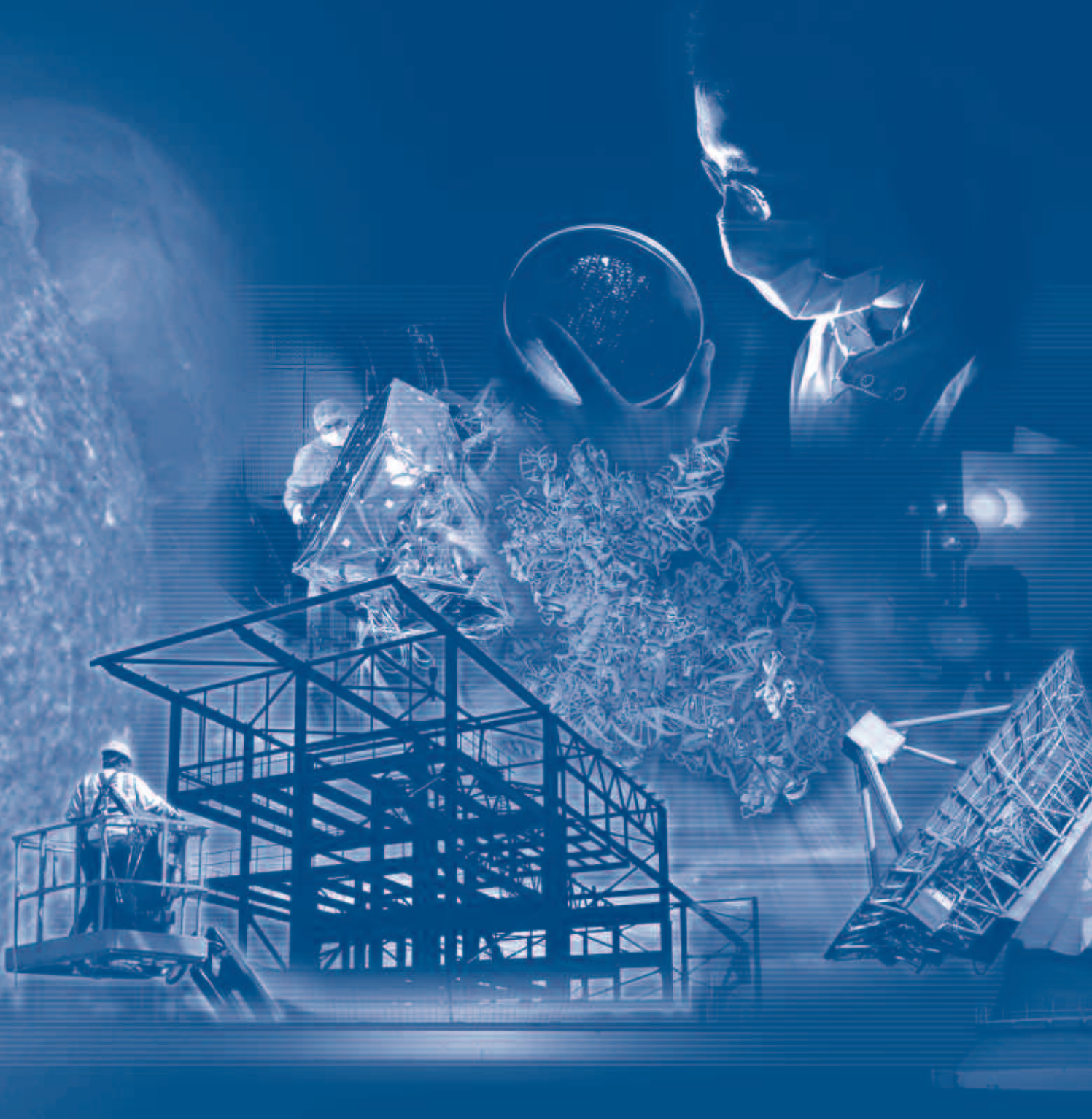


# CCLRC Annual Report and Accounts

2005 - 2006





# **CCLRC Annual Report and Accounts** 2005 - 2006

**Council for the Central Laboratory of the Research Councils (CCLRC)**  
Report and Accounts 2005 - 2006

Presented pursuant to the Science and Technology Act 1965, C4, S(1), 2(2), 3(3)  
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# Foreword

