of the science and engineering base to meet national economic and public service objectives.

[These documents can be downloaded from http://www.foi.cclrc.ac.uk/Publication_Scheme/section_02.aspx]

Performance against the targets, milestones and metrics defined in these documents is monitored routinely by OSI. Quarterly reports on the Scorecard, including a measure of concern based on a traffic light system, are submitted to OSI and are reviewed by Council. The Council is also required to produce an Annual Delivery Plan report which will include a summary of progress against the Scorecard targets and data on the Output Metrics Framework. The second Annual Delivery Report will be published in July 2007.

In 2006-07, CCLRC reported against 94 detailed ongoing targets, 34 at the strategic-level, of which 94% were met in full by the target date. Those deliverables that were slightly delayed (six targets) are expected to be resolved to bring them back on track for the next reporting period. Examples of major achievements throughout this reporting period are:

Facilities

- Diamond opened its doors to users at the beginning of 2007 on time, on budget and to specification – seven beamlines are now operational.
- Record number of applications for using our ISIS neutron facility – target to deliver 180 days achieved.
- First beam from the Energy Recovery Linac Prototype photo-injector achieved and the linac module has been cooled to 2K.
- Highly successful annual two day High Power Lasers User Meeting in December with 140+ delegates.

The CCLRC facilities attracted users from all over the UK, Europe and elsewhere in the world to carry out high quality experiments across a broad range of scientific disciplines. Under the facility access arrangements users of Synchrotron Radiation Source (SRS), ISIS and the Central Laser Facility (CLF) are asked to complete a common user feedback questionnaire after each experiment and this information is used to generate user satisfaction figures.

SRS provided users with access time for the completion of 939 experiments with a user satisfaction rate of 87% compared to a target of 85%.

ISIS delivered 811 experiments for its user community, produced 560 mA-hr of beam and registered a user satisfaction of 88% compared to a target of at least 85%.

The Central Laser Facility comprises the Lasers for Science Facility (LSF), the Laser Loan Pool, Astra and Vulcan. In 2006-07, the CLF scheduled 222 weeks of user time and recorded a user satisfaction, across the five categories measured, of 89% compared to a target of at least 85%.

During 2006-07, CCLRC ensured access for the UK Research community to a significant proportion of Europe's major research facilities: 23.6% of public access to the neutron source at the Institut Laue-Langevin and 16.7% of public access to the European Synchrotron Radiation Source, both in Grenoble, France.

Space Science

- Astronomy Technology Centre/ Rutherford Appleton Laboratory delivered the VISTA camera.
- STEREO (Solar Terrestrial Relations Observatory comprising two spacecraft) generated the first 3-D images of the Sun.

New Developments

- Bids to the Seventh Framework Programme for Research and Technological Development (FP7) for four projects included in the European Strategy Forum on Research Infrastructures (ESFRI) Roadmap: the European 'High Power laser Energy Research' facility (HiPER) - UK lead, Extreme Light Infrastructure (ELI), European Spallation Source (ESS) and a Trans European Network of complementary Infrared to Soft-X ray Free Electron Laser Laboratories (IRUVX FELs Network). See http://ec.europa.eu/research/fp7/index_en.cfm, <http://www.fp7uk.dti.gov.uk/> and <http://cordis.europa.eu/esfri/>.
- Research Complex at Rutherford Appleton Laboratory passed Gateway 1; design endorsed by User Group.
- Completed investment in the initial phase of ILL Millennium Programme, and commitment made to contribute to the next phase.
- IBM Blue Gene Partnership established and initial Blue Gene L system delivered.

Campuses/Economic Impact

- Invitation to Negotiate on Joint Venture for Harwell Campus reaching its final stages.
- First shares sold in CLIK company (Orbital Optics), only one year old.
- New commercial marketing team established.
- Daresbury Innovation Centre continued to expand rapidly and now houses 44 ultra-high technology companies.
- Significant progress made on negotiations with the European Space Agency to host a Centre at Harwell.

Research Excellence

- Successful ongoing accelerator science development programme has attracted a leading researcher from the Jefferson Laboratory, Swapan Chattopadhyay, to head the Cockcroft Institute.
- Fellow of the Royal Society awarded to a member of staff at Rutherford Appleton Laboratory.

Science in Society

- Successful partnership with Research Councils UK (RCUK) Science in Society Unit, to deliver four Continuous Professional Development courses at three Science Learning Centres.
- Eighteen public lectures at our laboratories have been attended by a total of 3000 people, whilst a CCLRC-sponsored lecture at the Cheltenham Science Festival was attended by a further 200 people.
- 110 work experience placements were provided over the year.

Operational Initiatives

“Diamond capital project opened its doors to first users on time, on budget and to specification”

During 2006-07, CCLRC continued to take forward four major capital projects supported through the Large Facilities Capital Fund. These were:

- Diamond Light Source and Instrumentation Phases 1 & 2 (budget £98.8 million plus £45.1 million in the Spending Review 2004 period – SR04)

Diamond (DLS) is a third generation 3GeV synchrotron light source which will produce X-ray, infrared and ultra-violet beams of exceptional brightness. Diamond aims to be the best medium-energy X-ray source in the world. CCLRC is the 86% shareholder in DLS on behalf of OSI, in partnership with the Wellcome Trust. The facility opened its doors to the first users in January 2007 - on time and on budget. All seven Phase 1 beamlines have now seen light. Of these, four have accepted their first users, and all seven beamlines are expected to have accepted users by the end of the current commissioning and optimisation period. The first Phase II beamline should accept its first users in August 2007.

- ISIS Second Target Station and the first set of instruments (budget £102.3 million in SR04)

The Second Target Station will provide a qualitatively different source of neutrons at ISIS which will be exploited by a new suite of instruments to provide unique research facilities in support of, for example, soft condensed matter, bio-molecular science, advanced materials and nanoscale science. The project continues to make good progress with a small time slippage expected to be recovered.

- Energy Recovery Linac Prototype (budget £2.5 million)

This project is an experimental test-bed for fourth generation light sources/free electron lasers and will inform the decision on the proposal for a UK Fourth Generation Light Source (4GLS). The first beam from the ERLP photoinjector was achieved in August 2006 and the linac module has been cooled to 2 degrees Kelvin. Progress on the commissioning of this state-of-the-art prototype system has highlighted a number of remaining technical challenges requiring extension of the ERLP construction project into 2007-08. The Project Board has agreed to reconcile the funding for these activities within the additional New Sources funding provided by OSI for the construction and testing of the ERLP.

- Muon Ionisation Cooling Experiment (MICE) Phase 1 (funded via PPARC)

The first phase of MICE involves the construction of a new muon beam on ISIS. This is part of a large, international collaboration of 150 particle physics and accelerator scientists. The project aims to develop the technology that will be needed for a neutrino factory. Phase 1 of the MICE experiment continues to be on track for completion in December 2007. Roughly half of the capital costs are now committed. Additional manpower has been brought to bear in key areas, and the schedule has been modified to match the new ISIS shutdown dates. Recent progress on the target has reduced concern in this area. A cost-to-complete review was held in February 2007 to assure ourselves that the project remains within the agreed cost envelope.

Harwell and Daresbury Science and Innovation Campuses

Following the rapid progress at Daresbury in the development and implementation of a new mixed economy open innovation campus model, Government announced (Budget Report March 2006) its plan to develop the Harwell and Daresbury sites as the principal science and innovation campuses in the UK. These two campuses form part of a CCLRC-proposed campus 'dipole' model which will deliver the Government's required step-change aims for science and innovation and in increasing the economic impact of science. CCLRC was requested by Government to take the proactive lead in the future development of the campuses.

The goal is to adopt similar approaches and delivery mechanisms at both campuses learning from best practice approaches to date (between the two sites and from overseas developments). In particular to:

- develop strategic partnerships with an initial 'core' set of Higher Educational Institutes (HEIs) to establish new and internationally competitive 'critical mass' initiatives based on CCLRC/HEI/industry/Other Government Departments, co-location and to use this critical mass approach to attract major new national and inward investing research and development companies;
- establish Joint Venture (JV) partnerships with suitable private sector partners to develop campus buildings and infrastructure and to assist in the science and innovation vision for the campus.

Key milestones met during 2006-07 were:

Daresbury Science and Innovation Campus (DSIC)

- July 2006 – DSIC Ltd. established by key partners including the North West Development Agency (NWDA), CCLRC, Halton Borough Council (HBC) and NW Higher Education Institutions (HEIs). DSIC Board members include HEI Vice Chancellors, CEO HBC and NWDA Directors. The Council has two Board members and has agreed to commit £50k/annum to the company. The primary role of the vehicle is to promote the campus and manage the day-to-day operation of the innovation centre;
- Sep 2006 – Lord Sainsbury formally opened DSIC, campus dipole and Cockcroft Institute;
- Nov 2006 – DSIC Ltd. General Manager appointed and team positions advertised;
- March 2007 – 44 new tenant companies on site and DSIC approaching 70% capacity. Of the 44 companies around 60% have direct interaction with the CCLRC site;
- April 2007 – master planning brief for development of wider campus agreed by DSIC Board and funding underpinned by all partners; and
- Initial discussions between public sector partners (CCLRC, NWDA and HBC) regarding HSIC-like implementation of 50:50 JV partnership with private sector partner.

Harwell Science and Innovation Campus (HSIC)

- April 2006 – UKAEA and CCLRC issued an OJEU – Official Journal of the European Union - notice seeking expressions of interest (EOI) from private sector partners. 16 EOIs were received and eight selected for the next stage;
- May 2006 – Deloitte appointed as advisors to CCLRC and DEGW was adopted as lead master planners for the development. The entire HSIC campus footprint extends to 750 acres, of which the current Rutherford Appleton Laboratory estate is 87 acres;
- Nov 2006 – invitation to submit outline proposals issued after significant change in emphasis towards science and innovation led vision. Four proposals were received in February 2007;
- Feb 2007 – special meeting of CCLRC Council to consider detailed options analysis and recommendations for engagement in HSIC JV. Council agreed in principle to a peppercorn lease and lease-back arrangement of the Rutherford Appleton Laboratory land and the establishment of a development agreement with the JV for potential future build on site; and
- March 2007 – OJEU bidder proposals scored against agreed evaluation criteria and two bidders selected to take forward to next stage.

During 2006-07, the infrastructure sustainability programme continued to focus on addressing back-log condition and legislative compliance maintenance to CCLRC's sites and buildings. This has involved a major refurbishment programme including new windows and roofs for buildings on both sites, and refurbishment of toilets and conference rooms, including upgrade to video conference facilities. At the Rutherford Appleton Laboratory, a new amenity block has been built and the central library/coffee lounge area totally re-modelled. At Daresbury Laboratory, the work has also included road works and car park resurfacing, new site access barrier systems, Voice Alarm, Lone Worker and internal CCTV systems.

At the Rutherford Appleton Laboratory a shared facilities block was added to the recently opened 60 bed guesthouse to provide a reception area, lounge and breakfast room. Work on a new reception building (including security lodge) also began during this financial year.

