

PESTICIDES SAFETY DIRECTORATE

annual report & accounts

2007 / 08



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THE REGULATORY AGENCY FOR PLANT PROTECTION PRODUCTS
PSD - an Executive Agency of the Department for the Environment, Food and Rural Affairs

Annual Report & Accounts 2007 / 2008

PESTICIDES SAFETY DIRECTORATE ANNUAL REPORT AND ACCOUNTS 2007/08

PSD - an Executive Agency of the
Department for Environment, Food and Rural Affairs (Defra)

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Foreword from the Chief Executive

I am pleased to present the Pesticides Safety Directorate's (PSD's) Annual Report and Accounts, which reports our activities and performance in 2007/08, against our high-level performance targets as set by the Secretary of State for the Environment, Food and Rural Affairs. I am delighted to report that all these targets have been met, despite this being an unusually challenging year for PSD. As ever, this achievement is due to the commitment and expertise of our staff and the effective working relationships we enjoy with a wide range of stakeholders.

During the past year we have been actively involved in discussions and negotiations over the future of PSD. After public consultation, Ministers decided that PSD would join the Health and Safety Executive on the 1 April 2008. Hence this is the last Annual Report and Accounts PSD will produce as an Executive Agency of the Department for Environment, Food and Rural Affairs.

At the heart of PSD's success and reputation is the professionalism and commitment of our staff. This year we were again successful in gaining re-accreditation of our Investor in People status and the positive and encouraging results of our recent staff survey will help us with our policy of continuous improvement.

Pesticide legislation is driven at the European level and it is important that PSD remains a key player amongst our Europe partners. We have played a significant role in helping develop a fully harmonised European regime for setting and monitoring Maximum Residue Levels which will come into effect in 2008. We have also been actively working with European counterparts to

develop a new Authorisation and Marketing Regulation which will deliver a more co-ordinated and transparent approach to pesticide approvals across the European Community.

We successfully completed our European Commission funded Twinning Projects in training regulatory authorities in Slovakia and Croatia and were pleased to win a new contract for Estonia. The European Food Safety Authority awarded PSD two contracts for developing guidance for operator and consumer risk assessment.

Our primary purpose is, of course, to ensure that pesticides which are used meet the high regulatory standards set in European and national legislation. The majority of our work involves scrutinising scientific data on both active ingredients and products and issuing approval to market the products only if they meet the required safety standard both for people and the environment. This year we have again met our performance targets for processing these applications.

Some of our wider stakeholders may be interested to read about the pilot study which has recently been completed to assess the feasibility of disclosure to neighbours of farmers' records of pesticide treatment.

The scientific information and evidence we need to make decisions on the safe and sustainable use of pesticides is under constant review. Some of the activities on-going as part of our Research and Development Programme are described in this report.

As PSD enters a new phase I would like to extend my thanks to Dr Richard Pugh our Non-Executive Director and Chairman of our Audit and Risk Committee for his support and guidance over many years and to Bryan Dennis who joined our Audit and Risk Committee in April 2007.

At the end of yet another successful year for PSD, I would like to record my thanks and appreciation to all the staff in PSD for their excellent support and commitment over the past year.

I hope that now the uncertainty over our future has been determined PSD can look forward to a further period of success and stability.

Dr Kerr Wilson
Chief Executive



About PSD

Our background



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The Pesticides Safety Directorate (PSD), an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra), was formed on 1 April 1993 and has been located in York since 1994. We employ around 180 scientific, policy and support staff headed by a Chief Executive and three Directors at our offices in York. We operate as a net cost recovery agency and are required to ensure all our costs are recovered from Defra and industry income streams.

In response to the Hampton Review of the regulatory sector, Ministers agreed that PSD should join the Health and Safety Executive on 1st April 2008. As part of this decision Ministers also agreed that strategic policy for pesticides should remain with Defra and operational policy should transfer with PSD to HSE.

PSD is fully accountable to Parliament via the Minister and operates within the provisions of four pieces of legislation;

- The Food and Environment Protection Act 1985
- The Control of Pesticides Regulations 1986
- European Directive 91/414/EEC
- Detergents Regulations 2005

During 2007/08, we were responsible for:

- *Providing controls on pesticides used in agriculture, horticulture and in the garden.*
- *Monitoring the use of pesticides and taking enforcement action against illegal use.*
- *Providing policy advice to Ministers and taking the lead on pesticide issues for Defra.*
- *Supporting the UK and EU reviews of the safety of pesticides on the market.*
- *Working to standardise pesticide regulation within Europe.*
- *Co-ordinating a programme of research and development to complement the approvals system and support our policy objectives.*
- *Regulation of detergents*

We evaluate applications for plant protection products used in the following situations: agriculture, horticulture, forestry, food storage, home and garden. Policy development on pesticide issues in the UK is taken forward on behalf of Defra and other Government departments. The Health and Safety Executive is responsible for non-agricultural pesticides, such as biocides, wood preservatives, ant, fly and wasp killers, and rat and mouse killers.

To meet regulatory requirements, applicants must submit extensive scientific evidence in the form of data packages that follow our published guidelines. These data are evaluated by our scientific experts, who prepare reports for consideration by the UK's independent committee, the Advisory Committee on Pesticides, which then advises Ministers whether the pesticides should be authorised for sale and use.

We work closely with and contribute to the strategic outcomes of the devolved administrations. We support the Scottish Government and Welsh Assembly Government and Department for Agriculture and Rural Development for Northern Ireland in developing pesticide policy and framing their legislation. We issue pesticide approvals on behalf of Great Britain and detergent derogations on behalf of the United Kingdom.

We carry out the Official Recognition scheme (a certification scheme for organisations undertaking efficacy trials for registration) and issue certificates on behalf of Scotland and Wales and administer the scheme for Northern Ireland. We work closely with the Food Standards Agency on consumer safety matters. On enforcement matters, we work with a number of key stakeholders including Defra, Health & Safety Executive and Local Authorities.

Total income for the year ended 31 March 2008 was £12.965m which resulted in an operating surplus of £0.047m. Since the Agency was established the cumulative operating surplus totals £1.228m.

PSD seeks to pay all bills promptly in line with Government policy and normal terms of trade. It has been a signatory to the CBI's prompt payment code (BS 7890) since April 1996 and aims to settle valid invoices within 30 days of receipt. During the year, 99.4% of PSD's invoices met this target (99.2% in 2006/07).

None of the directors or external members of the RASB have held any company directorships or other significant interests during the year that, in the opinion of the directors, may conflict with their management responsibilities.

About PSD

Our structure and governance

We are accountable to Parliament via the Secretary of State for Environment, Food and Rural Affairs during the period of this annual report. The Minister of State for Environment has specific responsibility for the overall policy and financial framework within which we operate.

Our Chief Executive, Dr Kerr Wilson, is supported by the PSD Board, consisting of the Director of Approvals; Director of Policy; Director of Finance, IT and Corporate Services; and an external Non-Executive Director. The Chief Executive and Board are responsible for the management of PSD, maintaining and improving our overall efficiency and performance and delivering our objectives.

The members of the PSD Board are:



Chief Executive
Dr Kerr Wilson



Director of Approvals
Mr Richard Davis



Director of Policy
Mr Martin Ward



**Director of Finance,
IT & Corporate
Services**
Mr Steve Milner



**Non-Executive
Director**
Dr Richard Pugh

Martin Ward was appointed as Director of Policy with effect from 10 April 2007. He replaced Mr Tim Davis who stepped down from 9 April 2007.

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About PSD

Our structure and governance

PSD's Audit and Risk Committee is a subcommittee of the PSD Board. Dr Richard Pugh is the non-executive Chairman and Bryan Dennis (who was appointed last April) the non-executive member. Meetings are attended by Defra's Internal Audit Division and the National Audit Office. The role of the Committee is to provide advice and guidance on our internal controls and risk management procedures. The Committee met 4 times during 2007/08.

Formed in 2003, the Regulatory Agencies Strategy Board advises Ministers on the strategic direction and performance of the Pesticides Safety Directorate and Veterinary Medicines Directorate. The Board does not advise Ministers on policy issues. Defra's Delivery Relationship Team provides the Secretariat to the Regulatory Agencies Strategy Board.

The members of the Regulatory Agencies Strategy Board that served during this year are:

Quintin McKellar -(Chair, external)

Chris Payne -(External)

Debby Reynolds -(Defra: Director General Animal Health and Welfare) Replaced by **Fred Landeg** -Defra: Acting Chief Veterinary Officer

Howard Dalton -(Defra: Chief Scientific Adviser) Replaced by **Robert Watson** -(Defra: Chief Scientific Adviser)

Bill Stow -(Defra: Director General Environment) Replaced by **Peter Unwin** -(Defra: Director General Natural Environment Group)

Michael Camlin -(Agri-Food and Biosciences Institute, Northern Ireland)

Norma Barry -(Welsh Assembly Government) Replaced by **Chris Lea** -(Welsh Assembly Government)

Ian Anderson -(Scottish Executive Environment & Rural Affairs Department) Replaced by **Charles Milne** -(Scottish Government)

Tim Foster -(Food Standards Agency)

Les Philpott -(Health and Safety Executive)

Richard Wilkinson -(Defra: Financial Strategy Division) Replaced by **David Cryer** -(NFBM) Natural Environment Group Finance & Business Management

Andrew Robinson -(Defra: Delivery Relationship Team)

Mike Murray -(Defra: Delivery Strategy Team)

Steve Dean -(Chief Executive, Veterinary Medicines Directorate)

Kerr Wilson -(Chief Executive, Pesticides Safety Directorate)



Where members were replaced during 2007/08, all members of the post have been shown. Where the post title has changed this has also been shown.

Management commentary

Our aims and objectives

During 2007/08 our aims and objectives were:

- To ensure the safe use of pesticides and detergents for people and the environment.
- To harmonise pesticide regulation within the European Community and provide a level playing field for crop protection.
- As part of the strategy for sustainable food and farming, to reduce negative impacts of pesticides on the environment.