## “managing change for efficiency and delivery of world-class science”

This has been a year dominated by change. I am pleased to say that staff across the CCLRC have embraced this change and have worked extremely hard to create an organisation that is more efficient and very much focused on delivering world-class science and technology, with a management structure that brings strategy and operations into much closer contact. I would like to thank all the staff for undertaking this exercise in a professional and timely way. We now move to a regime of “continuous improvement” owned and implemented by the business units themselves.

In rising to the challenge of CCLRC’s new role to provide strategic advice on large facilities to Government, much of the year focused on responding to a request from the Minister for Science and Innovation to advise him on the UK’s future requirements for neutron facilities. Early in 2006, we published the outcome of the review, including a plan to secure long-term access to leading-edge neutron facilities: “Future Access to Neutron Facilities: A Strategy for the UK” (<http://www.neutron.cclrc.ac.uk/activity/FinalReport>). The report has been well-received by our stakeholders and international partners.

The view over the two principal sites, Daresbury and Rutherford Appleton Laboratories, has changed dramatically over the year too, as major capital projects supported through the Large Facilities Capital Fund and the campus developments begin to impact. Diamond and ISIS Second Target Station have become landmark features at RAL whilst the new Daresbury Innovation Centre (DIC) and Cockcroft Institute dominate the entrance to DL. These large, and technically demanding capital projects remain on schedule and within agreed budgets. Looking to the future, the challenge will be to secure the necessary budget to operate these world-class facilities.

In the latter part of the year, we delivered a new Capital Investment Strategy which has set the priorities for spending hard-won infrastructure funding over the next three years. For the first time in many years, we have been able to undertake much needed maintenance to buildings and the environment to make our sites safe and attractive to work in, to begin to invest in our laboratories for our ongoing science programmes and to ensure we can attract and retain world-class staff.

We need to make sure that all of this investment is fully exploited through encouraging innovation and knowledge transfer. The year has seen a step-change for the CCLRC in this area, with the creation of a new Knowledge Transfer (KT) Committee, to provide a focus for knowledge transfer, commercialisation and a link to the campus developments. We now have a specific KT Delivery Plan which identifies a number of key targets for the organisation.

Building partnerships has also been a major feature of the year 2005-06. Nationally, we have focused on establishing and developing the partnerships that will be essential to deliver the two campus projects at our principal sites in Daresbury and Chilton, described in more detail later in this report. I therefore welcome the formal announcement, in the March 2006 budget statement, of the Daresbury and Harwell Science and Innovation Campuses. Internationally, we have focused on building partnerships for new and existing facilities, for example the X-ray Free Electron Laser (XFEL) project led by Germany, to ensure the UK research community has access to a wide range of world-class, state-of-the-art facilities. We are also committed to developing and strengthening links with other countries. In the last year, I have led a number of delegations to China which have resulted in a much closer, and formally recognised relationship between our respective researchers.

Looking to the future, I welcome the challenge that has been set by the recent Government consultation on a possible merger between ourselves and the Particle Physics and Astronomy Research Council (PPARC) to create a new focus for large facilities.

Signature

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

**J. V. Wood**

**Accounting Officer**

**Date: 14 June 2006**



# History and statutory basis of the Council

The Council for the Central Laboratory of the Research Councils (CCLRC) was established on 1 April 1995 as an independent Research Council under the Science and Technology Act 1965. Its Royal Charter was granted by Her Majesty the Queen on 14 December 1994 and amended by Privy Council on 17 July 2003. Its activities during 2005-06 have been in accordance with the objects set out in its Charter which is available on the Council's web site (<http://www.cclrc.ac.uk/activity/whoweare>).