At the Daresbury Laboratory, the public access to the majority of buildings with respect to Disability Discrimination Act is now in place and areas of pedestrianisation have been achieved. The University of Liverpool, Botanic Gardens at Ness have been commissioned to review the landscaping of the site.

Health, Safety and Environment Issues

“A new approach to Health and Safety governance and reporting, following advice from an external audit, ensured Health, Safety and the Environment remained at the top of the CCLRC’s agenda.”

Health and Safety

The CCLRC continued to maintain a safe and healthy working environment for its employees, contractors working on its behalf, tenants located at the laboratories, visitors to sites and users of facilities. The CCLRC had an established health and safety management system, comprising policies, codes, notices and procedures, through which the health and safety of staff and others were assured.

Health and safety management in the CCLRC was based on the establishment of clear line management responsibility for the health and safety of their staff, visitors, facility users, contractors, and any others working on their behalf. In addition the Chief Executive appointed a Director at the major CCLRC laboratories to maintain an independent overview of health and safety on the site, to monitor the implementation of Council Policy, and to bring to his attention the need for any action to improve health and safety performance.

A key component of the CCLRC safety management system was the safety committees. These met on a regular departmental basis and collectively for each site, and include management and employee representatives. They considered accident reports, injury statistics and proposed codes and notices, and provided a forum through which employee safety representatives could raise areas of concern. The terms of reference, focus and coverage for such committees was reviewed during 2006-07 and new committees established to reflect the developing organisation structure. Reflecting the importance of the health and safety agenda a dedicated Executive Board Safety, Health and Environment (SHE) Committee was established to provide strategic leadership for SHE issues. The CCLRC SHE Group, Occupational Health professionals and facility Radiation Protection Advisers (RPAs) monitored safety performance and advised the Directors, and departmental and site safety committees.

During 2006-07 at the instigation of the Chief Executive the CCLRC received an independent assessment of its health and safety management systems. The audit was conducted by specialist health and safety consultants Corporate Health and Safety Solutions (CHSS) Ltd. Whilst recording complimentary observations about CCLRC’s health and safety arrangements, and particularly those relating to facility users and visitors, it also made a number of recommendations to improve health and safety arrangements and governance. These were accepted by CCLRC senior management and a Council wide implementation programme was established. This programme was validated and endorsed by the Research Councils Internal Audit Service (RCIAS). The programme had made significant progress during 2006-07 and will continue in 2007-08 in the new Council. The key areas of focus for this programme are: risk assessment; the corporate health and safety management system; health and safety goal setting; proactive health and safety monitoring; SHE communication; and SHE management training.

The principal CCLRC laboratories, Daresbury (DL) and Rutherford Appleton (RAL), both received Royal Society for the Prevention of Accidents (RoSPA) Awards, for their health and safety management practices and overall health and safety performance. For the first time RAL received the President’s Award for ten consecutive years of Gold Awards; DL received a Gold Medal Award.

Accident and near miss reporting and investigation was a primary driver of improvement in health and safety management systems, and provided the basis of objective reporting of health and safety performance. During 2006-07 the CCLRC revised and launched its incident reporting and investigation code along side a new web based incident reporting system – ‘SHE enterprise’. This system improved and simplified the reporting process for incidents and in particular near misses. The focus upon reporting resulted in a welcome doubling of near miss reports from 43 in 2005-06 to 81 in 2006-07 – each reported near miss provides the CCLRC with the opportunity to address its root cause and therein avoid future harm.

CCLRC injury statistics for the financial years from 2001-02 to 2006-07 are presented in the table below.

Statistics	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total injuries to employees	90	109	83	94	83	89
Total injuries to contractors	15	14	21	18	35	49
Total injuries to users/visitors/tenants	8	10	8	11	10	10
All injuries	113	133	112	123	128	148
Reportable* injuries to employees	6	14	11	1	7	11
Reportable* injuries to contractors	3	1	0	1	2	0
Reportable* injuries to users/visitors/tenants	3	1	1	0	0	0
All reportable* injuries	12	16	12	2	9	11
Reportable injuries per 1,000 employees	3.33	7.78	6.11	0.56	3.89	6.11

(The basis of safety incident reporting has been refined removing previous ambiguities between accidents not involving injury and injuries, and between the date an incident occurs and the date it is reported.)

*Injuries which must be reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations (RIDDOR), including all that result in more than three days absence from work.

The total number of injuries reported in 2006-07 was 148, which is the highest annual reported figure in recent years, with a marked increase in the number of accidents reported by contractors. This increase is believed to reflect the increasing focus and emphasis on injury reporting in particular for contractors, in the context of continuing investment in laboratory infrastructure which commenced in 2005-06 and has given rise to increasing contractor numbers.

In 2006-07 there were 11 reportable incidents to employees giving rise to an employee injury rate per 1000 employees of 6.11. There were none to contractors, visitors, users and tenants the first time such performance has been recorded. The 2006-07 performance, while disappointing, is not inconsistent with the overall and long term safety performance of the CCLRC and indicates that sustained improvement in CCLRC health and safety performance will continue to require management focus and attention.

When the CCLRC was established, liability for employment-related matters and historical liabilities transferred to it from the Rutherford Appleton and Daresbury Laboratories as well as the Chilbolton Observatory. The buildings at all three sites date from the period when asbestos was a widely used building material, primarily in lagging and insulation. Managed early removal exercises were undertaken 20-30 years ago but in some cases debris, which continues to pose a hazard if disturbed, remained. In accordance with Health and Safety Executive (HSE) recommendations, all asbestos was recorded in the Asbestos databases at both sites. The policy was to manage all asbestos and to remove it only where it was likely to be disturbed or where it posed some other unacceptable risk.

Radiological Safety

The radiation protection teams at RAL and DL, managed by accredited Radiation Protection Advisers (RPAs) based respectively in the ISIS neutron spallation and Synchrotron Radiation Source (SRS) facilities, were the responsibility of the Facilities Business Unit Director. Both RPAs also provided professional advice on radiation safety to all staff in the laboratories.

All statutory returns relating to the CCLRC's holding of radioactive materials were made on time to both the Environment Agency (EA) and European Atomic Energy Community (EURATOM).

Landauer Inc. continued to provide the CCLRC with an HSE approved dosimetry service during 2007 and made all statutory returns to both the HSE's Central Index of Dose Information (CIDI) and the Health Protection Agency's (HPA, formerly the National Radiological Protection Board) National Registry for Radiation Workers (NRRW). Personal doses continued to be low, with the majority of personal dosimeters having doses below the detector reporting level.

The highest personal radiation dose levels reported for staff at DL were well below the dose target of 1 mSv per person established for the Synchrotron Radiation Department. The annual dose limits for workers is 20 mSv and that for members of the public 1 mSv.

The following table presents the results of annual personal radiation dose monitoring conducted at DL:

Dose (mSv)	0.00 - 0.09	0.10 - 0.19	0.20 - 0.29	0.30 - 0.39	0.40 - 0.49	0.50 - 0.59	0.60 - 0.69	0.70 - 0.79	0.80 - 0.89	>0.90
Year										
2002	26	2	0	0	0	1	0	2	1	0
2003	22	4	1	0	1	1	0	0	0	0
2004	27	1	0	0	0	0	0	0	0	0
2005	25	0	0	0	0	0	0	1	0	0
2006	25	0	0	0	1	0	0	0	0	0

A single dosimeter was reported with a dose of 5.21 mSv. This was thoroughly investigated by both the Radiation Protection Adviser at DL and the Approved Dosimetry Service (ADS), and was confirmed to be due to a processing error. ADS have revised their procedures to minimise the chances of reoccurrence. The Radiation Protection Adviser's investigation concluded that an estimated dose of 0.0 mSv be entered into the individual's dose record.

A near miss with the potential for radiation exposure occurred at DL and was investigated. There was no exposure or contamination of either personnel or equipment. Working practices have been modified to prevent their reoccurrence. There was no requirement for HSE notification.

At RAL on-going revision of local rules progressed and detailed, prior risk assessments were carried out for all new work involving ionising radiation hazards. Three minor incidents with the potential for radiation or contamination exposure were investigated. No person was exposed and appropriate controls re-inforced to prevent further occurrences and mitigate the consequences of uncontrolled events.

The following table presents the results of annual personal radiation dose monitoring conducted at RAL:

Dose (mSv)	0.00 - 0.09	0.10 - 0.49	0.50 - 0.99	1.00 - 1.99	2.00 - 2.99	3.00 - 3.99	>3.99
Year							
2002	291	123	38	15	1	0	0
2003	265	142	18	13	4	0	0
2004	195	233	26	9	5	1	1
2005	235	210	22	3	0	0	0
2006	223	232	18	4	2	0	0

Annual personal doses remained below the ISIS Department constraint of 3 mSv for occupationally exposed workers and below 0.3 mSv for other members of RAL and the public at large.

Environment

The CCLRC was developing its environmental management systems in accordance with the principles and standards of ISO14001, an internationally recognised management system standard. This standard was consistent with those for quality (ISO9000) and health and safety management (OHSAS18001) and lays the basis for the establishment of a combined safety, health and environmental management system.

During 2006-07 there were no significant environmental incidents for which Environmental Agency (EA) concerns were raised.

The CCLRC actively managed the recycling of waste materials at both main laboratories. Specific items for which recycling schemes existed included printer cartridges, fluorescent tubes, computer monitors, drink cans, scrap metals, paper and cardboard. In addition, the re-distribution and re-use of furniture resulted in reduced costs and environmental impact. At both laboratories plastic vending cups were recycled through the 'SavaCup' scheme and the recycled plastic used in products such as pencils.

Recent changes to environmental legislation required hazard codes and waste categories to be assigned to all hazardous wastes. Changes were made to the hazardous waste systems at RAL to ensure that they complied with this legislation. Our contracted disposal company separated out hazardous waste that could be recycled, such as lead-acid batteries, and some solvents. In 2006-07 RAL has disposed of approximately 3 tonnes of assorted hazardous waste, the bulk of which was acids, solvents and waste adhesives.

At DL waste management was contracted to Bagnall and Morris, a Wirral based company. The company handled all DL site wastes, hazardous and non hazardous, including biological waste. The contract covered sorting, processing and separating waste and resulted in up to 40% of the waste being recycled, in particular paper, cardboard, glass and plastics. The DL site participated in the Carbon Trust's 'Carbon Off' initiative during 2006-07 raising the profile of the Laboratory's carbon footprint. Recent refurbishment at the DL site has included the installation of corridor movement sensors to reduce energy consumption.

At RAL a range of recycling initiatives have been established which have resulted in reduction in junk mail received at the laboratory, replacing polystyrene packing with shredded waste paper, the purchase of an accelerated composter ('The Rocket') for food and estate grounds waste, establishment of waste recycling stations, and an investigation of site waste to establish the scope for further recycling opportunities. These activities resulted in significant financial savings as well as environmental benefit.

The ISIS Facility at RAL through its normal operation produced small quantities of radioactive gas, mainly tritium, which was discharged into the atmosphere via monitored ventilation stacks. The Environment Agency authorises the airborne emissions of the radioactive gas and sets allowable limits. Measured levels were well within the authorised annual limits of 2,500 GBq for tritium and 100 TBq for other nuclides.