Our specific objectives for 2007/08 against which our performance is measured were:

Objective 1: To evaluate pesticide approval applications and applications for detergent derogations according to published targets and fees and contribute effectively to the review programme for pesticides

Objective 2: To ensure that UK objectives are reflected in EC legislation, to actively monitor the use of pesticides, to secure a high level of compliance with pesticide regulations and to contribute to the Government's Better Regulation agenda

Objective 3: To promote the sustainable use of pesticides through appropriate regulatory and voluntary measures and provide information to all stakeholders on pesticide issues.

Objective 4: To manage all our resources effectively, to recover the full cost of our operations from the industry and from Defra and to contribute to the government's efficiency agenda.



Our responsibilities contribute to a number of Defra's Departmental Strategic Objectives and in particular to the following:

- *A healthy, resilient, productive & diverse natural environment.* The approvals system and wider policy is directed at protecting water and biodiversity in particular.
- *A thriving farming and food sector, with farming making a net environmental contribution.* The sustainable use of pesticides supports a productive and competitive farming sector.
- *A respected department delivering efficient and high quality services and outcomes.* PSD has a high international reputation and strong track record in delivering on its business plan and related outcomes.

We also contribute to a number of Defra's intermediate outcomes in other areas, in particular to the "protection of the economy, human health and ecosystems from environmental risks and emergencies" and those relating to safeguarding biodiversity, water quality, profitable and competitive farming, and reducing the global impact of UK food production and consumption.

Management commentary

Our business strategy

A wide array of people are interested in our work, ranging from the general public to the European Commission, and including businesses such as farmers, growers and the crop protection industry as well as interest groups such as Friends of the Earth and the Pesticide Action Network. We continue to encourage debate on issues relating to pesticides through the Pesticides Forum on which many of these groups are represented.

We will ensure all our activities are compatible with and support the development of the UK Pesticides Strategy. Activity to deliver the Strategy's aims and objectives will be delivered through Action Plans for water, biodiversity, availability, amateur use, amenity use and human health action plan groups. We will report progress to, and seek advice from, the relevant advisory Committees.

Our Small Business and Bio-pesticide Champions will continue to assist Small and Medium Enterprises through the regulatory process. We have established a system that will facilitate the development of alternative control measures while ensuring regulatory requirements are met.

We will continue to provide support to growers of minor crops and endeavour to ensure the availability of appropriate crop protection measures. We will provide a contact point for people working in the agricultural, horticultural, forestry and amenity sectors through our Grower Champion. We will encourage work sharing and collaboration between EU Member States and pursue initiatives to maximise the use of available data through the EC minor uses groups.

We play an active part in EU enlargement initiatives, further strengthening our links with the new Member States and accession countries. We will continue to explore possibilities for other EU-funded work and business development opportunities to build on our past successes.

In accordance with Government targets, we continue to move towards full electronic delivery of our services. Further work and enhancements will continue on our Evaluation Tracking system. Costs associated with our work are monitored and controlled using PSD's electronic work recording system.

PSD is the UK Competent Authority on work relating to the biodegradability of detergents.

We manage a key part of Defra's pesticide science and research effort. A proportion of this effort will continue to be focused on addressing some of the issues raised in the Government's response to the report from the Royal Commission on Environmental Pollution.

PSD supports Defra's aim of sustainable development. We have prepared and published our second Sustainable Development Action Plan which will be implemented during 2008/09. The new plan shows a clear commitment to the five principles of sustainable development and reflects a more practical approach to the way in which it supports the Agency's core business.

The PSD Management Board has the benefit of advice from a non-executive director, thus helping maintain our increased focus on strategic issues.

More information is available about our activities on our website (www.pesticides.gov.uk), which carries the Plain English Campaign's Internet Crystal Mark.



Management commentary

Our results

During 2007/08 we successfully achieved all our high-level targets. Details of the activities we have undertaken towards protecting people and the environment, at the same time as promoting wider awareness and understanding of pesticides, are provided under each of our objectives.

Page 10 summarises our results and gives information on our approvals work.

A number of different scrutineers assessed our performance for each of our objectives:

- Objective 1, the scientific quality of our evaluations, was assessed by the Chairman of the Advisory Committee on Pesticides (ACP). His assessment was based on his experience of our ACP submissions and a random sample of our other UK evaluations. Defra auditors validated our processing of pesticide approval applications to time and cost, and our efficiency savings for the year.
- The Department's Director General, Natural Environment Group assessed objectives 2 and 3 on the delivery of policy initiatives. His assessment considers evidence that we submitted, and the views of Ministers and other Government departments.
- The National Audit Office and Defra Internal Audit Division assessed objective 4 on the full cost recovery of our operations.



Performance against key ministerial targets 2007/08

OBJECTIVES	TARGETS	ACHIEVED
Objective 1: To evaluate pesticide approval applications and applications for detergent derogations according to published targets and fees and contribute effectively to the review programme for pesticides.	• To deliver high quality scientific work to underpin the safe use of pesticides for people and the environment.	✓
	• To complete pesticide approval applications and requests for detergent derogations to time (90% within published processing times) and to cost (published fees and charges)	✓
Objective 2: To ensure that UK objectives are reflected in EC legislation, to actively monitor the use of pesticides, to secure a high level of compliance with pesticide regulations and to contribute to the government's Better Regulation agenda.	• To secure UK's interests in negotiations on the revision of Council Directive 91/414/EEC and the Framework Directive on the Sustainable Use of Pesticides; in negotiations under the current Directive, in setting Maximum Residue Levels (MRLs) under existing Directives and in the development of the new MRLs Regulation.	✓
	• To deliver EC funded projects to the satisfaction of the European Commission and the Twinning / Partners' contract, strengthening our links with new Member States and those planning to accede to the EU.	✓
	• To monitor and report the presence of pesticide residues and environmental effects and taking enforcement action as appropriate.	✓
	• To contribute to Defra's better regulation simplification plan and seek to reduce the burdens of EU agriculture administration.	✓
Objective 3: To promote the sustainable use of pesticides through appropriate regulatory and voluntary measures and provide information to all stakeholders on pesticide issues.	• To take forward the Action Plans under the Strategy for the sustainable use of plant protection products.	✓
	• Contribute to publication of the Government's response to the Royal Commission on Environmental Pollution on pesticides and bystander exposure.	✓
	• To provide an information service on pesticide policy and regulation.	✓
Objective 4: To manage all our resources effectively, to recover the full cost of our operations from the industry and Defra and to contribute to the government's efficiency agenda.	• To recover the full economic cost, as calculated according to resource accounting principles, of our services from industry and Defra.	✓
	• Deliver Defra efficiency targets during the period of the Business Plan.	✓

Breakdown of application processing times 2007/08

TYPE OF APPROVAL	Processing times (weeks)	
	Target	Actual
Objective 1:		
EU reviews		
• 3rd stage evaluation. Deliver our scientific assessments to EFSA within 52 weeks of confirmation that dossier is complete	52	110(a)
• 4th Stage evaluation. Deliver our scientific assessments to EFSA within 52 weeks of confirmation that dossier is complete	52	131(a)
% processed within target (total of 17 applications, with 0 completed within target)	90%	0%
New active substances:		
• Completeness check for new active substance	5	3
• Deliver our scientific assessments to EFSA within 52 weeks of the publication of the Commission's completeness decisions	52	86(a)
• Complete UK approval applications within a maximum of 48 weeks from receipt of the completed dossiers	48	47-52(b,e)
% processed within target (total of 12 applications, with 9 completed within target)	90%	75%
Secretariat applications		
• Applications for major changes within 42 weeks from acceptance	42	45
• Other applications with data within a maximum of 30 weeks from acceptance	9-30	7-27(c,d)
• Applications requiring technical consideration but without data within 9 weeks of acceptance	9	6(d)
• Applications for simple changes within a maximum of 4 weeks from acceptance	1-4	1-2
% processed within target (total of 1399 applications, with 1368 completed within target)	90%	98%
Overall 96 % processed within targets	90%	96%

Notes

- (a) The deadline was extended in agreement with EFSA to allow for the submission of further data by the notifier
 (b) The start date is taken as the date of receipt by PSD of the complete dossier
 (c) A range of processing targets have been reported to reflect the different streams falling within this category
 (d) Fast track data applications will be evaluated within 9 weeks of acceptance
 (e) A range of average processing times have been reported to reflect the different streams failing within this category

Performance against key ministerial targets 2006/07

OBJECTIVES	TARGETS	ACHIEVED
<p>Objective 1: To evaluate pesticide approval applications and applications for detergent derogations according to published targets and fees and contribute effectively to the review programme for pesticides.</p>	<ul style="list-style-type: none"> To deliver high quality scientific work to underpin the safe use of pesticides for people and the environment. To complete pesticide approval applications and requests for detergent derogations to time (90% within published processing times) and to cost (published fees and charges). 	<p>✓</p> <p>✓</p>
<p>Objective 2: To ensure that UK objectives are reflected in EC legislation, to actively monitor the use of pesticides and secure a high level of compliance with pesticide regulations.</p>	<ul style="list-style-type: none"> To secure UK's interests in negotiations on the revision of Council Directive 91/414/EEC and the Framework Directive on the Sustainable Use of Pesticides, in negotiations under the current Directive 91/414/EEC, in setting Maximum Residue Levels (MRLs) under existing Directives and in the development of the new MRLs Regulation. To deliver EC funded projects to the satisfaction of the European Commission and the Twinning / Partners' contract, strengthening our links with new Member States and those planning to accede to the EU. To monitor and report the presence of pesticide residues and environmental effects and taking enforcement action as appropriate. 	<p>✓</p> <p>✓</p> <p>✓</p>
<p>Objective 3: To promote the sustainable use of pesticides through appropriate regulatory and voluntary measures and provide information to all stakeholders on pesticide issues.</p>	<ul style="list-style-type: none"> To take forward the action plans under the strategy for the sustainable use of plant protection products. To contribute to publication of the Government's response to the Royal Commission on Environmental Pollution on pesticides and bystander exposure. To provide an information service on pesticide policy and regulation. 	<p>✓</p> <p>✓</p> <p>✓</p>
<p>Objective 4: To recover the full cost of our operations from the industry and Defra and contribute to the Government's better regulation and efficiency agendas.</p>	<ul style="list-style-type: none"> To recover the full economic cost, as calculated according to resource accounting principles, of our services from industry and Defra. Delivery of Defra efficiency targets during the period of the business plan. 	<p>✓</p> <p>✓</p>