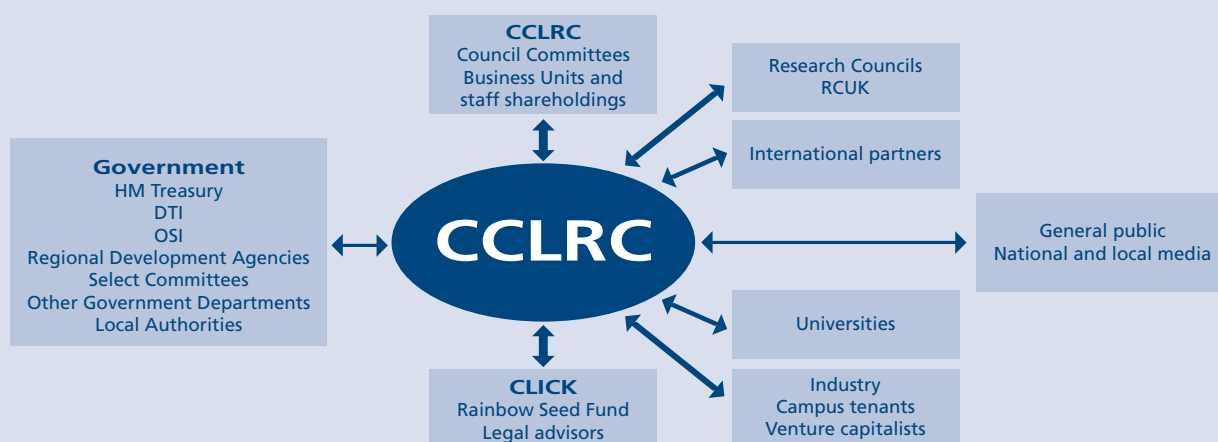
## The CCLRC Group

Throughout 2005-06, the Council continued to trade as a corporate Group (CCLRC Group). The Council's principal activity continued to be the management of its world-class research facilities at Rutherford Appleton Laboratory, the Daresbury Laboratory and the Chilbolton Observatory in accordance with its Charter mission. The Council also continued to fulfil its strategic role on behalf of Research Councils UK, as the national focus for large-scale facilities for neutron scattering, synchrotron radiation and high power lasers. This included the continued management of the UK interests in the Institute Laue Langevin and European Synchrotron Radiation Facility.

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

## Key Stakeholders

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



# Management commentary

## Financial Performance – Review of the Year

### Introduction

Throughout 2005-06, the Council has continued to trade as a corporate Group (CCLRC Group). As well as continuing to operate as a single corporate entity, the Council (CCLRC) has operated its own wholly-owned trading subsidiary, Central Laboratory Innovation and Knowledge Transfer Limited (CLIK). In addition, throughout the year, CCLRC continued to be the major shareholder in Diamond Light Source Limited (DLSL), a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source.

### Group financial performance

The CCLRC Group accounts for 2005-06 show a deficit of £6.9 million after one-off charges of £4.2 million for restructuring and, exceptionally for 2005-06, £5.9 million for decommissioning costs (2004-05, deficit of £27.5 million). In addition, there was a small surplus of £0.3 million reflecting the Group's share in DLSL.

As a consequence of the 2005-06 results, the CCLRC Group moved further into cumulative deficit, £36.4 million, (2004-05, £29.5 million).

### Exceptional Provisions made in 2004-05

On 7 March 2005, as part of the publication of H.M. Government's Spending Review 2004, the Secretary of State for Trade and Industry formally announced the closure, at the end of 2008, of the Council's synchrotron radiation source at its Daresbury Laboratory site. As a consequence of this announcement, based on a thorough assessment of the foreseen costs, the Council, in accordance with Financial Reporting Standard 12, made full provision for the exceptional costs of this closure in 2004-05 (£25.5 million at 2005-06 prices).