Quantities of low to medium level radioactive solid and liquid wastes are routinely generated as an unavoidable consequence of ISIS operations at RAL. Steel containing low levels of radioactivity has been recycled in construction of the shielding for the ISIS second target station.

Social and Community Issues

“CCLRC was committed to actively promoting quality and diversity with people, their knowledge and keeping them informed at the heart of the organisation”

Employee Relations and Communication

Employee involvement in management decisions and policy formation continued to add value in achieving the objectives of the Council. During a period of significant change the consultation framework was instrumental in helping to prepare for the launch of the Science and Technology Facilities Council, to complete the organisational restructure under the ‘Fit for The Future’ project, to plan for the closure of the SRS at Daresbury Laboratory, and to address a wide range of other issues.

During this transition it was crucial to ensure that information and the opportunity for comment were accessible to employees and this was achieved through the Chief Executive’s regular staff talks, Business Unit and departmental briefings, the availability of a number of new websites and a change tracking staff survey. All this was underpinned by the ongoing distribution of Notices and Circulars.

Consultation also continued on formal pay negotiations and conditions of service, via the Whitley Council and its local subcommittees.

In line with the Public Interest Disclosure Act (1998) and the recommendations of the Committee on Standards in Public Life (2005), CCLRC had implemented a process for ‘whistleblowing’. Employees were encouraged to raise concerns with line management in cases where conduct was deemed to be contrary to the CCLRC Code of Conduct, to the above Committee’s Principles of Public Life and to the values of CCLRC as an organisation. Published and web-based advice and a confidential e-mail communication channel to a designated Council Member and a designated official within the Office of Science and Innovation were also available to all members of staff.

Equality and Diversity

CCLRC was a member of the Research Councils’ Equality and Diversity Advisory Group, which meets regularly, a joint member of the Employers’ Forum on Disability, and worked closely with the UK Resource Centre for Women in Science Engineering and Technology.

The Council was committed to equality of opportunity in the workplace, but equality and diversity is about more than simply complying with the law. It was also about ensuring that CCLRC benefited from the wider range of skills, experience and attitudes provided by a truly diverse workforce and in achieving this, ensured that its employees are able to flourish.

In line with legislative requirements the Council has recently published its disability and gender schemes which included action plans for further improvements in these areas.

In the interests of improving the gender balance among the SET workforce and at Board level the Council continued to support a number of initiatives for women employees, including the recent introduction of a leadership programme for senior women.

The Council had reviewed its policies and procedures to ensure compliance with recent age legislation, and had moved to a contractual retirement age of 65.

As at 31 March 2007:

- The average age of employees in CCLRC was 43;
- 5.6% of employees were non-white, which was a slight decrease compared with previous years. The majority of non-white staff were to be found in middle and senior management positions;

- 21% of all employees and 11.6% of Science, Engineering and Technology (SET) employees were female. CCLRC, in addition to offering a range of flexible working patterns to support work-life balance was also engaged in various initiatives to encourage women back into the workplace in science, engineering and technology posts, and to support employees through mentoring and network groups;
- CCLRC had no accurate data on the numbers of disabled employees because employees were not required to declare disabilities and many chose not to do so. At least 0.7% of staff were known to be disabled.

Investors in People

CCLRC received its first accreditation in 2001 and was reviewed in 2002, 2004 and 2006. The national Investors in People Standard was relaunched with substantial changes in 2006. In common with many other organisations, when CCLRC was reassessed under this new standard in December 2006, a number of development actions for CCLRC were identified. An action plan was duly been prepared to address these, and meantime the organisation was formally in a state of 'retained recognition'.

Shared Services

As part of the Comprehensive Spending Review 2007, HM Treasury, through OSI, sought a step change in the effectiveness of Research Councils' related support activities, which to date have largely been provided on an individual basis by each Research Council. As a result of this, the Director General of Science and Innovation (DGSi) requested Chief Executives to prepare a roadmap for achieving full harmonisation of these activities. Following approval of the recommendations in late 2006, a Project Director was appointed to take the project forward, with a remit for implementation by March 2009.

The SSC will serve all the research councils, both headquarters and allied institutes, and is aimed to provide an integrated, efficient and responsive single organisation administrative support service, greater value for money and a clearer, consistent customer focus. It will be a separate legal entity, wholly owned by the research councils, providing services to multiple customers and organised and run on a commercial basis. It will incorporate the following business areas:

- Human resources;
- Finance;
- Procurement;
- IT and telecommunications;
- Grants processing, including fellowships and studentships.

Remuneration Report

Remuneration Policy

Council Chair and Members

Remuneration rates for Council Chair and Council Members are the same across research councils. The OSI advise research councils of the rates they are required to pay and these are reviewed annually by OSI.

Chief Executive

The remuneration of all Research Council Chief Executives is determined by the Office of Science and Innovation in the Department of Trade and Industry.

Chief Executives are paid both a basic salary and performance pay comprising an annual and an appointment term bonus of up to 5 and 10% respectively. The basic salaries are derived from three pay bands, which reflect the differing sizes and responsibilities of the Councils. Each band has four increments and, subject to at least satisfactory performance, Chief Executives receive an increment each year until they reach the top of the scale. In addition it is practice that all amounts are revalorised in line with the Senior Civil Service.

At the beginning of each year, the Director General Research Councils and the relevant Council Chair agree with the Chief Executive a set of annual performance objectives for him/her for the year. In addition a set of appointment term objectives are agreed early in the appointment, which are reviewed annually. At the end of the year the Chief Executive, Chair and the independent Council Member write an assessment of performance over the year, and the DGRC, with advice from colleagues, agrees an OSI assessment of overall performance and specific achievements against objectives for annual and appointment term objectives.

The Remuneration Committee established and chaired by the Director General Science and Innovation then meets to review the Chief Executive's performance and to agree its recommendations, taking into account the assessments and any comments in the papers.

The appointment term bonus is assessed each year and the amounts agreed are retained and are then paid out at the end of the appointment term. If the Chief Executive leaves early the Remuneration Committee may recommend a reduced bonus be paid depending on the circumstances.

Other Senior Employees

The remuneration of the senior staff in CCLRC was determined by the Council's own Remuneration Committee. The Chair of this Committee was the Chair of Council. Two other independent members of Council were members of the Committee, as was the Chief Executive. Membership during 2006-07 was:

Sir Graeme Davies, Chairman and Chairman of Council
Mr Marshall Davies, Audit Committee Chairman and Council Member
Ms Anne Kensall, Council Member
Professor John Wood, Chief Executive

The Committee took account of the remuneration policy for senior civil servants, which is set by the Cabinet Office following independent advice from the Review Body on Senior Salaries (for further information about the Review Body on Senior Salaries see the website <http://www.ome.uk.com>).

In determining the salaries of senior staff in CCLRC, the Remuneration Committee also took account of:

- The staff member's individual performance;
- The performance of CCLRC;
- Salary relativities with other research councils and other academic analogues;
- The need to recruit, retain and motivate staff of an appropriate calibre to lead and manage CCLRC.

Contracts of Employment

Council Chair and Members

Council Chair and Council Member appointments are Ministerial Appointments made by the Secretary of State for Trade and Industry. The process for new appointments to the Council Chair and Council Members is conducted under the Code of the Commissioner for Public Appointments. This is available at <http://www.ocpa.gov.uk>. In accordance with the Code, vacancies are advertised nationally and a panel, including independent members, oversees the process. The panel reviews all applications, shortlists and interviews, then makes a recommendation to the Secretary of State. Once the Secretary of State has made a final decision, an offer of appointment is issued by OSI on his behalf to the successful candidate.

Council Chair and Council Members were defined as Office Holders. They were neither employees nor civil servants. Appointments were made for three years initially with the possibility of reappointment for up to a further three years. Appointments were non-pensionable and there was no compensation for loss of office.

The appointments of Sir Graeme Davies, Professor Keith Burnett, Mr John Burrows, Dr Derek Chadwick, Mr Marshall Davies, Mr Phillip Greenish, Ms Anne Kensall and Professor David Saxon were extended to 31 July 2007 all other appointments came to an end on 31 March 2007.

Other Senior Employees

All appointment to permanent roles in CCLRC is made on the basis of merit and through fair and open competition. The Chief Executive allocates responsibilities to senior employees.

Unless otherwise stated below, the staff covered by this report hold appointments which are open-ended until they reach the normal retirement age of 65 (the change from 60 reported in previous Annual Reports arises from the age discrimination legislation which came into effect in October 2006). As is the case with other CCLRC employees, the contract may be extended beyond age 65 by mutual agreement.

Early termination of employment, other than for misconduct, would result in the individual receiving compensation as set out in CCLRC's Conditions of Employment Memoranda, which in this area enact the provisions of the Civil Service Compensation Scheme.

Remuneration of Council and Committee Members

The following information is subject to audit.

The Council comprises both senior management and external appointees. The remuneration of senior management is detailed below. The total cost of external Council appointments in the period was £103,800 and external Council appointees' remuneration excluding pension contributions was in the following ranges:

Range	2006-07 Number	2005-06 Number
£0 - £4,999	1	1
£5,000 - £9,999	13	10
£10,000 - £14,999	0	0
£15,000 - £19,999	1	0
£20,000 - £24,999	1	1

The Council reimburses travel and subsistence expenses necessarily incurred by Council members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates applying to the Council's employees. The amount reimbursed for 2006-07 was £8,808 (2005-06, £5,610). Council members did not become members of a pension scheme and there were no superannuation payments relating to the fees paid to them.

Salary and Pension Entitlements of Senior Employees

The following sections provide details of the remuneration and pension interests of senior employees who were members of the CCLRC Executive Board during the year.

	2006-07 Salary £'000	2005-06 Salary £'000	2006-07 Percentage salary increase*
Prof John Wood Chief Executive	105-110	110-115	2
Prof Colin Whitehouse Deputy Chief Executive	80-85	80-85	5
Mr Paul Hartley Head of Operations Business Unit/ Director Corporate Operations	75-80	70-75	2
Prof Richard Holdaway Head of Science Programmes Business Unit/ Director Space Science and Technology	80-85	75-80	2
Mr Stuart Hopley Director Finance	75-80	70-75	2
Prof Henry Hutchinson** Chief Scientist	85-90	75-80	10
Dr Michael Johnson Head of Technology Business Unit/Director Technology	85-90	80-85	2
Dr Andrew Taylor Head of Facilities Business Unit/Director ISIS	90-95	80-85	5

*Increases in senior salaries were generally uplifted in line with the increases for other employees in CCLRC. Greater increases were approved by the Remuneration Committee where increased job responsibility, high performance, or market factors presented a compelling case.

**On 31 March 2007, Prof Hutchinson received compensation for loss of office under the terms of CCLRC's approved Compensation Scheme.

Salary

'Salary' is gross salary, including performance pay and bonuses, but not including employer's pension contribution.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the above senior employees received such benefits in kind during 2006-07.