Performance against key ministerial targets 2005/06

OBJECTIVES	TARGETS	ACHIEVED
<p>Objective 1: To evaluate pesticide approval applications and contribute to the EU review programme.</p>	<ul style="list-style-type: none"> To deliver high-quality scientific work to underpin the safe use of pesticides for people and the environment To complete pesticide approval applications to time (90% within published processing times) and to cost (published fees and charges) 	<p>✓</p> <p>✓</p>
<p>Objective 2: To develop policy initiatives to reduce the negative impact of pesticides and to encourage alternative control measures.</p>	<ul style="list-style-type: none"> To take forward a National Strategy for the sustainable use of plant protection products Increased information to the public on pesticide treatments carried out New target agreed during the year – to contribute to the Government's response to the report from the Royal Commission on Environmental Pollution published in September 2005. 	<p>✓</p> <p>✓</p> <p>✓</p>
<p>Objective 3: To ensure UK objectives are reflected in EU legislation and regulation.</p>	<ul style="list-style-type: none"> To secure the UK's interests in negotiations on the revision of Council Directive 91/414/EEC, the formulation of a thematic strategy on the sustainable use of pesticides and the development of the new Maximum Residue Levels Regulation To deliver EU-funded projects to the satisfaction of the European Commission and the Twinning/Partners' contract, strengthening our links with new Member States and those planning to accede to the European Union 	<p>✓</p> <p>✓</p>
<p>Objective 4: To actively monitor pesticide use and limit illegal use by taking appropriate enforcement action.</p>	<ul style="list-style-type: none"> Carry out an annual surveillance programme, monitoring the UK food supply for pesticide residues to make sure it is safe and pesticides are being used properly Report number of incidents and follow-up action taken, including enforcement and prosecution cases 	<p>✓</p> <p>✓</p>
<p>Objective 5: To increase public awareness and understanding of safe use and regulation of pesticides.</p>	<ul style="list-style-type: none"> Increase public awareness on safe use and regulation of pesticides by improving clarity and reducing jargon in public communication, and by engaging with stakeholders 	<p>✓</p>
<p>Objective 6: To recover the full cost of our operations from the industry and Defra, and achieve efficiency savings.</p>	<ul style="list-style-type: none"> To recover the full economic cost (as calculated according to resource accounting principles) of our services from industry and Defra For savings of 3% to be achieved against Defra funding and to maintain fees at 2004/05 levels 	<p>✓</p> <p>✓</p>



Management commentary

Objective 1

To evaluate pesticide approval applications and applications for detergent derogations according to published targets and fees and contribute effectively to the review programme for pesticides.

A total of 1400 administrative and technical stream applications for product approvals were received this year, 98% of which were completed within published targets. In addition 100% of 'fast track' applications identified by industry as high priority to their business were completed within target. We continue to recover the full costs associated with this work whilst maintaining high levels of

scientific quality as confirmed by Professor Jon Ayres in his independent review of evaluations work undertaken during the past year. Achieving this demanding target has required diligent application by both evaluating staff and their managers and represents a significant achievement.

We continue to play a major role in Europe. We completed the completeness checks for 4 new active submissions received during the year, as well as providing detailed advice to several companies on the compilation of dossiers for both chemical pesticides and biopesticides. We submitted completed evaluation reports for three chemical new active substances and two new biopesticides. In addition, we considered one new active substance on the basis of an evaluation prepared mainly by another member state with UK specific aspects only completed by PSD. Turning to the reviews programme, we submitted completed evaluation reports for 16 existing active substances to the European Food Safety Authority as part of the EU review programme.

We have assisted in the European peer review process by commenting on 46 evaluations produced by other member states and attending the expert peer review meetings now managed by the European Food Safety Authority.

The Advisory Committee on Pesticides held five meetings and the annual open meeting under their Chairman, Professor Jon Ayres of Aberdeen University. Following agreement from Ministers, the Committee now publishes both minutes and a detailed record of their discussions.

Procedures on the re-registration of plant protection products are well established but nevertheless subject to change. PSD has responded positively to this change by adapting its systems and procedures and providing clarification and training to industry where appropriate. PSD has introduced new services as part of the application process including technical equivalence and data matching checks to assist approval holders in maintaining product approvals through the re-registration process. Staff who have been involved in the EC review process are now taking an increased role in drafting working documents that form the basis of re-registration applications as well as in the evaluation of data matching applications in order that best use is made of the knowledge and experience they have gained. In addition, other PSD staff have received training to ensure that their skills can be flexibly deployed to cope with the varied peaks of work arising from re-registration.

There were no applications for detergent derogations received this year.



Management commentary

Objective 2

To ensure that UK objectives are reflected in EC legislation, to actively monitor the use of pesticides, to secure a high level of compliance with pesticide regulations and to contribute to the Government's Better Regulation agenda.

PSD represented the UK in the EC's approval process for active substances under Council Directive 91/414/EEC, voting on decisions to approve 20 existing and eight new active substances for inclusion in Annex I to the Directive. Another seven were not approved for inclusion.

We also collaborated with other member States on drafting a Regulation for re-reviewing approved active substances, which came into force in 2007, and are continuing to work with Member States and the European Food Safety Authority on streamlined decision-making procedures.

PSD represented the UK in Council Working Party negotiations on the European Commission's proposals for a Regulation to replace Directive 91/414/EEC, and on their proposals for a Framework Directive on the Sustainable Use of Pesticides. Both are part of the Commission's Thematic Strategy for the Sustainable Use of Pesticides and negotiations are expected to conclude in 2009. We are promoting the adoption of proportionate and where appropriate flexible measures in order to best develop controls on pesticide authorisation and use.



We have supported proposals for zonal authorisation in the Regulation, to simplify the regulatory regime, and have proposed a number of additional provisions, including measures to encourage support for minor use. We have further supported minor uses by continuing to encourage collaborative projects with other Member States, to fill gaps in the crop protection armoury, and by securing agreement to wider residues and efficacy extrapolations, to reduce data requirements.

PSD represented the UK in setting maximum residue levels (MRLs), voting on new or revised levels for 41 active substances and transposing the Directives into Regulations for England and Wales in accordance with the specified timescales. We also contributed to the development of the Regulation which will establish the new MRLs regime, in particular making proposals for temporary MRLs in Annex III and substances which will not require MRLs in Annex IV. The new regime will simplify trade throughout the EC by establishing fully harmonised MRLs from September 2008.



Management commentary

Objective 2 (continued)

As part of Commission funded Twinning projects, PSD has provided training to Croatia, Slovakia, Lithuania and Estonia. We have also completed Twinning projects with Slovakia and Lithuania during the year, with very positive feedback. We bid for new projects and have been awarded a Twinning Light project with Bulgaria and an EFSA-funded project on Operator Exposure. In addition to the larger Twinning projects, PSD has also delivered training under the TAIEX programme to Bulgaria, Poland and Hungary.

PSD continued to run the food and drink monitoring programme overseen by the Pesticide Residues Committee, testing 3,909 samples for up to 200 pesticides in the 2007 calendar year. We published quarterly reports of the results, along with an annual report for the 2006 programme. We held a successful open meeting and an open business meeting of the Committee in York. We also organised the residues monitoring programme of the Department of Health's School Fruit and Vegetable Scheme, analysing 168 samples of fruit and vegetables for residues and published the results in three reports coinciding with the school terms. The Committee concluded that none of the residues found was likely to have any effect on the health of consumers.

We provided advice to landowners and the public to help minimise threats to wildlife from the abuse and misuse of pesticides. We worked with Defra and other enforcement agencies to investigate cases reported to us and undertake enforcement action where appropriate. We were engaged on a number

of initiatives to develop or implement the Water Framework Directive, to ensure that measures affecting, or affected by, pesticides are proportionate and effective.

PSD held two meetings of the UK Enforcement Liaison Group, which brings together the various national enforcement bodies concerned with monitoring the use and impact of pesticides. We carried out another yearly survey of all human health related incidents reported to approval holders by users or others during 2006. A report on the outcome of the survey went to the Advisory Committee on Pesticides in September. The Committee noted that, while the number of incidents involving home and garden products was relatively high, the majority of these incidents related to products sold in high volume. However, at the Committee's suggestion, the implementation group for the Amateur Use Action Plan, which is part of the Pesticide Strategy, will consider issues such as accident prevention arising out of the survey.

A review of the arbitration arrangements for data sharing in 2007 concluded that the main issue with the current arrangements was the inconsistency of the application of the arrangements throughout the EC. The proposed Regulation to replace Directive 91/414/EEC includes revised provisions for sharing animal testing data and PSD intend to wait until the new Regulation is in place before reconsidering the operation of the current arrangements.

PSD carried out a consultation on a proposal to update and consolidate four sets of Regulations (plus their amendments) into one set of Pesticides Regulations. They are due to come into force in October 2008 and will serve to control and monitor marketing and use of pesticides in England and Wales. By replacing a number of statutory instruments with a single set of Regulations containing, where possible, simplified and streamlined provisions that are clearer and more easily understood, we hope to increase the transparency of the legislative provisions. The new Regulations will also give local authorities powers to seize and destroy pesticides and introduce a new record keeping requirement for all professional users.



We worked with stakeholders to identify the long-term arrangements for extension of use for ornamental crops which will require off-label authorisations. This has proved a complex exercise and we expect to complete it in 2008.