In addition, the Council instituted a full review of its administrative operations and put in place a programme for their implementation which is expected to yield substantial cost savings over the next three years. A sum of £6 million was, therefore, also set aside to meet consequential restructuring costs linked to this programme.

Both these provisions, which were fully reassessed at the end of 2005-06, have been made with the full knowledge and agreement of its parent government Department who, through the Office of Science and Innovation (OSI), have provided formal assurance of the Council's continuing financial viability.

## CCLRC Group

2005-06 proved a challenging year for the Council in terms of financial performance. The Council, as a Non Departmental Public Body (NDPB) is required to remain within its specific budgeted limits agreed with the OSI, under the governance of Resource Accounting and Budgeting (RAB), the regime by which H.M. Treasury, on behalf of central government, ensures public sector spending is satisfactorily controlled. In early July 2005, at relatively short notice, CCLRC, in compliance with this regime, was required to advise the OSI of its total forecast net expenditure for the year and, based on a requirement from Treasury, adhere as closely as possible to this forecast. This requirement was imposed in addition to the Council's standing requirement, under normal fiscal practice, to breakeven on its operational activities.

Throughout the year, adherence to this forecast required detailed and robust financial management, both in forecasting the annual outcome and in ensuring rapid responses to changing circumstances of its substantial project programme, to attain delivery of the expected outturn. The original forecast was based on the Council's approved Operating Plan which was, in turn, based on its Delivery Plan agreed with OSI.

However, at two specific points, in October 2005 and January 2006, in accordance with the requirements to meet the original Operating Plan, it switched the emphasis on specific programmes of work, involving both operating and capital expenditure, but at all times the Council undertook work that was in line with its strategic objectives and represented good value for money.

Against this background, income from operating activities was £71.1 million, an increase of £3.3 million on the previous year (2004-05, £67.8 million). Grant-in-Aid income also increased, considerably, to £83.1 million compared with £66.4 million in 2004-05. Deferred Income released to the Income and Expenditure account rose by £4.8 million to £25.7 million (2004-05, £20.9 million). Overall therefore, income increased substantially to £179.9 million from £155.1 million in 2004-05.

Income from other Research Councils was £41.2 million (£42.0 million in 2004-05). Total income from other Government bodies was lower than last year at £2.1 million (2004-05, £3.8 million). Income from external bodies showed growth in all areas except Domestic and rose to £27.8 million (£22.1 million in 2004-05).

Operating expenditure increased significantly by £31.9 million from £167.9 million in 2004-05 to £199.8 million in 2005-06, as a consequence of the following factors;

- Staff costs – primarily due to the substantial increase in employer's contributions to the Research Councils' Pension Scheme which rose from 10.1% to 21.3%, together with general pay inflation.
- Restructuring – expenditure rose significantly as a consequence of the Councils' specific programme to rationalise its administrative support costs.
- The Council's expanded international role reflected in the payment of the UK's subscriptions to ILL and ESRF, £21.9 million (2004-05, £19.7 million).
- A substantial increase in the Council's annual depreciation charge, due to the accelerated write-off of assets of its Synchrotron Radiation Source at Daresbury, due for closure in December 2008, and general growth in the Council's fixed asset base.
- The sum calculated for Notional cost of Capital which also increased from £13.9 million in 2004-05 to £17.8 million in 2005-06 due, primarily, to the current significant growth of its asset base.
- The general increase in the Council's volume of business activity and the substantial increase in UK utility prices which led to substantial increases in expenditure on Equipment and supplies, Services and Other operating costs.

Elsewhere on expenditure, as a consequence of the Treasury's advised reduction in the discount rate to be used for the unwinding of provisions from 3.5% to 2.2%, extant for 2005-06, a significant adjustment was required to the Council's cumulative charge, £5.9 million (£0.2 million in 2004-05). Under RAB rules, this adjustment has no impact on the Council's existing expenditure budgets.