Pension Benefits

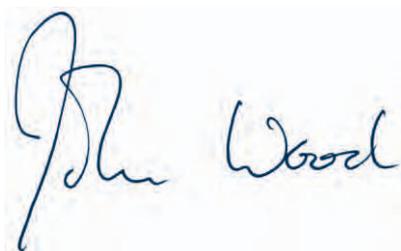
	Accrued pension at age 60 as at 31/3/07 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/3/07 £'000	CETV at 31/3/06 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account £
Prof John Wood	7.5 - 8.0 plus 23.5 - 24.0 lump sum	1.0 - 1.5 plus 3.5 - 4.0 lump sum	175	143	25	0
Prof Colin Whitehouse	4.5 - 5.0 No lump sum	1.0 - 1.5 No lump sum	94	67	22	0
Mr Paul Hartley	25.0 - 25.5 plus 58.5 - 60.0 lump sum	2.0 - 2.5 plus 2.0 - 2.5 lump sum	404	363	30	0
Prof Richard Holdaway	29.0 - 29.5 plus 87.5 - 88.0 lump sum	0.0 - 0.5 plus 1.0 - 1.5 lump sum	678	639	9	0
Mr Stuart Hopley	6.5 - 7.0 plus 20.5 - 21.0 lump sum	0.5 - 1.0 plus 2.0 - 2.5 lump sum	151	128	16	0
Prof Henry Hutchinson	38.5 - 39.0 plus 116.5 - 117.0 lump sum	5.0 - 5.5 plus 20.5 - 21.0 lump sum	900	745	133	0
Dr Michael Johnson	39.0 - 39.5 plus 117.0 - 117.5 lump sum	3.5 - 4.0 plus 11.5 - 12.0 lump sum	682	626	69	0
Dr Andrew Taylor	31.5 - 32.0 plus 95.0 - 95.5 lump sum	3.5 - 4.0 plus 10.5 - 11.0 lump sum	562	490	66	0

Cash Equivalent Transfer Values

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

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A handwritten signature in blue ink that reads "John Wood". The signature is written in a cursive style with a large initial 'J'.

Professor John Wood CBE FREng
Accounting Officer
Date: 12 July 2007

Annual Accounts

Statement of the Council's and Chief Executive's Responsibilities with Respect to Financial Statements

Under Section 2(2) of the Science and Technology Act 1965 the Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Trade and Industry, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Council's state of affairs at the year end and of its income, expenditure and cash flows for the financial year.

In preparing the accounts the Council is required to:

- observe the accounts Direction issued by the Secretary of State for Trade and Industry, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of the Council for the Central Laboratory of the Research Councils as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the 'Non-Departmental Public Bodies' Accounting Officers' Memorandum', issued by the Treasury and published in 'Government Accounting'.

The Council's Accounting Officer is also responsible for maintaining the integrity of the financial statements posted on its website.

Statement on the System of Internal Control

Scope of Responsibilities

As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of policies, aims and objectives set by the Council for the Central Laboratory of the Research Councils (CCLRC), whilst safeguarding the public funds and assets for which I was personally responsible, which was in accordance with the responsibilities assigned to me in 'Government Accounting' and my letter of appointment from the Accounting Officer of the Department of Trade and Industry.

The Purpose of the System of Internal Control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control at CCLRC was based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place throughout CCLRC for the year ended 31 March 2007.

Capacity to Handle Risk

As Accounting Officer, I accepted full responsibility for the identification, management and treatment of risk across CCLRC. I discharged that responsibility through a series of reviews, at both departmental and corporate level, conducted by Departmental Directors and a Risk and Business Continuity Committee chaired by a Senior Director. A programme of general risk management training was made available to all staff, and specific training was available where required, especially in the key areas of Project Management and Health and Safety. A cultural change continued to be implemented which was designed to move away from risk avoidance to one of well managed risk-taking, derived from experience and the sharing of good practice, both within CCLRC and with the other Research Councils who have similar practices in place.

The Risk and Control Framework

The management of risk was embedded in policymaking, planning and delivery through the awareness of staff at all levels, supported and encouraged by the Council, its Audit and Risk Committee and the Executive Board, who had an ongoing interest in the development of this culture. The original CCLRC Risk Policy, devised in October 2000, determined an acceptable level of risk ('risk appetite') for the organisation as a whole, although individual functions were encouraged to define their own risk appetites relevant to their own operations and customer base.

I would particularly wish to highlight the importance of Health and Safety issues to the work of CCLRC, which continued to have a high profile. The level of reportable accidents, and liability claims made against the Council, were Standing Items for consideration at each meeting of the Audit and Risk Committee.

Review of Effectiveness

As Accounting Officer, I also had responsibility for reviewing the effectiveness of the system of internal control at CCLRC. My review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the executive managers throughout CCLRC who had responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I was advised on the implications of the result of my review of the effectiveness of the system of internal control by the Executive Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

I placed reliance on a framework of regular management information, sound and documented administrative procedures including the segregation of duties, and a system of delegation and accountability from myself to Heads of Business Units incorporated into a Stewardship Framework. This management culture was enhanced by the involvement of a respected independent Chairman and Non-Executive Members on a number of key Committees, notably the Audit and Risk Committee. Particular strengths of the system of internal control were seen as:

- a) comprehensive budgeting systems with Operating and Delivery Plans which were reviewed and agreed by the Executive Board, the Resource Allocation Committee chaired by the Chairman of Council and, ultimately, the Full Council;
- b) regular reviews by the Finance Committee and the Executive Board of monthly and annual financial reports, which measured financial performance as well as rolling outturn forecasts, cash flow projections, and the achievement of End of Year Flexibility (EYF) targets;
- c) clear objective setting (in accordance with the Strategic Plan), monitored both by the Boards and Committees referred to above, as well as down to the level of individual officers;
- d) formal project management disciplines, to International Standards, covering both capital spend and CCLRC's involvement in significant joint working initiatives with other scientific organisations, which were regularly reviewed by the Executive Board and the Audit and Risk Committee.

CCLRC benefitted from the services of an independent Internal Audit provided by the Research Councils' Internal Audit Service (RCIAS), which operates to the Government Internal Audit Standards (GIAS). The work of internal audit was informed by an analysis of the risks to which CCLRC was exposed, and annual internal audit plans were drawn up on this basis. The analysis of risk and the internal audit plans were endorsed by CCLRC's Audit and Risk Committee and approved by me. On an annual basis, the Director of Internal Audit (DIA) of the RCIAS provided me with a report on internal audit activity within CCLRC. The report included the DIA's independent opinion on the adequacy and effectiveness of CCLRC's system of internal control, which also provides an independent view on the validity of this Statement on the system of Internal Control. For 2006-07, the Council's final year, I was pleased to note that RCIAS has again offered their highest level of assurance on the strength of the internal control arrangements within CCLRC.

All the above procedures and controls were regularly considered by the Audit and Risk Committee, composed of Non-Executive Members but with myself, the Finance Director, and representatives of both External and Internal Audit in attendance. The Committee met on four occasions during 2006-2007. The Committee undertakes a number of duties on behalf of the Council, the most notable of which is the full consideration of the Annual Accounts. Its terms of reference are subject to annual review by Council, and an annual report on its activities were made to Council to enhance the other assurance systems detailed above.

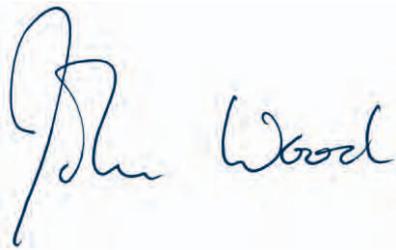
Since 2002-2003 I have highlighted the Diamond Light Source (DLS) as an internal control issue generating significant challenges in bringing the project to fruition within the budget and timescale identified, while fully meeting the expectations of the international scientific community. As the facility commenced its commissioning phase in January 2007, meeting in full its cost and specification targets, I believe that DLS should be commended in successfully accomplishing this task and that CCLRC has effectively discharged its responsibilities – as primary shareholder of the limited company, acting on behalf of the Office of Science and Innovation. I therefore considered that the risks associated with the construction phase no longer exist.

As a part of the 2006 Budget proposals, a consultation process was launched on a proposed merger of CCLRC with the Particle Physics and Astronomy Research Council (PPARC). Following that consultation, it was decided to merge both Councils into a new Science and Technology Facilities Council with effect from 1 April 2007. A Royal Charter was granted for the new Council on 8 March 2007.

A considerable amount of work has taken place in both Councils throughout 2006-2007 in order to define new policies, procedures and controls for the new Council, building on best practice established in both CCLRC and PPARC, and that process will continue into 2007-2008. This process had been managed through a Project Board, and with the oversight of both RCIAS and the NAO, including in the latter case additional specifically commissioned work on due diligence.

Taking account of the positive conclusions of the NAO's draft report, together with the Chief Executive of PPARC I was confident that the level of work undertaken would enable the Science and Technology Facilities Council to commence operations on a sound and well-controlled basis, and I do not, therefore, define this merger as a significant internal control issue.

Following the audit and approval of this Statement on Internal Control, its incorporation into the 2006-2007 Annual Report, and its subsequent Laying in Parliament, CCLRC will formally cease to exist.

A handwritten signature in black ink, reading "John Wood". The signature is written in a cursive style with a large initial "J".

Professor John Wood CBE FREng
Accounting Officer
Date: 12 July 2007

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Council for the Central Laboratory of the Research Councils for the year ended 31 March 2007 under the Science and Technology Act 1965. These comprise the Consolidated Statement of Net Expenditure, the Consolidated Balance Sheet, the Council's Balance Sheet, the Consolidated Cashflow Statement and Consolidated Statement of Recognised Gains and Losses 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 Council, Chief Executive and Auditor

The Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Science and Technology Act 1965 and Secretary of State for Trade and Industry directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State for Trade and Industry directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the History and Statutory Basis of the Council and the Financial Performance – Review of the Year, Governance and Council and its Committees sections of the Management Commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Trade and Industry, of the state of the Council for the Central Laboratory of the Research Council's affairs and its consolidated affairs as at 31 March 2007 and of the consolidated net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Science and Technology Act 1965 and the Secretary of State for Trade and Industry directions made thereunder; and
- information given within the Annual Report, which comprises History and Statutory Basis of the Council, and the Financial Performance – Review of the Year, Governance and Council and its Committees sections of the Management Commentary, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 16 July 2007

Consolidated Statement of Net Expenditure for the Year Ended 31 March 2007

		CCLRC Group 2006-07	Interest in DLS Joint Venture 2006-07	Consolidated Total 2006-07	Consolidated Total 2005-06 Restated*
	Notes	£'000	£'000	£'000	£'000
Income					
Income from operating activities	2	70,023	0	70,023	71,129
Total income		70,023	0	70,023	71,129
Expenditure					
Staff costs	4	64,599	0	64,599	65,181
Restructuring	5	1,092	0	1,092	4,206
International subscriptions		20,227	0	20,227	21,900
Equipment and supplies		27,948	0	27,948	24,377
Services		26,992	0	26,992	20,982
Depreciation	7	30,533	0	30,533	26,727
Notional cost of capital		22,657	0	22,657	17,851
Other operating costs	6	21,042	0	21,042	18,564
Total expenditure		215,090	0	215,090	199,788
Net operating costs		(145,067)	0	(145,067)	(128,659)
Interest	3	(11)	717	706	427
Unwinding of discount on provisions	12	(780)	0	(780)	(5,890)
Net operating costs before tax		(145,858)	717	(145,141)	(134,122)
Tax on operating activities		0	(215)	(215)	(148)
Net operating costs after tax		(145,858)	502	(145,356)	(134,270)
Profit on sale of investment	8	75	0	75	0
Loss on disposal of assets		(779)	0	(779)	(412)
Net expenditure for the year		(146,562)	502	(146,060)	(134,682)
Reversal of cost of capital		22,657	0	22,657	17,851
		25,058	0	25,058	19,181
Net expenditure for the year after transfer		(123,905)	502	(123,403)	(116,831)

All activities are continuing.