We have continued to look for ways to improve the efficiency of the regulatory process both nationally and internationally. We have led initiatives to share the evaluation work on both active substances and products with other Member States and with USA, Australia and Canada e.g. the global worksharing project and the shared re-registration work. Working with other Member States on post Annex I related issues, new measures have been introduced to ensure commonality of approach and to facilitate work-sharing, e.g. compliance checks being undertaken by the original Rapporteur Member State and the adoption of a standard assessment report template. These initiatives will help to reduce the burden on both regulatory bodies and authorisation holders.

Management commentary

Objective 3

To promote the sustainable use of pesticides through appropriate regulatory and voluntary measures and provide information to all stakeholders on pesticide issues.



Following a commitment in 2006 to review the UK pesticides strategy, we undertook a public consultation on extending the strategy to include human health issues. Ministers agreed the revised strategy in March 2008. Work on the existing strategy action plans continued during the year while arrangements for a Human Health Action Plan Group were put in place. The Pesticides

Forum monitored work on the action plans as part of its business during the three Forum meetings in the year, and revised its objectives to reflect this role in overseeing delivery of the strategy.

Our attendance and contribution to the industry's Voluntary Initiative and Amenity Forum meetings during the year helped to maintain close links between the diverse activities on the sustainable use of pesticides.

PSD's Biopesticide Scheme is now in its second year, and the Biopesticide Champion continues to offer practical advice and encouragement to those wishing to introduce alternative products to conventional pesticides. This has resulted in further Biopesticide products being approved during 2007-08, with a number of others at various stages in the approval process. Our work in the area has also been well recognised by industry and regulators at a national and international level.

In taking forward the Government's response to the Royal Commission on Environmental Pollution's report on pesticides and bystander exposure we funded two research projects during the year and commissioned a major three year project, the Bystander and Residents Exposure Assessment Model project (BREAM). All three address potential contamination of bystanders by pesticides used in agriculture.

Management commentary

Objective 3 (continued)



The two completed projects looked at the question of potential contamination of nearby individuals by pesticides used on arable crops. They involved taking measurements of ground and air contamination and deposition on mannequins representing adults and children downwind of a pesticide application, both during and after use. The data resulting from this work will assist us in developing future risk assessment procedures and will provide additional data for use on the BREAM project.

This year also saw the completion of the first stage of the three year BREAM project; to develop a computational model as a tool for predicting the potential exposure to pesticides of bystanders and residents in the countryside. This work involved boom sprayers operating over arable crops in a range of typical UK conditions and will be supported in later stages by controlled wind tunnel experiments and validated against full-scale field trial results. The outcome of the first year's work was reported to the Advisory Committee on Pesticides in September and the Committee concluded that the results so far indicate that the current model used to assess the risk to bystanders appears adequately protective. The Committee will keep this position under review as the project progresses and further data are generated.

As part of an initiative to provide better information on spraying activities we carried out a pilot study which involved PSD contacting farmers to request copies of their spray records which were then made available to members of the public living near spraying operations.

In line with the voluntary approach the National Farmers Union published guidance leaflets for farmers and spray operators using pesticides. The leaflets, which were drawn up by a group of key stakeholders, are intended to provide advice and recommendations for dealing with the concerns of local residents about the use of pesticides.

We continued to provide a comprehensive information service and during the year answered 1964 enquiries and dealt with 46 requests for information under the Environmental Information Regulations 2004 and the Freedom of Information Act 2000. In April 2007 the agency completely revised its Corporate Communications Strategy. This document sets out the way the agency aims to communicate and outlines the methods, standards and responsibility for Corporate Communications. As part of this strategy we continue to ensure that relevant Agency publications are Crystal Marked by the Plain English Campaign, and offer Plain English training to all our staff.

We have also continued to develop and update our main website pages, and have also improved the design and layout of the areas for the advisory groups, which we host, along the same lines as already done for the main site.

Management commentary

Objective 4

To manage all our resources effectively, to recover the full cost of our operations from the industry and from Defra and to contribute to the government's efficiency agenda.

We operate as a net cost recovery agency and are required to ensure all our costs are recovered from Defra and industry income streams. Our work is funded from three main income streams. Our costs are recovered from industry through fees for pesticide applications, the pesticide levies and other chargeable events (e.g. training). We receive funding directly from Defra for policy development and Defra-funded activities. Finally we receive European Commission funding for a variety of international activities. During 2007/08 we successfully recovered the full cost of our operations with an overall cost recovery rate of 100.4%.

We rigorously monitor our financial performance and continue to seek out opportunities to reduce our costs. We received higher levels of fee income compared with 2006/07 whilst reducing our levy charge to industry by 3.9%. We also managed a reduction in our Defra funding of £293k compared with the previous year.

We have contributed to the government's efficiency agenda by introducing Business Development and Efficiency plans which continue



to be developed and implemented. Key initiatives include development of bespoke training initiatives, winning new EFSA contracts, rationalising our accommodation and making a number of organisational changes. This has been achieved whilst maintaining the delivery of our key services and continuing to achieve our Ministerial targets.

We have continued to incorporate appropriate information technology into our efforts to become more efficient and to reduce the effects of our work process on the environment. Considerable effort has gone into keeping IT systems fully operational, particularly during peak working hours. The implementation of new high availability servers and virtualisation technology helped us to achieve levels of downtime of less than 0.5% during the year.

We are also implementing a new system to improve the way in which approvals information is captured and held. This is building on similar approaches to the processing of off-label approvals and adjuvant authorisations in previous years. The new system will improve the accuracy of approval notices and improve the efficiency of their production and distribution.

We have published our second Sustainable Development Action Plan. We have continued to reduce our paper usage - a 45% reduction from 2005-2007. We have gathered information about our travel patterns. This is being used to help us change the way we travel in order to reduce the impact of our day to day operations have on the environment.



Management commentary

The pilot study on Disclosure of Pesticide Spray Records

In recent years some rural residents have been keen to find out details of what pesticides are being used in fields near their homes because of their concerns over the potential effects on their health. Ideally such residents should be able to contact their neighbouring farmer directly and the National Farmers' Union has recently published some "Good Neighbour" guidance leaflets for farmers and spray operators, advising them on how to respond. However PSD recognised that it may be necessary for Government to provide assistance in cases where it is not possible for a resident to contact the farmer directly.



In order to investigate how this might work in practice, we carried out a six month pilot study to trial a system for dealing with requests from the public for farmers' spray records. The work was carried out by our existing information team which has enquiry recording systems and experience of dealing with enquiries from the public.

When considering the practicalities of the pilot scheme, it became clear that there needed to be a reliable mechanism to identify the land that had been sprayed and the responsible land owner. Defra's SPIRE portal system which provides access to mapping and aerial photography was an essential tool in this work. By using the aerial photography in SPIRE, and relying on sometimes detailed discussion with the resident, the enquiry team was able to ensure that the correct field was identified.

When a resident called us, they were asked for information on their location, including their postcode. This allowed us to identify, on a map, the area where spraying had taken place and navigate to the individual field(s) in question. Then it was simply a matter of identifying the farmer who had registered that piece of land with the Rural Payments Agency (RPA) so that we could write to the farmer to request their spray records which could then be passed on to the enquirer.

Although we only received a relatively small number of requests from the public during the 2007 spraying season, the pilot study successfully demonstrated that it was possible to identify the person undertaking the spraying in the majority of cases. Ministers have therefore decided that, once arrangements have been made for ongoing access to relevant IT systems, and subject to resource constraints, PSD will provide this service on an England-wide basis.



Further Information will be available on the PSD website as and when the service is rolled-out.

OS Contextual Mapping and UKP Aerial Photography is used to help confirm the location is correct





Management commentary

Our R&D programme - how we manage it and what it achieves

Regulation of pesticides is based firmly on scientific evidence. The decision on whether to approve an individual pesticide is made on the basis of evidence provided by the applicant and reviewed by PSD, the Advisory Committee on Pesticides and the European Food Safety Authority. But there are also wider questions about the risks and benefits from pesticides and from pesticide regulation, which can only be addressed through a programme of publicly funded research. Defra's Natural Environment Group holds the budget for this programme, but its management is largely carried out by PSD, making use of our in-house expertise in the different specialist areas. The budget for 2007/8 was £5,050m (broadly in line with previous years) but this was reduced by Defra to £4,020m part way through the year.

There are four broad objectives of the programme. Some projects support more than one objective and we have split these between the different objectives to provide the figures given below for expenditure during 2007/8.

1. To refine the risk assessment models used in the approvals process. These include models to estimate spray drift, operator exposure, exposure of residents and bystanders, residues in crops, the environmental fate and persistence of pesticides, and their toxicity to wildlife and non-target organisms, and the effectiveness of strategies to avoid the development of resistance to pesticides. Results of these research projects are increasingly being fed into European risk assessment models, as we move towards a more harmonised EC regime, to ensure that UK conditions are taken fully into account. Expenditure on this objective was £1.675m.

2. To support development of government policy on pesticides. We need evidence to underpin our appraisal of the impact of pesticides regulation, comparing the costs and benefits of our current strict regulation with hypothetical alternatives of more restrictions (and therefore fewer options for crop protection) or less regulation. We also sometimes need to respond to evidence which is thought to show possible links between pesticide exposure and ill health. Usually such evidence does not stand up to epidemiological scrutiny, but where there is continuing concern, further research may be needed to refine the hypothesis

(particularly in relation to which pesticides might be involved), gather new data and analyse it for signs of statistical significance. Expenditure on this objective was £0.665m.

3. To support the programme of monitoring for the effects of pesticides. A substantial part of PSD's policy budget goes on monitoring for potential adverse effects of pesticides. This acts as a check that our approvals process is successfully managing the risks to human health and the environment. The research expenditure supports development of new analytical methods for the food residues monitoring programme and the wildlife incident investigation scheme. Expenditure on this objective was £0.385m.

4. To find alternative methods of crops protection. As part of the government's policy of reducing risks posed by chemical pesticides, Defra funds research to develop alternative methods of crop protection, including novel biological, chemical and physical techniques, improved targeting of conventional pesticides, and integrated pest management which incorporates a range of techniques. Expenditure on this objective was £1.228m.