Set against its approved Operating Plan for 2005-06, total actual operating income from external activities (excluding Deferred Income) was £2.0 million lower than expected at £154.2 million compared with a budget of £156.2 million. Actual income from operating activities was £71.1 million compared with a budget of £76.1 million, a reduction of £5.0 million whilst Grant-in-Aid operating income was £3.0 million higher at £83.1 million compared with a budget of £80.1 million. The swing to Grant-in-Aid reflected the adjustment to programmes necessitated by the need to maintain adherence to the July Treasury forecast.

With the changing programme emphasis and steeply increasing utility prices, operating expenditure, excluding Depreciation and Notional Cost of Capital, totalled £155.2 million and exceeded budget by £1.0 million. Full provision has been made within CCLRC's approved budget for 2006-07 to recoup this overspend and return the Council to a cumulative breakeven position by 31 March 2007.

Total Government Funds at 31 March 2006 amounted to £584.2 million (£440.2 million at 31 March 2005). The major causes of this substantial increase were the sum attributable to the investment in DLSL, £203.7 million (2004-05, £129.8 million) and the substantial growth in CCLRC's own asset base, £416.9 million (2004-05, £339.9 million).

With regard to its cash flow requirements, with the major change in funding arrangements from 1 April 2003, brought about as one of the outcomes of the CCLRC's Quinquennial Review, a substantial amount of the CCLRC's funding now comes direct from OSI and, as a consequence, the latter has formally undertaken to provide for advance funding of the Council's operations if so required. At the end of 2005-06, given the Council's cash position, no such advance was required (2004-05, zero).

Excluding the exceptional provisions noted above, the Council has remained within its specific budgeted limits agreed with the OSI, under the governance of Resource Accounting and Budgeting.

### **Central Laboratory Innovation and Knowledge Transfer Limited**

This company, a wholly owned subsidiary of CCLRC, was established at the start of 2002-03 to manage and exploit, commercially, the intellectual property owned by its parent and, to ensure the optimum exploitation of such property in the United Kingdom economy in accordance with H.M. Government policy. Throughout 2005-06, CLIK continued to develop new trading opportunities via the establishment of specific technology spin-out companies and the licensing of its intellectual property. As is to be expected with a venture of this nature and within its planned budgeted financing, fully underwritten by its parent, the company incurred a trading deficit of £337,000 (2004-05, £299,000 deficit).

### **Diamond Light Source Limited**

Throughout the year, CCLRC continued to be the major shareholder in the Diamond Light Source Limited, a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source. The CCLRC shareholding, (86%), is treated as an investment in the CCLRC's accounts. Since it is DLS's policy to capitalise all expenditure during the construction phase, this investment is reflected in the balance sheet of the CCLRC and of the CCLRC Group with the exception of interest receivable, net of a provision for Corporation tax, of which there is a surplus of £347,000 in 2005-06 (2004-05, £285,000) attributable to CCLRC.

## Creditor Payment Policy

The Council observes the Confederation of British Industry's Code of Practice. The Council adheres to the principles of the Prompt Payers Code and makes every effort to comply with the agreed terms of payment of creditors' invoices, endeavouring to pay them within 30 days of receipt of a valid invoice for goods and services received. During 2005-06 the percentage of all invoices received by the Council which were paid within 30 days was 97% (2004-05 95%). The Council makes purchases using the Government Procurement Card (GPC) and the percentage of invoices paid within 30 days, includes purchases made using the GPC. No payments were made under the Late Payment Act.

## Governance

*“A new structure for CCLRC bringing operations closer to strategy and policy development, yet still allowing Council to provide independent strategic advice to Government”*

With effect from April 2005, the CCLRC programmes were consolidated into three Business Units, Facilities (FBU), Science Programmes (SPBU) and Technology (TBU), empowered to take on devolved responsibilities to enable them to directly manage delivery of their objectives. At the same time, an Operations Business Unit (OBU) was established to provide central services that would not be cost-effective to devolve to the Business Units and to retain overall responsibility for the common processes and systems needed for the Units to operate efficiently and effectively.