The notes on pages 41 to 59 form part of these accounts.

*From 2006-07 Grant in aid received for revenue purposes is no longer treated as income but is credited to general reserves. The comparative adjustment for 2005-06 is reflected above.

Consolidated Balance Sheet as at 31 March 2007

		CCLRC Group 31/03/07	Interest in DLS Joint Venture 31/03/07	Consolidated Total 31/03/07	Consolidated Total 31/03/06 Restated*
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7	498,449	285,035	783,484	647,172
Investments	8	136	0	136	0
Investment in joint venture	9	255,605	(255,605)	0	0
		754,190	29,430	783,620	647,172
Current assets					
Stocks		86	0	86	92
Debtors and prepayments					
- amounts falling due after one year	10	2,733	0	2,733	2,746
- amounts falling due within one year	10	19,519	540	20,059	20,987
Cash at bank and in hand	15	12,799	15,789	28,588	17,766
		35,137	16,329	51,466	41,591
Creditors					
Amounts falling due within one year	11	(53,190)	(6,107)	(59,297)	(40,762)
Net current assets		(18,053)	10,222	(7,831)	829
Total assets less current liabilities		736,137	39,652	775,789	648,001
Accrued liabilities and charges					
Creditors (amounts falling due after more than one year)	11	(5,004)	(27,600)	(32,604)	(27,791)
Provisions	12	(37,158)	(10,731)	(47,889)	(50,267)
Total assets less liabilities		693,975	1,321	695,296	569,943
Financed by:					
Capital and Reserves					
Revaluation reserve	13	149,817	0	149,817	112,439
General reserve	13	544,158	1,321	545,479	457,504
Government funds	13	693,975	1,321	695,296	569,943



Signed: **Professor John Wood CBE FREng**
Accounting Officer

Date: 12 July 2007

The notes on pages 41 to 59 form part of these accounts

**From 2006-07 Grant in aid received for revenue purposes is no longer treated as income but is credited to general reserves. The comparative adjustment for 2005-06 is reflected above.*

CCLRC Balance Sheet as at 31 March 2007

	Notes	31/03/07 £'000	31/03/06 Restated* £'000
Fixed assets			
Tangible assets	7	498,449	416,926
Investment in joint venture	9	255,605	203,719
		<u>754,054</u>	<u>620,645</u>
Current assets			
Stocks		86	92
Debtors and prepayments			
- amounts falling due after one year	10	2,733	2,746
- amounts falling due within one year	10	19,409	18,765
Cash at bank and in hand	15	11,885	6,136
		<u>34,113</u>	<u>27,739</u>
Creditors			
Amounts falling due within one year	11	(51,221)	(33,863)
Net current assets		<u>(17,108)</u>	<u>(6,124)</u>
Total assets less current liabilities		<u>736,946</u>	<u>614,521</u>
Accrued liabilities and charges			
Creditors (amounts falling due after more than one year)	11	(5,004)	(3,069)
Provisions	12	(37,158)	(41,518)
Total accrued liabilities and charges		<u>(42,162)</u>	<u>(44,587)</u>
Total assets less liabilities		<u>694,784</u>	<u>569,934</u>
Financed by:			
Capital and Reserves			
Revaluation reserve	13	149,681	112,439
General reserve	13	545,103	457,495
Government funds	13	<u>694,784</u>	<u>569,934</u>



Signed: **Professor John Wood CBE FEng**
Accounting Officer

Date: 12 July 2007

The notes on pages 41 to 59 form part of these accounts

**From 2006-07 Grant in aid received for revenue purposes is no longer treated as income but is credited to general reserves. The comparative adjustment for 2005-06 is reflected above.*

Consolidated Cash Flow Statement for the Period Ended 31 March 2007

	Notes	2007 £'000	2006 Restated* £'000
Net cash (outflow) from operating activities	14	(77,221)	(73,131)
Returns on investment and servicing of finance			
Interest		(11)	(68)
Profit on sale of investment		75	0
Capital expenditure			
Payments to acquire tangible fixed assets		(73,466)	(84,628)
Cash proceeds from disposal of fixed assets		259	6
Payments to acquire investment in joint venture		(51,886)	(73,960)
Financing			
Capital grant in aid		110,905	152,187
Capital appropriations in aid		5,428	3,336
Resource grant in aid		91,859	77,273
Capital grants to the private sector		337	0
Increase/(decrease) in cash		6,279	1,015
Reconciliation of net cash flow to movement in net funds		15	
Increase/(decrease) in cash in the period		6,279	1,015
Change in net funds		6,279	1,015
Net funds at 1 April		6,520	5,505
Net funds at 31 March		12,799	6,520

Consolidated Statement of Recognised Gains and Losses for the Year Ended 31 March 2007

	CCLRC Group 2006-07 £'000	Interest in DLS Joint Venture 2006-07 £'000	Consolidated Total 2006-07 £'000	Consolidated Total 2005-06 Restated* £'000
Net expenditure for the year	(146,114)	502	(145,612)	(133,194)
Net surplus on revaluation of fixed assets	37,378	0	37,378	18,023
Total recognised gains/(losses) for the year	(108,736)	502	(108,234)	(115,171)

The notes on pages 41 to 59 form part of these accounts

*From 2006-07 Grant in aid received for revenue purposes is no longer treated as income but is credited to general reserves. The comparative adjustment for 2005-06 is reflected above.

Notes to the Accounts

1. Accounting Policies

1.1 Basis of Accounting

The accounts have been prepared in accordance with a Direction issued by the Secretary of State for Trade and Industry in pursuance of Section 2(2) of the Science and Technology Act 1965.

The accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting and financial reporting standards issued or adopted by the Accounting Standards Board as interpreted for Government use by the Financial Reporting Manual (FRM) and in so far as these requirements are appropriate. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

On 1 April 2007 CCLRC merged with PPARC to form the Science and Technology Facilities Council. All assets, staff and activities have been transferred to this body and as such the accounts have been prepared on a going concern basis.

1.2 Basis of Consolidation

Interests in subsidiary undertakings and joint ventures are accounted for in accordance with the principles of gross equity accounting as required under Financial Reporting Standard 9.

The Council holds the majority shareholding in the joint venture company DLS Limited. Under the terms of the joint venture agreement, control is shared jointly with the minority shareholder, the Wellcome Trust. The results of DLS Limited are therefore accounted for as a joint venture rather than a subsidiary.

1.3 Fixed Assets

Land and buildings are included in the balance sheet at open market value for existing use, or depreciated replacement cost in the case of specialised buildings. Professional valuations are obtained every five years and are revised in the intervening years by use of appropriate indices.

Items of plant and equipment costing over £3,000 are included at current replacement cost less an allowance for depreciation. Professional valuations are obtained every five years and are revised in the intervening years by use of appropriate indices.

Assets under construction are valued at cost, including directly attributable in house costs required to bring the asset into working condition for its intended use. In house costs include directly attributable overheads. Abnormal costs are not capitalised. Once brought into use, any variation between the actual value of the asset and the carrying value of the asset under construction is adjusted through the Statement of Net Expenditure.

Surpluses or deficits on revaluation are taken to the revaluation reserve except that any permanent diminution in value is charged to the Statement of Net Expenditure when recognised. The realised element is transferred to the Statement of Net Expenditure. The revaluation reserve was set at zero on 1 April 1996.

1.4 Depreciation

Freehold land is not depreciated. Depreciation is charged on all other tangible fixed assets at rates calculated to write down the valuation of each asset to its estimated residual value evenly over its expected useful life. Average estimated useful lives are as follows:

Freehold buildings	60 years
Plant and machinery	20 years
Scientific equipment	15 years
Electronic scientific equipment	10 years
Computers and information technology	5 years
Vehicles	4 years
Personal computers	3 years
Leased assets	Term of lease

Fixed assets are depreciated as soon as they are brought into use. A full month's depreciation is charged in the month they are brought into use and none in the month of disposal. Assets under construction are not depreciated until they are brought into use.

1.5 Stocks and Long Term Contract Balances

Stocks are valued at the lower of current replacement cost and net realisable value.

Long term contracts, comprising individual pieces of research undertaken for private companies, are valued at the lower of cost, including appropriate overheads, and net realisable value. Full provision is made for all known and expected losses to completion immediately such losses are forecast on each contract.

1.6 Grant in Aid

Grant in Aid is provided by the Department of Trade and Industry (Science) and is credited to the general reserve when the cash is received.

In 2006-07 in line with changes in the FReM, Grant in Aid for revenue purposes has been regarded as a contribution from a controlling party giving rise to a financial interest in the organisation. Hence Grant in Aid has been accounted for as financing, not income, i.e. credited to the income and expenditure reserve rather than being recognised in the Income and Expenditure account. The same treatment has been adopted for other sources of financing which do not constitute an exchange transaction. As a result, the Income and Expenditure account now shows net expenditure for the year, rather than a surplus or deficit, and has consequently been renamed "Statement of Net Expenditure". Grant in Aid for capital purposes is also credited to the income and expenditure reserve. The presentation of comparative figures has been restated as a result and a prior year adjustment made to the income and expenditure reserve as disclosed in note 13.

1.7 Income from Operating Activities

Amounts due annually from other Research Councils under general service level agreements are credited to the Statement of Net Expenditure when due. Income received in advance is treated as a creditor.

Grants receivable for specific research projects from other Research Councils, higher education institutions, government departments and the European Commission are credited to the Statement of Net Expenditure when due. Income received in advance is treated as a creditor.

Amounts receivable from the European Commission and foreign governments for general or specific use of the Council's research facilities are credited to the Statement of Net Expenditure when due under the terms of the agreement or when specific use is made of the facilities as appropriate. Income received in advance is treated as a creditor.

For all of the above sources of income, amounts applied to the purchase of fixed assets are credited to the income and expenditure reserve and released to the Statement of Net Expenditure over the working lives of the assets concerned.

For construction or design contracts with companies and other organisations, income is calculated as the value of work carried out during the year, including amounts not invoiced.

1.8 Research and Development

The Council's expenditure on research and development is charged to the Statement of Net Expenditure when incurred.

1.9 Decommissioning Costs

Decommissioning costs are recognised in full as soon as the obligation exists i.e. when the technical facility has been commissioned. An asset is set up with depreciation being charged to the Statement of Net Expenditure over its estimated useful life.