PSD pays three independent programme advisors to assess proposals for research, to help guide projects while they are in progress, and to advise on how the information which emerges from them can best be used. During 2007 we set up an R&D steering group which comprises the three programme advisors, PSD's principal scientists, representatives of Defra's Environment Group, and Food and Farming Group, and a representative of PSD's Policy Group.

The steering group helps PSD's R&D co-ordinator to:

1. **take an overview of the research programme**
2. **identify research needs, drawing on input from the expert committees (ACP and PRC), the Stakeholder Forum and the action plan groups who are carrying forward the UK pesticides strategy.**
3. **identify areas for co-ordination and co-operation with other research funders**
4. **ensure that plans for dissemination and update are integral to every project and that potential benefits arising from research are realised.**

The boxes on this page show a few examples, out of the 71 projects currently under way within this research programme.

PS2002 PACE. With the objective of avoiding unnecessary use of pesticides and ensuring effective control, research on the changes in size and density of crop canopies in orchards over the growing season has led to a scheme that enables the dose of pesticide product applied in orchards to be adjusted accordingly. The scheme, introduced to growers through a series of seminars and promoted via the Horticulture Development Council, uses a series of pictographs of different orchard canopy structures to enable growers to determine the dose necessary for any orchard, regardless of its age or structure.

LK0953. With the rapid increase in importance and use of the neo-nicotinoid group of insecticides, the risk of resistance in major aphid targets is high. Bringing the major players from industry and grower organisations together, a LINK research project has enabled a better understanding of the changing profile of resistance in *Myzus persicae*, and findings have been used to re-enforce resistance management recommendations across the group of compounds.

PS2012. Amateur User Survey. A survey was conducted in 6 garden centres around the United Kingdom to obtain information about gardener's habits concerning the use, storage and disposal of garden pesticides. The results of the survey highlighted some habits that the amateur action plan implementation group (of the national pesticides strategy) will address by raising awareness among gardeners.

PS2120. Atheta coriaria, a polyphagous predatory staphylinid beetle native to the UK, has recently become commercially available from biological control suppliers. A simple 'Do-It-Yourself' rearing-release system is being developed, for growers to rear and maintain large numbers of the beetles in their own glasshouses, for low-cost biological control of sciarid and shore flies. Current research is also investigating the potential of the system for inundative release of *A. coriaria* to outdoor vegetable crops, for biological control of cabbage root fly and carrot fly.

PS2515. The final year of a 3 year project developing methods of analysis in support of the UK pesticide residues monitoring programme has been completed. The project focused upon developing methods for newly approved pesticides and for pesticides that are known to be difficult to analyse. The results of this research will be implemented by the laboratories undertaking the analysis for the monitoring programme.

Management commentary

Our staff

Our scientific, IT, policy and administrative staff are all based in York, and bring together a wide range of skills and expertise.

In the Approvals Group, our scientists are grouped together into regulatory specialist branches responsible for project management of specific applications and specialist evaluator branches in one or more of the risk assessment areas. Our regulatory specialists, principal scientists and other risk assessment specialists within Human Health (Pesticides Chemistry, Toxicology and Operator Exposure) and Environment Branch (Efficacy, Fate and Behaviour and Ecotoxicology) are highly respected within the international pesticide regulatory system.

Our scientists have made major contributions into drafting a number of EC guidelines, and have represented PSD at a number of international conferences and meetings. Our scientists commission and evaluate studies carried out under our research and development programme, and provide technical support to the range of policy initiatives.

Our policy staff work with a range of other Government departments, agencies and external stakeholders to develop policy, monitor the effects of pesticides and enforce regulations.

Our partners include the Health and Safety Executive, Food Standards Agency, Environment Agency, Natural England, Department of Health, devolved administrations, local authorities, and NGOs.

Our third group comprises the Finance, IT and Corporate Services teams. Our Finance team ensures that all payments are made promptly, sets

the charges we levy on the industry, ensures full debt recovery, and provides costings on fees and overseas contracts, as well as dealing with the Agency's general, everyday finance matters. Our IT team ensures that all members of PSD have access to IT that supports their work, and provides training and ongoing everyday support to staff. The team also supports the PSD website and maintains IT security. Finally, our Corporate Services Team covers PSD's learning and development, health and safety, and accommodation issues. It also deals with all other corporate issues, such as official complaints against PSD, risk strategy and the risk register, customer and staff surveys, maintaining PSD's Charter Statement of Service Standards and ensuring PSD is continuously working towards maintaining our Investors in People (IiP) accreditation.

Each branch within PSD is headed by a Resource Manager, who reports to a Director. The primary role of the Resource Manager is to manage the work of the branch, ensuring financial and staff resources are organised to meet our objectives.

Our Learning and Development Strategy is periodically reviewed to ensure it provides a framework for all of our learning and development activities within PSD. The aims of our strategy are to:

- Ensure staff have the appropriate skills and experience necessary for PSD to achieve its business objectives.
- Ensure individuals have the opportunity to reach their full potential.
- Maintain Investors in People (IiP) accreditation.
- Contribute to the changing management culture in Defra.



Management commentary

Our staff



We were reaccredited with the Investors in People status after our assessment in October 2007. A representative group of staff were interviewed by the assessor from Yorkshire and Humberside Assessment Ltd and we were considered to be 'well above the mark'. PSD has continuously held iP recognition since 1997.

PSD also undertook a staff survey in November. This survey was undertaken by an independent research company, which benchmarked us against our survey findings in 2005, Defra's last 2 surveys and overall government benchmarking figures. In the majority of comparable questions PSD scored more favourably than other surveys

We are committed to implementing diversity and equality within the workplace, and creating an environment free from harassment, bullying or direct or indirect discrimination. With the aim of recruiting, retaining, promoting and developing staff to their full potential, regardless of race, colour, ethnic or national origin, gender, marital status, disability, religious beliefs, age or sexual orientation. The Director of the Approvals Group is PSD's Diversity Champion and all staff within Defra have a specific diversity and equality work objective in their individual Personal Development Plan.

Our Charter and Statement of Service Standards sets out the level of service the PSD aims to provide in our dealings with members of the public and our stakeholders. The level of service is in accordance

with the Government's guidance on service standards, and incorporates the provisions of the central and local government Enforcement Concordat on good practice. This commits us to good enforcement policies and procedures. The Charter also explains the steps to take in respect of complaints. This sets out guidelines for staff in the way they are expected to deal with members of the public and stakeholders. This can be found at <http://www.pesticides.gov.uk/corporate>.



PSD follows legislation relating to people with disabilities and Defra's internal policies in relation to disabled persons.



Looking forward

Our future strategy

PSD joined the Health and Safety Executive on 1st April 2008. This merger is based on PSD maintaining its identity, structure and current business. We will seek to build on the existing synergies in the science and regulatory experience in the two organisations and make use of the opportunities presented by the merger to build on our existing strengths and further develop our role in Europe.

During this coming year, we will work with HSE colleagues to identify and evaluate the options for greater collaborative working and improving efficiency. We will ensure that our existing objectives and activities continue to be delivered in accordance with our agreed targets. Senior managers will work closely with colleagues in HSE in implementing any necessary change management programmes.

Defra retains responsibility for strategic policy on pesticides, and we will work closely with Defra's Chemicals and Nanotechnology Division to define the relationship between strategic and operational policy, and to assist in the establishment and operation of an Inter- Departmental Pesticides Committee which will oversee the work of PSD in HSE and facilitate agreement on policies in relation to pesticides.

We manage a key part of Defra's pesticide science and research effort to underpin our pesticide policies. We will continue to direct some of these resources to address issues agreed in the Government's response to the report from the Royal Commission on Environmental Pollution on pesticides and bystander exposure.

PSD will continue to seek advice from the Advisory Committee on Pesticides, produce Regulatory Impact Assessments for relevant proposals and contribute to the formulation of research projects. Other major areas of interest include work to review our pesticide risk assessment procedures and support for alternatives to conventional pesticides.

We will play an active part in European Union enlargement initiatives, further strengthening our links with the new Member States and accession countries. We will continue to explore possibilities

for further EC funded work and for other international business development opportunities to build on our past successes.

We will ensure our communication plan remains relevant to our stakeholders. We will retain our corporate membership of the Plain English campaign and further improve our communication, training staff in the use of Plain English and developing an email newsletter to alert stakeholders to updated areas of our website. We will continue to provide an external information service by phone, post and e-mail and maintain and enhance our website.

We will ensure all our activities are compatible with and support the development of the UK Pesticides Strategy. Activity to deliver the Strategy's aims and objectives will be delivered through Action Plans for water, biodiversity, availability, amateur use, amenity use and human health action plan groups. We will report progress to, and seek advice from, the relevant advisory Committees.

PSD has a wide range of stakeholders - from the general public to the European Commission and including specific sectors such as farmers, the crop protection industry and environmental interest groups. We will continue to interact with these stakeholders, particularly through the Pesticides Forum as well as through consultation exercises. We will also continue to make improvements to our service delivery, which cuts across all of our objectives, and through our stakeholder scheme we continue to provide opportunities for short-term secondments to stakeholders and customers

ensuring close working relationships are maintained and enhanced.

We will continue to develop and implement targeted monitoring and enforcement campaigns, including for wildlife incidents. In accordance with Government targets, we will continue to move towards full electronic delivery of our services. To follow the introduction of digitally-signed approvals and electronic application tracking, further work will be carried out on continuing to develop electronic submissions and workflow systems.

In the next 12 months our offices will undergo a major refurbishment. We will use the opportunity to review and, where appropriate, rationalise our accommodation requirements. Our key objectives are to ensure the refurbished office meets our future business needs and is carried out with minimum disruption.

We recognise that strong leadership is essential to the delivery of our business and maintenance of relevant specialist capacity is vital to both our approvals work and our ability to develop pesticide policy effectively. Maintaining the relevant technical skills, including succession planning, is proactively managed at Board and Specialist level. We have identified learning needs for staff against our future targets. We actively encourage staff to develop skills that will facilitate flexible deployment across the Agency to meet changing workloads and demands, and feel that the merger with HSE will widen opportunities in this area.