Delegated authority to the Business Units coupled with an ambitious programme of e-processing and other changes aimed to reduce overheads and increase investment in the science and technology programmes of the CCLRC. A “Fit for the Future (FFtF)” team was tasked phasing-in the changes to structures, systems and processes throughout the year, to be largely completed by early in 2006.

Following discussions with the Office of Science and Innovation (OSI) in the context of the Fit for the Future exercise, a new senior management structure for CCLRC was announced in December 2005 which took effect from 01 January 2006. From that date, the Head Office Board, the Laboratory Executive Board and the Joint Review Board were replaced by a single management team, the CCLRC Executive Board, chaired by the Chief Executive.

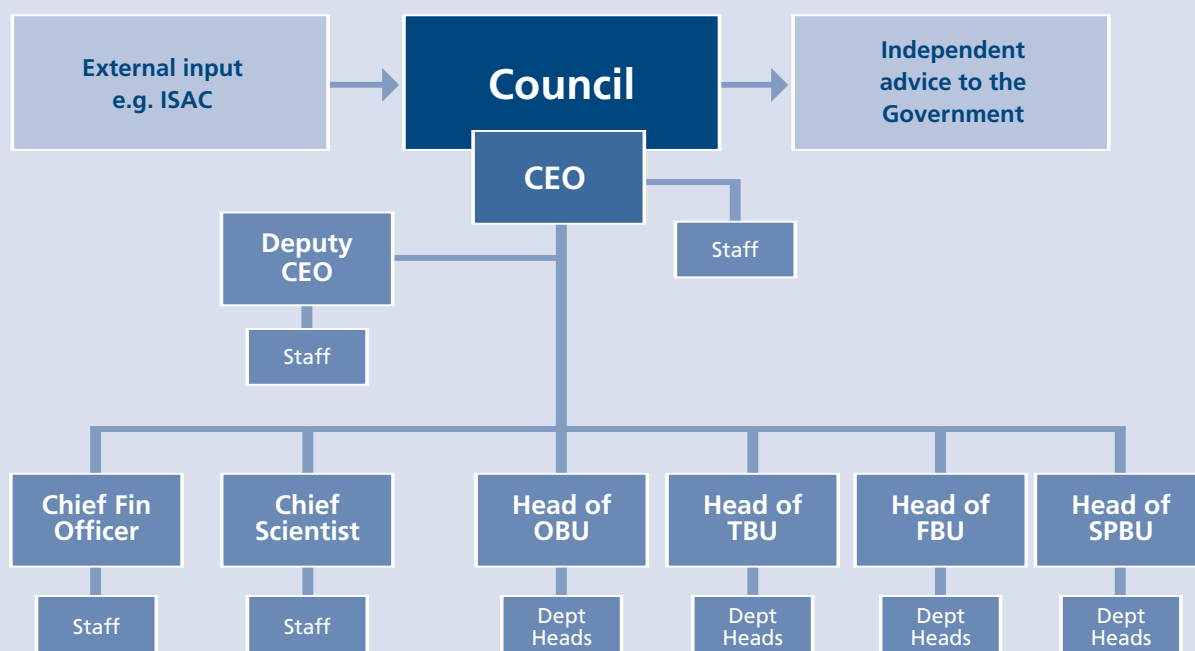
At the same time, the posts of Chief Scientist and Deputy Chief Executive (DCE) were created. The DCE post, based at Daresbury Laboratory, combined lead responsibilities on matters relating to the Daresbury and Harwell/Chilton campuses with those of CCLRC’s Knowledge Transfer programme and senior representation on matters relating to Daresbury Laboratory.

In agreement with the Office of Science and Innovation (formerly OST) and the CCLRC Chair, the Chief Executive will seek to fill a new Chief Financial Officer post.

The Heads of Business Units, together with the Deputy Chief Executive, the Chief Scientist, and the Chief Financial Officer form the CCLRC Executive Board.