A provision is established, representing the current value of the expected future costs of decommissioning the Council's technical facilities and the interest due is charged to the Statement of Net Expenditure over the estimated working lives of the related assets and credited to a provision for liabilities and charges.

1.10 Pensions

Contributions to the United Kingdom Atomic Energy Authority (UKAEA) Pension Scheme and the Research Councils Pension Scheme are charged to the Statement of Net Expenditure in accordance with actuarial recommendations so as to spread the cost of the pensions over the employees' expected working lives.

Liability for the payment of future benefits is a charge on the UKAEA Pension Scheme and the Research Councils Pension Scheme and are consequently not included in these accounts.

1.11 Early Departure Costs

The costs of early retirement or severance are charged to the Statement of Net Expenditure when the early departures are agreed. These costs are net of the lump sums recoverable from the pension schemes when the individual reaches normal retirement age.

A provision was established in 2004-05 for the costs of early retirement or severance relating to the Council's "Fit for the future" initiative. The vast majority of this provision has now been utilised.

1.13 Value Added Tax

The Council is registered for VAT jointly with six other Research Councils. Expenditure and fixed asset additions are stated net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure or fixed asset heading. Non-attributable VAT recovered through the group arrangement is credited to income when received.

1.14 Foreign Currency

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the date of the transaction unless covered by a forward contract. Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date.

Transaction and translation gains and losses are credited or charged to the Statement of Net Expenditure.

1.15 Insurance

As a public body, the Council does not generally insure. However, the Council has decided, with the agreement of the Office of Science and Innovation, that risks relating to certain commercial contracts entered into by the Council should be commercially insured. Insurance premiums are charged to the Statement of Net Expenditure.

1.16 Notional Cost of Capital

As directed by the Secretary of State for Trade and Industry, a capital charge reflecting the cost of capital employed is calculated at 3.5% of average net assets employed during the year and included in operating costs. In accordance with Treasury guidance the notional charge is credited back to the Statement of Net Expenditure before taking the result for the year to the general reserve.

2. Income from Operating Activities

	CCLRC Group 2006-07 £'000	Interest in DLS Joint Venture 2006-07 £'000	Consolidated Total 2006-07 £'000	Consolidated Total 2005-06 £'000
UK Research Councils				
Biotechnology and Biological Sciences Research Council	745	0	745	527
Engineering and Physical Sciences Research Council	7,955	0	7,955	8,601
Medical Research Council	(24)	0	(24)	64
Natural Environment Research Council	3,060	0	3,060	3,846
Particle Physics and Astronomy Research Council	26,061	0	26,061	28,167
	37,797	0	37,797	41,205
Government departments				
Department of Trade and Industry	629	0	629	476
Other	2,318	0	2,318	1,687
	2,947	0	2,947	2,163
External bodies				
Universities	6,842	0	6,842	4,545
European Commission	5,693	0	5,693	4,342
Other overseas	11,255	0	11,255	12,865
Private sector	3,081	0	3,081	4,632
Domestic	2,408	0	2,408	1,377
	29,279	0	29,279	27,761
Total	70,023	0	70,023	71,129

3. Interest

	CCLRC Group 2006-07 £'000	Interest in DLS Joint Venture 2006-07 £'000	Consolidated Total 2006-07 £'000	Consolidated Total 2005-06 £'000
Interest receivable	136	720	856	620
Less interest payable	0	0	0	(1)
Less foreign exchange losses	(147)	(3)	(150)	(192)
	(11)	717	706	427

4. Staffing

(See also the Remuneration Report on pages 24 to 28.)

Staff Costs

	CCLRC Group 2006-07 £'000	Interest in DLS Joint Venture 2006-07 £'000	Consolidated Total 2006-07 £'000	Consolidated Total 2005-06 £'000
Salaries and wages	57,038	0	57,038	56,481
Social security costs	4,695	0	4,695	4,573
Superannuation	11,248	0	11,248	10,418
Total payroll costs	72,981	0	72,981	71,472
Capitalised pay costs*	(7,424)	0	(7,424)	(5,229)
Pay costs capitalised by DLS**	(958)	0	(958)	(1,062)
Staff costs charged to the income and expenditure account	64,599	0	64,599	65,181

*The capitalised pay costs are accounted for in the group balance sheet as part of assets under construction (note 8).

**The pay costs capitalised by DLS are accounted for in the consolidated balance sheet as part of the DLS investment (note 9).

Superannuation

The employees of the Council are members of either the Principal Non-Industrial Superannuation Scheme of the United Kingdom Atomic Energy Authority (the PNISS) or the Research Councils' Pensions Scheme (the RCPS).

The PNISS is a notionally funded, contributory scheme. Employees who are members of the PNISS make pensions contributions at the rate of 7.5% of pensionable pay. The Council makes employer's contributions at a rate determined from time to time after actuarial assessment of assets and liabilities. In 2006-07 the employer's contributions was 15.8% of pensionable pay.

The PNISS is a defined benefit scheme and a separate PNISS Scheme account is produced by the United Kingdom Atomic Energy Authority that recognises the scheme liability in accordance with FRS 17 as interpreted by FRAB for use in the public sector.

The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately on the recommendation of the GAD. It is a notionally funded, contributory, defined benefit scheme, and is administered by the Research Councils' Joint Superannuation Services. The Scheme's accounts are prepared by the Biotechnology and Biological Sciences Research Council (BBSRC) on behalf of the Chief Executive of BBSRC as Accounting Officer for the RCPS, and contain the further disclosure information required under FRS17 as interpreted by FRAB for use in the public sector. The employer's contribution is agreed by the RCPS Board of Management on the recommendation of the GAD and in 2006-07 was 21.3% of pensionable pay.

Both the PNISS and RCPS Schemes are multi-employer schemes and the Council is unable to identify its share of the underlying assets and liabilities.

There was one retirement on ill-health grounds during the year.

At 31 March 2007, 82 employees were PNISS members and 1,657 employees were RCPS members.

Staff Numbers

The Council counts the number of staff in post to include all permanent, fixed term and temporary staff of all types who are paid as employees through the payroll. On this basis the average number of whole-time equivalent persons (including senior management) employed during the year was 1,742 (2005-06, 1,793).

5. Restructuring Costs

During the year 75 staff members left on early retirement or voluntary early severance terms. The total costs of these early departures together with redundancy costs associated with six other staff members whose fixed term appointments ended and any additional costs arising from an underestimate of continuing annual payments for those who were granted early retirement prior to 31 March 2006 amounted to £6.132 million, of which £5.140 million has been charged to the restructuring provision (see note 12). The balance of £1.092 million has been charged to the Statement of Net Expenditure.

6. Other Operating Costs

	CCLRC Group 2006-07 £'000	Interest in DLS Joint Venture 2006-07 £'000	Consolidated Total 2006-07 £'000	Consolidated Total 2005-06 £'000
Travel, subsistence and allowances	7,119	0	7,119	7,478
Utilities	6,113	0	6,113	4,876
Rent, rates and maintenance	5,898	0	5,898	5,035
Impairment in value of fixed assets	463	0	463	0
Administration expenses*	1,030	0	1,030	809
Auditors remuneration**	77	0	77	74
Insurance premiums	342	0	342	292
Total	21,042	0	21,042	18,564

*Includes £6,000 paid to NAO for non audit work

**The £77,000 is made up of CCLRC audit fee £60,000, ILL audit fee £12,000 and CLIK audit fee £5,000

7. Tangible Fixed Assets

CCLRC	Freehold land and buildings	Leased land	Plant and equipment	Assets under construction	CCLRC Group Total	Interest in DLS Joint Venture	Consolidated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2006	194,378	4,095	493,166	92,723	784,362	230,246	1,014,608
Additions	374	0	13,735	59,357	73,466	54,789	128,255
Reclassification	6,121	0	2,665	(8,786)	0	0	0
Disposals	(491)	0	(10,030)	0	(10,521)	0	(10,521)
Impairments	0	0	(1,419)	0	(1,419)	0	(1,419)
Revaluation	5,482	0	31,659	0	37,141	0	37,141
At 31 March 2007	205,864	4,095	529,776	143,294	883,029	285,035	1,168,064
Depreciation							
At 1 April 2006	0	266	367,170	0	367,436	0	367,436
Charged in year	3,683	82	26,768	0	30,533	0	30,533
Disposals	0	0	(9,482)	0	(9,482)	0	(9,482)
Impairments	0	0	(956)	0	(956)	0	(956)
Revaluation	(3,683)	0	732	0	(2,951)	0	(2,951)
At 31 March 2007	0	348	384,232	0	384,580	0	384,580
Net book value							
At 1 April 2006	194,378	3,829	125,996	92,723	416,926	230,246	647,172
At 31 March 2007	205,864	3,747	145,544	143,294	498,449	285,035	783,484

The Council's land and buildings were valued by Ridge Property and Construction Consultants as at 31 March 2003. Plant and equipment were valued by Hickman-Shearer, members of the Incorporated Society of Valuers and Auctioneers, as at 1 April 2006. Both valuations were performed in accordance with guidance notes issued by the Royal Institute of Chartered Surveyors.

In consideration of a one-off payment of £4.095 million, the Council has leased land from the United Kingdom Atomic Energy Authority (UKAEA) for a period of 50 years from 31 January 2003. This land has been capitalised and is being depreciated over the term of the lease.

The Council has granted an operating lease to Diamond Light Source Limited, the joint venture company in which it holds the majority (86%) shareholding. This lease is for a peppercorn rent for a period of 40 years from 31 January 2003. The lease covers part of the land leased to the Council from the UKAEA and part of the Council's own land.

8. Investments

	CCLRC £'000	CCLRC Group £'000	Interest in DLS Joint Venture £'000	Consolidated Total £'000
Cost				
At 1 April 2006	0	0	0	0
Revaluation	0	136	0	136
At 31 March 2007	0	136	0	136
Depreciation				
At 1 April 2006	0	0	0	0
Charged in year	0	0	0	0
At 31 March 2007	0	0	0	0
Net book value				
At 1 April 2006	0	0	0	0
At 31 March 2007	0	136	0	136

During 2006-07, CLIK sold 15% of its holding in Orbital Optics Ltd for a consideration of £87,247, resulting in a profit net of legal and professional fees of £75,171. In the light of this, CLIK revalued its shares in Orbital Optics Ltd previously with a face value of £2,596, as there is now a demonstrable market value for these.~

9. Investment in Joint Venture

	CCLRC £'000	CCLRC Group £'000	Interest in DLS Joint Venture £'000	Consolidated Total £'000
Cost				
At 1 April 2006	203,719	203,719	(203,719)	0
Additions	51,886	51,886	(51,886)	0
At 31 March 2007	255,605	255,605	(255,605)	0
Depreciation				
At 1 April 2006	0	0	0	0
Charged in year	0	0	0	0
At 31 March 2007	0	0	0	0
Net book value				
At 1 April 2006	203,719	203,719	(203,719)	0
At 31 March 2007	255,605	255,605	(255,605)	0

On 27 March 2002, the Office of Science and Innovation (OSI) transferred their 86% interest in the Joint Venture company known as Diamond Light Source Limited (DLSL) to the Council. The remaining 14% is held by Wellcome Trust Limited.