Looking forward

Our targets for 2008/09

The table below summarises our four high-level targets and key measures agreed with Ministers for 2008/09, against which our performance will be measured. Year one of our three-year Business Plan for 2008–2011 is available on our website at www.pesticides.gov.uk and provides examples of the work we will take forward to meet these objectives.

• Objective 1:

To evaluate pesticide approval applications and applications for detergent derogations according to published targets and fees and contribute effectively to the European programme of reviews and the development of internationally harmonised procedures.

- To deliver high quality scientific work to underpin the safe use of pesticides for people and the environment.
- To complete pesticide approval applications and requests for detergent derogations to time (90% within published processing times) and to cost (published fees and charges).

• Objective 3:

To monitor use of pesticides, the impact, fate and behaviour of these chemicals and undertake consistent, proportionate and effective enforcement activity to promote safe storage, use and disposal.

- To commission monitoring and report on the levels of pesticide use, the presence of residues in food, the levels present in the environment, particularly water, and their effects.
- To deliver an effective, consistent and proportionate monitoring and enforcement regime working with our delivery partners Defra, Health and Safety Executive, Food Standards Agency, Rural Payments Agency, Natural England, and local authorities.

• Objective 2:

To develop and implement policies which take forward the UK Pesticide Strategy through consultation, negotiation, better regulation, and effective communication.

- To secure UK's interests in negotiations on, and the implementation of, the Thematic Strategy for Pesticides, setting Maximum Residue Levels (MRLs) under existing Directives, and in the development of the new MRLs Regulation.
- To develop the UK Pesticide Strategy, in order to better protect water quality; biodiversity; and human health; to promote best practice in the amateur and amenity sectors; and to ensure the availability of products and techniques to enable economic production of crops and effective control of pests, weeds and diseases and to take forward activities to implement the Government's response to the Royal Commission on Environmental Pollution on pesticides and bystander exposure.
- To work with our stakeholders to understand their views and requirements, communicate effectively with them and provide appropriate access to our records.
- To develop policy in accordance with the Defra policy cycle and regulation consistent with the principles of better regulation.

• Objective 4:

To manage all our resources effectively, to recover the full cost of our operations from the industry and Defra and to contribute to the government's efficiency agenda.

- To recover the full economic cost, as calculated according to resource accounting principles, of our services from industry and Defra.
- Deliver business development and efficiency plans during the period of the Business Plan.

Remuneration report

Remuneration policy

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach retirement age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Dr K Wilson was appointed on a Defra contract commencing on 1 April 2000 and which expired on 31 March 2008. A new contract with the Health & Safety Executive will operate from 1 April 2008.

Dr R Pugh was appointed under guidance from the Office of the Commissioner of Public Appointments and is paid a daily fee for each meeting he attends.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Remuneration report

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the PSD Board.

The information in the below tables represents the part of the Remuneration Report to be audited, as referred to in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The Salaries and Benefits in Kind entitlements during the year of the members of the Management Board, including the Chief Executive, were:

	2007/08 Salary, including performance pay £'000s	2007/08 Benefits in Kind £	2006/07 Salary, including performance pay £'000s	2006/07 Benefits in Kind £
Dr Kerr Wilson	90-95 including 5-10 bonus	-	85-90 including 5-10 bonus	-
Mr Tim Davis (acting Director up to 09/04/2007)	0-5 50-55 (full year equivalent)	-	55-60	-
Mr Martin Ward (appointed Director from 10/04/2007)	55-60 including 0-5 bonus	-	-	-
Mr Richard Davis	70-75 including 5-10 bonus	-	65-70 including 5-10 bonus	-
Mr Steve Milner	55-60 including 0-5 bonus	-	50-55	-
Dr Richard Pugh	0-5	-	0-5	-

Salary

Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. The Chief Executive and all Directors are subject to a performance system that monitors their performance against agreed targets. For members of the Senior Civil Service this is the Performance Management system as introduced by the Civil

Service Management Board. For the remaining Directors PSD has adopted the core Department's (Defra) Performance Management system. Under this system staff are appraised annually against a set of competencies and individually agreed targeted objectives. Bonuses, which form only a small percentage of total salaries, are the only form of remuneration subject to performance conditions.

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. There were no benefits in kind during 2006/07 or 2007/08.

Register of Interests

None of PSD's Directors has held any company directorships or other significant interests during the year that, in the opinion of the Directors, may conflict with their management responsibilities.

Salary and pension entitlements

The Pension entitlements during the year of the members of the Management Board, including the Chief Executive, were:

	2007/08 Real increase in pension and related lump sum at age 60 £000s	2006/07 Real increase in pension and related lump sum at age 60 £000s	Total accrued pension at age 60 at 31/3/08 and related lump sum £000s	Total accrued pension at age 60 at 31/3/07 and related lump sum £000s	CETV at 31/3/07 £000s	CETV at 31/3/08 £000s	Real increase in CETV funded by employer £000s
Dr Kerr Wilson	0 - 25 plus 2.5 - 5 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	35 - 40 plus 110-115 lump sum	35-40 plus 105-110 lump sum	846	980	23
Mr Tim Davis	0 - 2.5 plus 2.5 - 5 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 65 - 70 lump sum	25-30 plus 65-70 lump sum	612	599	(1)
Mr Martin Ward	0 - 2.5 plus 5-7.5 lump sum	-	15-20 plus 45-50 lump sum	-	-	298	35
Mr Richard Davis	0 - 2.5 plus 2.5 - 5 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 80-85 lump sum	25-30 plus 75-80 lump sum	566	654	17
Mr Steve Milner	0 - 2.5	0 - 2.5	0 - 5	0 - 5	21	40	14
Dr Richard Pugh	-	-	-	-	-	-	-

Pension

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

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Value

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 that the individual has transferred to the PCSPS arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the effect 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.

Compensation paid, significant awards to former managers

None was paid to former senior managers in 2007/08



H K Wilson
Chief Executive and Agency Accounting Officer
30 May 2008

Pesticides Safety Directorate Accounts 2007/2008



Statement of Agency's and Chief Executive's responsibilities

Under the Government Resources and Accounts Act 2000, the Pesticides Safety Directorate is required to prepare accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year, and the use of resources by the Agency during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs, and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Department for Environment, Food & Rural Affairs has designated the Chief Executive of the Pesticides Safety Directorate as the Accounting Officer for the Agency, with responsibility for preparing the Agency's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual and in particular to:

- Observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records, and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in "Government Accounting and Managing Public Money".

As Accounting Officer, I confirm that there is no relevant audit information of which the auditors are unaware, that I have taken all the steps I ought to ensure that they are aware of all relevant audit information, and I have taken all the steps I ought to establish that the entity's auditors are aware of the information.

Preparation of accounts

The accounts have been prepared in accordance with the Government Financial Reporting Manual via a direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000. PSD is vote-financed through Defra and operates under gross running cost control arrangements

Statement on Internal Control

Scope of responsibility

During the accounting period covered by these Accounts, PSD was an Executive Agency of the Department for the Environment, Food and Rural Affairs, and is fully accountable to Parliament via the Secretary of State for its performance during this period.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Defra policies, and PSD aims and objectives, set by the department's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and Managing Public Money. PSD works closely with the Minister responsible for Pesticide issues on all matters of Pesticides Policy, and he is regularly updated on all matters arising, the risks involved, and what steps PSD is taking to manage these through both verbal and written communications. PSD's Risk Register contains details of the relevant Director General within Defra to whom each PSD risk should be escalated where appropriate. This information is also contained within Defra's overall risk register.

It should be noted that following a review of PSD's future, it was agreed by Ministers that PSD should join the Health and Safety Executive on 1 April 2008. The review was subject to public consultation during the year and a business proposition for the merger was agreed. The merger took place on 1st April 2008 as agreed.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has

been in place in PSD for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

PSD handles risk through the Agency Management Team (made up of the senior members of the Agency), which meets monthly and the PSD Board (made up of the Agency Management Team plus a non-executive member), which meets four times a year, to consider the Agency plans and strategic direction and to review any associated risks. Regular reports are received from managers on the steps they are taking to manage risks in their areas of responsibility, and an organisation-wide risk register is maintained by the agency risk co-ordinator. PSD's Risk Management Strategy defines roles and responsibilities and provides guidance on identifying, assessing, addressing, reviewing and reporting risks. It is reviewed annually and made available to all staff via the internal website. During 2007/08 a Risk Management Audit was undertaken to assess PSD's risk management processes and the extent to which they are applied. This took the form of 2 workshops involving 18 staff from across the organisation. The workshop asked staff to vote (electronically and anonymously) on a number of assertions and measure the results against a recognised risk management model. This provided clear evidence that the risk policy and strategy were well established and that the agreed processes and procedures were practiced within PSD.

PSD also has an Audit & Risk Committee, which is a formally constituted committee of the PSD Board, and is chaired by an external member. During 2007/08 PSD were pleased to appoint a second non executive member to the committee. The committee met four times during 2007/08 and following a review, its terms of reference were confirmed and further expanded (its terms of reference are publicly available in line with the Treasury's code of good practice). The purpose of the committee is to provide advice to the Agency Accounting Officer and the PSD Board on strategic processes relating to risk, control and

governance. This will include challenging risk appetite and the acceptance of risk as appropriate. It will consider audit strategy and plans and advise on both internal and external audit activity along with the adequacy of any management response on issues raised. It will further advise on accounting policies, the Agency's Annual Report & Accounts and in respect of internal control and risk management within PSD. During 2007/08 the committee also reviewed PSD's Fraud Policy Statement, Fraud Response Plan and Whistleblowing Procedures and as a result revised guidance has been issued.