The appropriate share of the operating results, assets and liabilities of DLS are reflected in the Council's consolidated Accounts in accordance with generally accepted accounting standards.

The Council's shareholding in DLS at 31 March 2007 is 253,334,500 ordinary shares of £1 each and 2,270,600 redeemable preference shares of £1 each.

10. Debtors and Prepayments

(a) Analysis by Type

Amounts falling due within one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 Restated* £'000
Trade debtors	6,891	6,940	36	6,976	7,749
Other debtors and accruals	697	697	471	1,168	3,121
Prepayments	1,159	1,159	33	1,192	1,722
Amounts recoverable on long term contracts	9,880	9,941	0	9,941	7,620
Early retirements - amounts recoverable	782	782	0	782	775
Total	19,409	19,519	540	20,059	20,987

Amounts falling due after one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Early retirements - amounts recoverable	2,733	2,733	0	2,733	2,746
Total	2,733	2,733	0	2,733	2,746

(b) Analysis by Source

Amounts falling due within one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 Restated* £'000
Other central government bodies	3,703	3,708	468	4,176	3,608
Local authorities	211	211	0	211	221
Public corporations and trading funds	100	100	0	100	36
Bodies external to government	15,395	15,500	72	15,572	17,122
Total	19,409	19,519	540	20,059	20,987

Amounts falling due after one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Other central government bodies	2,733	2,733	0	2,733	2,746
Total	2,733	2,733	0	2,733	2,746

11. Creditors

(a) Analysis by Type

Amounts falling due within one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 Restated* £'000
Trade creditors	26,273	27,999	5,521	33,520	22,797
Other creditors	3,513	3,613	452	4,065	5,137
Income received in advance	19,995	20,138	0	20,138	11,520
Corporation tax	0	0	134	134	65
Early retirement costs	1,440	1,440	0	1,440	1,243
Total	51,221	53,190	6,107	59,297	40,762

Amounts falling due after one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Building retention	0	0	0	0	1,355
HMRC VAT repayment	0	0	27,600	27,600	23,367
Early retirement costs	5,004	5,004	0	5,004	3,069
Total	5,004	5,004	27,600	32,604	27,791

(b) Analysis by Source

Amounts falling due within one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 Restated* £'000
Other central government bodies	5,282	5,428	578	6,006	6,570
Bodies external to government	45,939	47,762	5,529	53,291	34,192
Total	51,221	53,190	6,107	59,297	40,762

Amounts falling due after one year

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Other central government bodies	0	0	27,600	27,600	23,367
Bodies external to government	5,004	5,004	0	5,004	4,424
Total	5,004	5,004	27,600	32,604	27,791

12. Provisions

Decommissioning

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	9,916	9,916	8,749	18,665	18,717
Provision increased in year	0	0	1,982	1,982	(3,294)
Unwinding of discount	220	220	0	220	3,242
Balance at 31 March	10,136	10,136	10,731	20,867	18,665

Restructuring

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	6,100	6,100	0	6,100	6,100
Provision (utilised) in year	(5,140)	(5,140)	0	(5,140)	0
Balance at 31 March	960	960	0	960	6,100

SRS Closure

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	25,502	25,502	0	25,502	22,854
Unwinding of discount	560	560	0	560	2,648
Balance at 31 March	26,062	26,062	0	26,062	25,502
Total Provisions	37,158	37,158	10,731	47,889	50,267

Decommissioning of Technical Facilities

In accordance with FRS 12: Provisions, Contingent Liabilities and Contingent Assets decommissioning costs are recognised in full as soon as the obligation exists. A corresponding asset is set up in the balance sheet at the same time with depreciation being charged to the Statement of Net Expenditure over its useful life.

CCLRC

The Council has in place plans for the decommissioning of the ISIS pulsed neutron source at the Rutherford Appleton Laboratory at the end of its anticipated operating life in 2020, and for minor decommissioning work related to the Synchrotron Radiation Source at the Daresbury Laboratory. A provision has been established for this purpose. The estimated cost of decommissioning the facilities commencing in 2020 for ISIS and 2007 for SRS is currently £19 million, after allowing for inflation at 3.5%. This amount is discounted at the Council's long term liabilities discount rate to arrive at a current provision of £10.136 million.

DLS Joint Venture

Diamond Light Source Ltd is required under the terms of the joint venture agreement to decommission the Synchrotron at the end of its anticipated operating life in 2057. A provision has been established for this purpose based on externally provided quotations for the buildings and cost estimates for the machine, beamlines and incidentals, and after allowing for notional inflation at 2.5% per annum. This amount is discounted at 2.2% which represents the company's post tax rate for interest receivable, to arrive at the current provision of £12.46 million of which CCLRC's share is £10.731 million.

Restructuring

In April 2004, the Chief Executive announced the establishment of a small task and finish group to implement change and enable CCLRC to become 'Fit For the Future' (FFtF). Implementation of the FFtF recommendations and other efficiency savings were expected to result in a reduction in staff posts and a provision of £6.1 million was established for this purpose.

During 2006-07 early retirement/severance costs of those staff released under the FFtF programme have been charged against this provision. The balance on the provision at 31 March 2007 represents early retirement/severance costs for those staff still to be released under this programme.

SRS Closure

On 7 March 2005, Lord Sainsbury, DTI Minister for Science and Innovation, announced that the Daresbury Synchrotron Radiation Source (SRS) would cease operations on 31 December 2008. CCLRC estimated the costs of discontinuing the operation of this facility as £27.6 million after allowing for inflation. This amount is discounted at the Council's long term liabilities discount rate to arrive at the current provision of £26.062 million.

13. Government Funds

In 2006-07 in line with changes in the FReM, Grant in Aid for revenue purposes is now treated as financing and not income. Comparative figures have been restated as a result with appropriate prior year adjustments.

Deferred Income

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	508,206	508,206	0	508,206	375,275
Prior year adjustment to income and expenditure reserve	(508,206)	(508,206)	0	(508,206)	0
Adjusted opening balance	0	0	0	0	375,275
Capital received in year	0	0	0	0	158,588
Released to income	0	0	0	0	(25,657)
Balance at 31 March	0	0	0	0	508,206

Accumulated Surplus/(Deficit)

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	(35,601)	(36,411)	819	(35,592)	(28,994)
Prior year adjustment to income and expenditure reserve	35,601	36,411	819	35,592	0
Adjusted opening balance	0	0	0	0	(28,994)
Surplus/(deficit) for the year	0	0	0	0	(6,598)
Balance at 31 March	0	0	0	0	(35,592)

Income and Expenditure Reserve

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	0	0	0	0	0
Prior year adjustment deferred income	508,206	508,206	0	508,206	375,275
Prior year adjustment accumulated surplus/(deficit)	(35,601)	(36,411)	819	(35,592)	(28,994)
Opening grant in aid balance adjustment	(15,110)	(15,110)	0	(15,110)	(6,230)
Adjusted opening balance	457,495	456,685	819	457,504	340,051
Grant in aid drawn down	203,101	203,101	0	203,101	229,460
Capital appropriations in aid	5,428	5,428	0	5,428	3,336
Reversal of cost of capital	22,657	22,657	0	22,657	17,851
Transfer from revaluation reserve	2,849	2,849	0	2,849	1,488
Net expenditure for the year	(146,427)	(146,562)	502	(146,060)	(134,602)
Balance at 31 March 2007	545,103	544,158	1,321	545,479	457,504

Revaluation Reserve

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	112,439	112,439	0	112,439	94,416
Surplus on revaluation	40,091	40,227	0	40,227	19,511
Transfer to income and expenditure reserve	(2,849)	(2,849)	0	(2,849)	(1,488)
Balance at 31 March	149,681	149,817	0	149,817	112,439
Total Government Funds at 31 March	694,784	693,975	1,321	695,296	569,943

14. Reconciliation of the Operating Deficit to Net Cash (Outflow) from Operating Activities

	CCLRC Group 2006-07 £'000	CCLRC Group 2005-06 Restated* £'000
Net operating costs	(145,067)	(128,659)
Depreciation charges	30,533	26,727
Use of restructuring provision	(5,140)	0
Decrease in stocks	6	103
Impairment of fixed assets	463	0
Cost of capital	22,657	17,851
(Increase) in debtors and prepayments	(1,281)	(4,996)
Increase in creditors	20,608	15,843
Net cash (outflow) from operating activities	(77,221)	(73,131)

15. Analysis of Changes in Net Funds

	CCLRC 2007 £'000	CCLRC Group 2007 £'000	Interest in DLS Joint Venture 2007 £'000	Consolidated Total 2007 £'000	Consolidated Total 2006 £'000
Balance at 1 April	6,136	6,520	11,246	17,766	12,976
Increase in cash	5,749	6,279	4,543	10,822	4,790
Balance at 31 March	11,885	12,799	15,789	28,588	17,766

16. Contingent Liabilities

From 1 April 2003, the CCLRC took over responsibility for the United Kingdom's (UK's) subscriptions to the Institut Laue Langevin (ILL) and the European Synchrotron Radiation Facility (ESRF) from the Engineering and Physical Sciences Research Council (EPSRC). As a consequence of this, the CCLRC inherited the UK's share of the likely decommissioning and other costs of these facilities to be met in future years. As there has been no past obligating event, as CCLRC does not have singular control over the decommissioning and other costs of these facilities and as the timing and amount of the decommissioning and other costs cannot be known with any certainty and, therefore, in accordance with FRS12, these decommissioning costs have now been treated as a contingent liability. The estimated value of the contingent liability at 31 March 2007 is £47.4 million (ILL £45.7 million and ESRF £1.7 million). (2005-06, £53.4 million (ILL £46.2 million and ESRF £7.2 million).)

17. Derivatives and Other Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government bodies are financed, CCLRC is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. CCLRC has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Council in undertaking its activities.

Liquidity Risk

CCLRC's net revenue resource requirements are financed by resources voted annually by Parliament, and administered as grant-in-aid through the Office of Science and Innovation, just as its capital expenditure largely is. CCLRC is not therefore exposed to significant liquidity risks.

Interest-Rate Risk

All of CCLRC's financial assets and liabilities carry nil or fixed rates of interest and CCLRC is not therefore exposed to interest-rate risk.

Foreign Currency Risk

CCLRC's exposure to foreign currency risk is not significant. Foreign currency income is less than 10.0% of total income and foreign currency expenditure, excluding international subscriptions, is less than 10.0% of total expenditure. CCLRC's greatest exposure to foreign currency risk relates to the Euro and, with the agreement of the Office of Science and Innovation and HM Treasury, CCLRC operates its own Euro bank accounts to minimise its exposure to risk in this currency. In addition, forward currency contracts eliminate currency exposure on international subscriptions where payments are due on fixed dates in each financial year. CCLRC had two such hedging contracts in place at the balance sheet date amounting to £10.5 million.

18. Capital Expenditure Commitments

The Council had the following capital commitments at the balance sheet date:

	2007 £'000	2006 £'000
Contracted	17,038	12,388

19. Investments

Central Laboratory Innovation and Knowledge Transfer Limited (Registration Number 4361684)

On 4 April 2002, the Council established its own wholly owned subsidiary company known as Central Laboratory Innovation and Knowledge Transfer Limited (CLIK). The Council's current shareholding in CLIK is 1 ordinary share of £1.

The operating results, assets and liabilities of CLIK are reflected in the Council's group accounts in accordance with generally accepted accounting standards.

Spectrum (General Partner) Limited (Registration Number 4409886)

The Council holds 690 ordinary shares of 0.01p (23.1% interest) in Spectrum (General Partner) Limited. This company was set up to act as the Advisory Board for the Rainbow Seed Fund (RSF) and its purpose is to ensure that the RSF operates within the parameters set out by the Office of Science and Innovation and to monitor the performance of the Fund and the Fund Manager. The Council's shareholding and value of shares in Spectrum was diluted on 17 September 2004 when the Biotechnology and Biological Sciences Research Council (BBSRC) joined the RSF as a fourth core partner.

The RSF is a limited partnership comprised of four core partners (the Council for the Central Laboratory of the Research Councils, the BBSRC, the Natural Environment Research Council and the Defence Science and Technology Laboratory) and two associate partners (the United Kingdom Atomic Energy Authority and the Particle Physics and Astronomy Research Council).

The Fund provides seed capital investment to commercialise the outcomes of science research in the publicly funded partner organisations' Government facilities. Midven Limited manages the Fund under contract.

No entry is made in the Balance Sheet as the value of the holdings and the trading position of these companies, is not material to the accounts.

Other Investments

The Council also holds minority shareholdings in the following company whose registered office is in England:

Name of Company	Registration Number	Percentage Shareholding
Neos Interactive Limited	3564252	<1
LaserThor Limited	3869946	8.61
MRBP Research Limited	4113380	5

No entry is made in the Balance Sheet as the value of the holdings and the trading position of these companies, is not material to the accounts.

20. Related Party Transactions

The Council for the Central Laboratory of the Research Councils (the Council) is a Non-Departmental Public Body (NDPB) sponsored by the Department of Trade and Industry (DTI).

DTI is regarded as a related party. During the year, the Council had various material transactions with DTI and with other entities for which DTI is the sponsoring or parent body, viz: Biotechnology and Biological Sciences Research Council, Engineering and Physical Sciences Research Council, Economic and Social Research Council, Medical Research Council, Natural Environment Research Council, Particle Physics and Astronomy Research Council, Ofcom and the income generated from these bodies is set out in note 2.

In addition the Council had various material transactions with other Government Departments and other central government bodies and the income generated from these bodies is set out in note 2.

As set out in note 9 above, the Council holds the major interest in Diamond Light Source Limited (DLSL). Related party transactions with DLSL for the period ending 31 March 2007 were as follows:

	£'000
Provision of technical and scientific manpower and other services	2,680
Costs collected on behalf of DLSL	116
DLSL invoices to CCLRC	112
Total	<u>2,918</u>

During the year, the Council entered into contracts for goods and services with institutions or other bodies where Council members hold senior positions and where employees of the Council hold honorary or part-time teaching positions or undertake work in a private consultancy capacity. The numbers and aggregate values of such contracts were as follows:

Name	Related Party	Number of Contracts	Aggregate Value £'000
Council Members			
Sir Graeme Davies	Foundation for Science and Technology	1	9
Prof J V Wood*	University of Oxford	11	328
Prof K Burnett	University of Oxford	11	328
Prof A M Cruise	University of Birmingham	2	37
Prof R Donovan	University of Edinburgh	4	198
Prof P Gregson	Queen's University Belfast	2	269
Prof D Lewis	General Electric Healthcare	1	8
Prof C R Whitehouse	University of Birmingham	2	37
	University of Oxford	11	328
<i>*Also member of staff</i>			
Members of Staff			
Prof K G Jeffery	ERCIM	1	4
Mr P Kummer	Net North West Limited	1	20

None of the above named persons was involved in the placing of contracts with the institutions or bodies where they hold senior positions or, in the case of employees of the Council, hold honorary or part-time teaching positions.

The Council also provided time on its scientific facilities, either paid for directly by users, or funded by grant-giving bodies (principally the other UK Research Councils), to researchers at institutions where Council members hold senior positions and where employees of the Council hold honorary or part-time teaching positions. The related parties using the Council's facilities were as follows:

Name	Related Party
Council Members	
Sir Graeme Davies	University of London
Prof J V Wood	University of Nottingham University of Oxford
Prof K Burnett	University of Oxford
Mr J Burrows	University of Nottingham Deloitte MLS
Prof A M Cruise	University of Birmingham
Prof G Davies	University of Wales, Swansea University of Birmingham
Prof R Donovan	University of Edinburgh
Prof P Gregson	Queen's University, Belfast
Prof D Saxon	University of Glasgow
Prof C R Whitehouse	University of Birmingham University of Oxford

Members of Staff

Prof R Holdaway	University of Southampton Orbital Optics Thruvision
Prof K G Jeffery	University College of Wales, Cardiff Heriot Watt University
Dr M W Johnson	Oxsensis
Prof C R Whitehouse	University of Birmingham University of Oxford

None of the above named persons was involved in the award of facility time to the institutions or bodies where they hold senior positions or, in the case of employees of the Council, hold honorary or part-time teaching positions.

21. Post Balance Sheet Events

On 1 April 2007 the activities of CCLRC were transferred to a new Council The Science and Technology Facilities Council, however for legal purposes relating to overseas patents, CCLRC will continue to exist beyond this date.

There were no other post Balance Sheet events between the Balance Sheet date and the 18 July 2007, the date when the Accounting Officer dispatched the accounts to the Office of Science and Innovation. The Financial Statements do not reflect events after this date.

Annex 1

CCLRC Group Net Operating Surplus/(Deficit) by Activity

In 2006-07 in line with changes in the FReM, Grant in Aid for revenue purposes has been accounted for on a cash basis and as financing rather than being recognised as income and amounts previously released to income from reserves are now accounted for as reserve movements. For the purposes of this note, grant in aid financing is shown on an accruals basis. **

	2006-07 £'000	2005-06 £'000
Central Laser facility		
Income from operating activities		
UK Research Councils	265	254
Government Departments	270	161
Universities	46	46
European Commission	537	546
Other Overseas	244	203
Private sector and Domestic	38	104
Total operating income	1,400	1,314
Grant in Aid financing	5,367	5,628
Release from general reserve	1,225	975
Total financing**	6,592	6,603
Total income and financing	7,992	7,917
Expenditure excluding cost of capital		
Depreciation	1,225	975
Other operating expenditure	7,194	7,016
Total expenditure excluding cost of capital	8,419	7,991
Operating (deficit)/surplus for the year	(427)	(74)

	2006-07 £'000	2005-06 £'000
ISIS facility		
Income from operating activities		
UK Research Councils	80	0
Government Departments	3	31
Universities	80	199
European Commission	1,761	793
Other Overseas	2,773	2,702
Private sector and Domestic	81	345
Total operating income	4,778	4,070
Grant in Aid financing	20,794	21,245
Release from general reserve	6,420	9,421
Total financing**	27,214	30,656
Total income and financing	31,992	34,736
Expenditure excluding cost of capital		
Depreciation	6,420	9,421
Other operating expenditure	26,600	26,162
Total expenditure excluding cost of capital	33,020	35,583
Operating deficit for the year	(1,028)	(847)
Synchrotron Radiation facility		
Income from operating activities		
UK Research Councils	937	329
Government Departments	10	0
Universities	96	126
European Commission	402	511
Other Overseas	31	45
Private sector and Domestic	200	568
Total operating income	1,676	1,579
Grant in Aid financing	16,618	17,332
Release from general reserve	14,243	8,750
Total financing**	30,861	26,082
Total income and financing	32,537	27,661
Expenditure excluding cost of capital		
Depreciation	14,243	8,750
Other operating expenditure	18,300	19,625
Total expenditure excluding cost of capital	32,543	28,375
Operating deficit for the year	(6)	(714)

	2006-07 £'000	2005-06 £'000
Particle Physics		
Income from operating activities		
UK Research Councils	18,169	18,963
Government Departments	0	0
Universities	40	45
European Commission	220	318
Other Overseas	70	314
Private sector and Domestic	7	5
Total operating income	18,506	19,645
Grant in Aid financing	149	415
Release from general reserve	533	475
Total financing**	682	890
Total income and financing	19,188	20,535
Expenditure excluding cost of capital		
Depreciation	533	475
Other operating expenditure	19,042	19,974
Total expenditure excluding cost of capital	19,575	20,449
Operating surplus for the year	(387)	86
Space Science		
Income from operating activities		
UK Research Councils	9,064	11,406
Government Departments	1,372	688
Universities	353	232
European Commission	86	364
Other Overseas	4,478	4,859
Private sector and Domestic	1,302	1,748
Total operating income	16,655	19,297
Grant in Aid financing	1021	608
Release from general reserve	707	592
Total financing**	1,728	1,200
Total income and financing	18,383	20,497
Expenditure excluding cost of capital		
Depreciation	707	592
Other operating expenditure	19,213	20,758
Total expenditure excluding cost of capital	19,920	21,350
Operating deficit for the year	(1,537)	(853)

	2006-07 £'000	2005-06 £'000
Other activities*		
Income from operating activities		
UK Research Councils	9,282	10,253
Government Departments	1,292	1,283
Universities	6,227	3,897
European Commission	2,687	1,810
Other Overseas	3,659	4,742
Private sector and Domestic	3,861	3,239
Total operating income	27,008	25,224
Grant in Aid financing	49,898	37,860
Release from general reserve	6,054	5,444
Total financing**	55,952	43,304
Total income and financing	82,960	68,528
Expenditure excluding cost of capital		
Depreciation	7,405	6,514
Other operating expenditure	71,551	61,675
Total expenditure excluding cost of capital	78,956	68,189
Operating surplus for the year	4,004	339

*Other activities covers all other areas including CLIK Knowledge Transfer Limited

	2006-07 £'000	2005-06 £'000
CCLRC group totals		
Income from operating activities		
UK Research Councils	37,797	41,205
Government Departments	2,947	2,163
Universities	6,842	4,545
European Commission	5,693	4,342
Other Overseas	11,255	12,865
Private sector and Domestic	5,489	6,009
Total operating income	<u>70,023</u>	<u>71,129</u>
Grant in Aid financing	93,847	83,088
Release from general reserve	29,182	25,657
Total financing**	<u>123,029</u>	<u>108,745</u>
Total income and financing	<u>193,052</u>	<u>179,874</u>
Total CCLRC group expenditure		
Total CCLRC Depreciation	30,533	26,727
Total CCLRC other operating expenditure	161,900	155,210
Total CCLRC group expenditure	<u>192,433</u>	<u>181,937</u>
Operating (deficit)/surplus for the year	<u>619</u>	<u>(2,063)</u>
Cost of capital	(22,657)	(17,851)
Operating deficit for the year	<u>(22,038)</u>	<u>(19,914)</u>

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