PSD's strategy and plans are detailed in its Business Plan. This covers a 3-year cycle but it is reviewed on an annual basis by the Agency's Board and Agency Management Team. Progress against the Plan is reported to the Agency Management Team and Board on a quarterly basis. The Business Plan is complemented by a 4 year financial strategy which highlights both opportunities and risks. Objectives, targets and resources are agreed with Defra and ultimately the Minister. The Business Plan is also subject to an independent assessment by the Regulatory Agency Strategy Board. It is supported by the production of annual business plans for each business area within the Agency. These plans are agreed between PSD's Resource/Business Managers and the relevant Director. The Finance, IT and Corporate Services branch plans are also approved and monitored by the Agency Management Team. Resource/Business Managers provide monthly reports on their progress towards the achievement of plans. During the successful re-accreditation of PSD's Investor in People (IiP) status, planning was recognised as a real strength within the organisation. The IiP report noted that "PSD's staff and management had a clear understanding of their responsibility and that managers and the Agency Management Team are effective in the achievement of targets and plans".

The PSD Board is independently advised on risk, control and governance by an internal audit service operating in accordance with Government Internal Audit Standards. The National Audit Office (NAO) are PSD's external auditors and a formal 2007/08 Audit Strategy has been agreed. NAO make recommendations from their work

regarding risk, control and governance and both internal and external auditors attend PSD's Audit & Risk Committee meetings.

During 2007/08 PSD's internal audit service undertook eight audits and provided assurances to the Audit & Risk Committee and the PSD Board in relation to Key Controls, Governance and Propriety. A Data Management and Security audit was included in the audit plan for the year which proved timely given recent publicity with regard to the loss of data within other parts of Government. The review was performed by Bentley Jennison on behalf of Defra's internal audit service and provided an adequate level of assurance that risks in this area are managed and controlled. Defra internal audit service also audited PSD's reported results against its performance targets for 2007/08.

PSD receives regular updates from the core Department and HM Treasury in respect of risk, control and governance and identifies areas of good practice from which it could learn.

The risk and control framework

A 'bottom up', as well as a 'top down' approach is in place for identifying, evaluating, and managing risk. Internal communication was highlighted as a major strength in the 2007/08 Staff Satisfaction Survey. This also revealed that the level of staff prepared to raise difficulties, speak up and challenge issues outperforms the Government benchmark in this area. From the bottom, risks are identified and assessed where they occur, to be captured in the Agency risk register as appropriate. In completing the risk register, owners describe existing and additional activities to address the risk as well as outlining what action should be taken if the risk becomes an issue (i.e. contingency planning). Each identified risk is prioritised and given a rating in order that efforts can be concentrated on addressing those that are most important. In doing this, a proportionate response is adopted, using a range of available risk management tools and techniques, including Guidelines 2000 which sets out the Government's key principles applying to the development and presentation of scientific advice for policy-making.

Our management of risk is embedded in policy-making, planning and delivery. The main risks are kept under regular strategic review by the PSD Board and Audit & Risk Committee and high level information on risk is integrated with other key performance data and presented via quarterly progress reports to the Agency Management Team and Board. This data is built up from information provided by risk owners and collated by the risk co-ordinator within Finance & Corporate Services, and forms the core of risk information that feeds into future business plans and spending review exercises. The risk register is also reviewed by the Agency Management Team on a monthly basis.

Our risk environment involves managing risks that impact on the public. Pesticides policy development takes account of a wide range of stakeholder views through consultation exercises. In addition, in order to fully involve and inform stakeholders and customers, open meetings of the Advisory Committee on Pesticides and the Pesticides Residues Committee are held. Attendees include the full range of relevant stakeholder groups. The Pesticides forum is also a body that comprises representatives of consumer, environmental, pesticide industry and agricultural interests.

During 2007/08 the uncertain future of PSD was the top risk priority. Such was the level of uncertainty that a separate risk register was set up to deal solely with this issue. The level of risk was heightened by the very short timescales for implementing the eventual outcome. PSD's well established risk management strategies were applied and Workstreams developed to identify and log both existing and potential risks. Contingent strategies were created for all identified risks, and as soon as a decision was made, a combined PSD and HSE team worked together to further reduce any residual risk prior to the merger on 1st April 2008. The merger was successfully implemented as agreed on 1st April 2008. Governance arrangements and reporting lines within HSE have been agreed including the arrangements for audit.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within PSD who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit & Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Agency Management Team and Board consider risk management and internal control on a regular basis at their meetings throughout the year. The risk register is reviewed monthly by the Agency Management Team and quarterly by the Audit & Risk Committee and Board. Quarterly reports are also considered by the Agency Management Team and Board which identify new risks and matters relating to ongoing risks.

PSD undertook a year end review of the effectiveness of its risk and control framework. This was done via a senior management workshop operated by Defra's internal audit service. This workshop covered Strategy, Planning, Control, Governance, Risk, Change, Programme & Project Management, Performance Management and Resource Management. This provided an assurance against all these areas and concluded that there were no issues for consideration when compiling the 2007/08 Statement on Internal Control.



H K Wilson

Chief Executive and Agency Accounting Officer

30 May 2008

The Certificate and Report

of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Pesticides Safety Directorate for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and 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 Agency, Chief Executive and auditor

The Agency and Chief Executive, as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Agency'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 HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to

you whether, in my opinion, the information included in the Annual Report, which comprises the foreword from the Chief Executive, About PSD, the Management Commentary and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword from the Chief Executive, About PSD, the Management Commentary and the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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 Agency and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations 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

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000, and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2008 and of its surplus, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, included within the Annual Report, which comprises the Foreword from the Chief Executive, About PSD, the Management Commentary and the Remuneration Report, is consistent with the financial statements.

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.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
13 June 2008

Income and Expenditure Account

For the year ended 31st March 2008

	Notes	2007/08 £000s	2006/07 £000s
Income	2	12,965	13,167
Expenditure			
Staff Costs	4a	7,062	7,121
Depreciation and amortisation	6 & 7	192	216
Other operating costs	5	5,704	5,818
Total operating cost for the year		12,958	13,155
Operating surplus before interest on capital	12	7	12
Interest on capital: credit/(charge)	20	40	28
Operating surplus for the year	3 & 11	47	40

All income and expenditure is derived from continuing operations.

There were no recognised gains or losses other than the operating surplus for the year ended 31 March 2007 and 31 March 2008.

The notes on pages 37 to 47 form part of these accounts.

Balance Sheet

as at 31st March 2008

	Notes	£000s	31.3.08 £000s	£000s	31.3.07 £000s
Fixed assets					
Tangible assets	6		287		253
Intangible assets	7		62		95
			<u>349</u>		<u>348</u>
Current Assets					
Debtors	8	2,237		2,051	
Cash at bank and in hand	9	4,110		3,896	
			<u>6,347</u>	<u>5,947</u>	
Creditors					
Amounts falling due within one year	10	3,525		3,759	
				<u>3,759</u>	
Net current assets			<u>2,822</u>		<u>2,188</u>
Total assets less liabilities			<u>3,171</u>		<u>2,536</u>
Taxpayers' equity					
General fund	11		<u>3,171</u>		<u>2,536</u>

H K Wilson
Chief Executive and Agency Accounting Officer
30 May 2008

The notes on pages 37 to 47 form part of these accounts.

Cash flow statement

For the year ended 31st March 2008

	Notes	2007/08 £000s	2006/07 £000s
Net cash inflow from operating activities	12	407	1,912
Capital expenditure	12	(193)	(197)
Financing:			
Cash transfers to Defra		0	(1,022)
Movement in cash	9	214	693

The notes on pages 37 to 47 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual. The accounting policies contained in the Government Financial Reporting Manual follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the Government Financial Reporting Manual permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Agency, for the purposes of giving a true and fair view, has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

a. Accounting convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to current costs.

b. Recognition of income

Fees receivable for applications for approval are accrued to future periods to the extent necessary to cover the work estimated to be outstanding at the year end on the evaluation of the applications.

c. Levy collection

PSD collects pesticide levy on behalf of Other Government Departments. Such sums are not taken as income by the Agency and any outstanding balances are reflected in the balance sheet until paid to the relevant Government Department.

d. Fixed assets

Individual assets costing £2,000 or more are capitalised and revalued using appropriate published indices. Pooling arrangements are in place for lower value capital expenditure on IT and furniture. Depreciation and amortisation of assets is calculated on a "straight-line" basis to a nominal residual value over their estimated useful lives as follows:

IT	3 to 10 years
Furniture & Fittings	5 to 10 years

The costs of software licences are capitalised as intangible assets if these exceed £2,000 and are amortised over their estimated useful lives of three years.

e. VAT

PSD is in the same VAT group as Defra. Irrecoverable VAT is charged to the Income & Expenditure Account in the year in which it is incurred.

f. Central charges

Central Defra costs are charged on a notional basis and included in the accounts. These include the costs of central services such as Accommodation, Information Technology, Personnel and Legal.

g. Capital charge

A charge, reflecting the cost of capital utilised by PSD, is calculated in accordance with the Financial Reporting Manual (FRoM). The charge is shown in the Income & Expenditure Account as 'interest on capital' and is calculated at the Government's standard rate of 3.5%, based on average capital employed during the year.

h. Foreign exchange

Foreign currency transactions consist of payments in euros for EC contract work. These are translated into sterling at the Bank exchange rate ruling on the date of each transaction.

i. Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS), which are described in notes 4c-4d. The defined benefit elements of the scheme are unfunded and non-contributory except in respect of dependants' benefits. PSD recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the schemes, PSD recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole.

j. Leases

All PSD leases are regarded as operating leases and the rentals are charged to the Income and Expenditure account over the terms of the leases.

Notes to the accounts (cont)

2. Income from activities

	2007/08 £000s	2006/07 £000s
Income was earned from the following activities		
Approvals Levy	3,657	3,884
Fees	3,451	3,209
European Commission	370	465
Defra funded activities	5,167	5,310
Other	320	299
	12,965	13,167

3. Performance against key corporate financial targets

Achievement of full cost recovery – To recover the full economic cost (as calculated according to resource accounting principles) of PSD services from industry and Defra.

A cost recovery rate of 100.4 per cent was achieved in 2007/08. Taking account of prior year surpluses, the cumulative cost recovery rate is 100.7 per cent. The cost recovery rate can be analysed as follows:

	Income £000s	Expenditure £000s	Surplus/ (deficit) 2007/08 £000s	2007/08 cost recovery %	Cumulative surplus/(deficit) £000s	Cumulative cost recovery %
Approvals	7,428	7,324	104	101.4	758	100.7
EC	370	433	(63)	85.5	(307)	92.1
Policy	5,167	5,161	6	100.1	777	101.1
Total	12,965	12,918	47	100.4	1,228	100.7

Notes to the accounts (cont)

4. Staff numbers and costs

a. staff costs during the year were:

	2007/08			2006/07		
	Total £000's	Permanently employed staff £000's	Others £000's	Total £000's	Permanently employed staff £000's	Others £000's
Wages and Salaries	5,595	5,540	55	5,624	5,540	84
Social Security costs	411	406	5	414	406	8
Other pension costs	1,056	1,054	2	1,083	1,082	1
	7,062	7,000	62	7,121	7,028	93

Full details of the remuneration and pension interests of the PSD Board can be found in the earlier remuneration report.

b. The average number of full-time equivalent employees during the year, was as follows:

	2007/08			2006/07		
	Total	Permanently employed staff	Others	Total	Permanently employed staff	Others
Work on 'To protect and improve the rural, urban, marine and global environment, and conserve and enhance biodiversity, and to lead integration of these with other policies across Government and internationally' (Defra objective 1)	60	59	1	63	61	2
Work on 'To promote a sustainable, competitive and safe food supply chain which meets consumers' requirements' (Defra objective 3)	119	117	2	125	121	4
	179	176	3	188	182	6

Notes to the accounts (cont)

c. The PCSPS is an unfunded multi-employer defined benefit scheme, but PSD is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007.

Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

d. For 2007/08, employer's contributions of £1.056m were payable to the PCSPS (£1.083m in 2006/07) at one of four rates in the range of 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2007/08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. For 2007/08 employer's contributions of £0.4k were paid to one or more of a panel of three appointed stakeholder pension providers.

5. Other operating costs

	2007/08 £000s	2006/07 £000s
These are made up as follows:		
Programme expenditure:		
Services provided by Central Science Laboratory	1,810	1,814
Services provided by Natural England	160	203
Services provided by Veterinary Laboratories Agency	40	40
Payments to Independent Advisory Committees	93	108
Services provided by industry	1,157	1,080
Other	22	16
	3,282	3,261
Other operating expenditure:		
Travel and subsistence	271	278
Training	22	36
Accommodation costs	53	64
Accommodation costs (Defra)	1,103	1,246
Hire of plant/machinery	7	7
Other costs	337	341
	1,793	1,972
Notional (non-cash) charges:		
Other Defra central services	601	479
Costs of other Defra divisions	0	80
Audit fees	28	26
	629	585
Total other operating costs	5,704	5,818

Notes to the accounts (cont)

6. Tangible fixed assets

	IT £000s	Furniture & fittings £000s	Totals £000s
Cost or valuation:			
At 1 April 2007	1,940	405	2,345
Additions	186	-	186
Disposals	(40)	-	(40)
Revaluations	(5)	-	(5)
At 31 March 2008	2,081	405	2,486
Depreciation:			
At 1 April 2007	1,694	398	2,092
Charged in year	146	1	147
Disposals	(40)	-	(40)
At 31 March 2008	1,800	399	2,199
Net book value:			
At 1 April 2007	246	7	253
At 31 March 2008	281	6	287

b. The depreciation charge for the year is made up as follows:

	£000s
Depreciation for the year	147
Permanent diminution following revaluation	5
	152

c. The net downward valuation on IT assets has been charged to the Income & Expenditure Account.

Notes to the accounts (cont)

7. Intangible assets

	Totals £000s
Software licenses:	
Cost or valuation:	376
As at 1 April 2007	
Additions	7
At 31 March 2008	383
Amortisation:	
As at 1 April 2007	281
Charged in year	40
At 31 March 2008	321
Net book value:	
As at 1 April 2007	95
At 31 March 2007	62

8. (a) Debtors

	2007/08 £000s	2006/07 £000s
Amounts falling due within one year:		
Debtors – Industry	661	376
Debtors – Defra and Other Government Departments	1,481	1,404
Debtors – EC Contracts	19	197
Prepayments	73	66
Other	3	8
	2,237	2,051

Notes to the accounts (cont)

8. (b) Intra - Government Balances

	Debtors: Amounts falling due within one year		Debtors: Amounts falling due after more than one year	
	£000s 2007/08	£000s 2006/07	£000s 2007/08	£000s 2006/07
Balances with other central Government Bodies	1,363	1,282	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	118	123	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to Government	756	646	-	-
At 31 March	2,237	2,051	-	-

9. Cash at bank and in hand

	2007/08 £000s	2006/07 £000s
Balance at 1 April	3,896	3,203
Net change in cash balances	214	693
Balance at 31 March	4,110	3,896
Commercial Banks	35	26
Office of Paymaster General	4,075	3,870
Total Cash at Bank	4,110	3,896

Notes to the accounts (cont)

10. (a) Creditors (amounts falling due within one year)

	2007/08 £000s	2006/07 £000s
Application fees paid in advance	1,625	1,737
Levies collected on behalf of Other Government Departments	60	206
Taxation and Social Security	138	143
EC creditors	201	0
Trade creditors	166	519
Accruals	1,145	971
Other creditors	190	183
	3,525	3,759

10. (b) Intra – Government Balances

	Creditors: Amounts falling due within one year		Creditors: Amounts falling due after more than one year	
	£000s 2007/08	£000s 2006/07	£000s 2007/08	£000s 2006/07
Balances with other central Government Bodies	1,144	1,505	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to Government	2,381	2,254	-	-
At 31 March	3,525	3,759	-	-

Notes to the accounts (cont)

11. General Fund

There are two distinct parts within the General Fund:

a. The general account

This account represents the net assets taken over by the Agency when it was formed. Subsequent movements comprised the introduction of notional costs, including capital charges and net cash surpluses paid to Defra. From 31 March 2005 the Agency has maintained its own bank account and receives cash amounts from Defra as appropriate to meet its working capital requirements.

b. The operating account

This account represents the accumulated operating cost recovery surplus or deficit transferred from the Income & Expenditure Account. The balance on this account will be set against future years' operating surpluses or deficits in accordance with the key financial target to achieve full cost recovery.

	General Account £000's	Operating Account £000's	General Fund £000's
Balance at 1 April 2007	1,354	1,182	2,536
Movement in year:			
Operating Surplus	-	47	47
Notional Charges (including interest on capital)	588	-	588
Net financing from Defra	-	-	-
Balance at 31 March 2008	1,942	1,229	3,171

Notes to the accounts (cont)

12. Reconciliation of operating surplus to net cash flow

	2007/08 £000s	2006/07 £000s
Operating surplus before interest on capital	7	12
Adjustments for Non-cash transactions:		
Depreciation and amortisation	192	216
Notional charges	629	585
Adjustments for movements in working capital other than cash:		
Decrease/(Increase) in debtors	(186)	777
Increase/(decrease) in creditors falling due within one year	(235)	322
Net cash inflow from operating activities	407	1,912

12. Analysis of capital expenditure:

	2007/08 £000s	2006/07 £000s
Tangible fixed assets additions	186	110
Intangible fixed assets additions	7	87
	193	197

13. Commitments under operating leases

	2007/08 £000s	2006/07 £000s
PSD was committed to making the following payments during the next year in respect of operating leases expiring:		
Within 1 year	4	6
Between 2 and 5 years	407	692
	411	698

Notes to the accounts (cont)

14. Capital commitments

There were no capital commitments.

15. Contingent liabilities

There were no significant contingent liabilities.

16. Senior management interests

None of the senior management has had any financial interest in PSD either during the financial year or since.

17. Related party transactions

During the year PSD has had a number of significant transactions with Defra and its executive agencies (Central Science Laboratory, Veterinary Laboratories Agency and Natural England). During the year, none of the RASB, PSD Management Board members, key management staff or other related parties has undertaken any material transactions with PSD, Defra or its executive agencies.

18. Derivatives and other financial instruments

The Agency is required to disclose the role financial instruments had during the period in creating or changing the risks faced in undertaking its activities. The non-trading nature of the Agency's activities and the way government departments are financed means the Agency is not exposed to the degree of financial risk faced by other business entities. PSD has no powers to borrow or invest surplus funds, and financial assets and liabilities generated by day-to-day operational activities are not held to change the risks facing the Agency in undertaking its activities.

The Agency is therefore not exposed to significant liquidity risk, as it has no borrowing facilities and as net resource requirements are financed annually through the vote via Parliament. There is no exposure to interest rate risk as the Agency's main financial assets and liabilities carry nil or fixed rates of interest. The Agency is not exposed to significant foreign exchange rate risk as the Agency had no material imports or exports, nor does it hold foreign currency assets or liabilities.

The Agency therefore does not use derivatives or other financial instruments for mitigating such risks, or for other purposes.

19. Post Balance Sheet Events

In response to the Hampton Review of the regulatory sector, Ministers agreed that PSD should join the Health and Safety Executive on 1st April 2008. As part of this decision Ministers also agreed that strategic policy for pesticides should remain with Defra and operational policy should transfer with PSD to HSE. This Annual Report & Accounts has been authorised for issue on 18 June by the PSD Chief Executive and Accounting Officer.

20. Cost of Capital

A charge, reflecting the cost of capital utilised by PSD, is calculated in accordance with the Treasury Guide to fees and charges. The charge is shown in the Income & Expenditure Account as "interest on capital" and is calculated at the Government's standard rate of 3.5% (based on average capital employed during the year). For 2007/08 there is a credit of £40k (£28k credit in 2006/07).

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and understanding of the safe use and regulation
of pesticides.

We follow the Government's policy on openness
and access to information.

Further information on pesticides and their
approval is available on PSD's website at:
www.pesticides.gov.uk or from PSD's Information
Services Branch

Information Services Branch

Telephone: 01904 455775

Email: information@psd.defra.gsi.gov.uk
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