In the new structure, independent strategic advice required from CCLRC will be given formally by the Council, taking account of independent advice provided to them by the International Science Advisory Committee (ISAC). OSI advised that this formal separation continued to satisfy the recommendations of the Quinquennial Review. The new structure is illustrated below. Council has also established a Resource Allocation Committee (RAC) comprising members of Council and the Executive Board, chaired by the CCLRC Chairman. The RAC provides advice to Council on the preparation of the Operating Budget.

## Governance Arrangements (effective from 1 January 2006)



### Executive Board and its Committees

The Executive Board (EB) was formally established in January 2006. It is the senior executive committee of CCLRC, and is the main forum through which the CEO leads and manages CCLRC and receives advice and information from the senior management team. The EB is not the vehicle for providing strategic advice from CCLRC to Government. Financial allocations are decided by Council.

To assist it in this role, the Executive Board is in the process of revising and simplifying the structure of Committees and Boards reporting into it. This process began in February 2006. The new structure is illustrated below:

### Committee, Board, and Group Structure



## Risk Management

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

Work is underway to merge risk management, project management, and performance monitoring systems across CCLRC, in order to improve management data and corporate reporting to Government.

## Council and its Committees

The Council, CCLRC's governing body, is appointed by the Secretary of State for Trade and Industry, the CCLRC's parent Government Department. The Council membership is drawn from university and industrial communities. The following were members of the Council during the year 2005-06. Their attendance record is also shown.

	Attendance
<b>Chairman</b>	
Sir Graeme Davies FEng, University of London	4/4
<b>Chief Executive</b>	
Professor John Wood FEng	4/4
<b>Members</b>	
Professor Keith Burnett FRS, University of Oxford (from 1 April 2005)	4/4
Mr John Burrows, Business Growth and Development Ltd	4/4
Dr Derek Chadwick, Novartis Foundation	4/4
Professor Mike Cruise, University of Birmingham	3/4
Professor Graham Davies FEng, University of Birmingham	4/4
Mr Marshall Davies, Independent Advisor (from 1 August 2005)	3/3
Professor Robert Donovan, University of Edinburgh	3/4
Mr Philip Greenish, Royal Academy of Engineering (from 1 April 2005)	4/4
Professor Peter Gregson, Queen's University, Belfast	1/4
Ms Anne Kensall, Business Advisor	3/4
Professor David Saxon, University of Glasgow (from 1 April 2005)	4/4

A further two members, Professor R Catlow and Professor DM Lewis were appointed with effect from 1 April 2006 and are expected to attend their first meeting on 21 June 2006.

In accordance with the Council's Royal Charter, members are appointed by the Secretary of State for a term of office not exceeding four years. Members (other than members who are employees of the Council, including the Chief Executive) who are re-appointed for a second term are not again eligible for reappointment until a year has elapsed. With the exception of the Chief Executive, all the above-named are deemed to be independent in character and judgement. Any financial or business relationships with CCLRC are listed in the Register of Members' Interests, and in the Related party transactions (see note 24 to the Annual Accounts).

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

## Register of Members' Interests

A register of Council Members' private, professional and commercial interests is maintained by the Council and can be obtained from the CCLRC web site (<http://www.cclrc.ac.uk/Activity/WhoWeAre>).

## Political and charitable gifts

The Council made no political or charitable gifts during the year

## International Scientific Advisory Committee

Council has an International Science Advisory Committee (ISAC), chaired by an independent member of Council, with membership drawn from both the UK and overseas to reflect the main scientific interests of CCLRC. Members are appointed for a maximum 3-year term of office. Current membership is:

### Chairman

Professor Keith Burnett FRS, Clarendon Laboratory, University of Oxford

### Members

Professor Alex Bradshaw, Max-Planck-Institute fur Plasmaphysik

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

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

Sir Chris Llewellyn-Smith, UKAEA Culham Division, Culham Science Centre

Professor David Moncton, Advanced Photon Source, MIT Nuclear Reactor Laboratory

Professor François Richard, Director Laboratoire de l'Accelérateur Lineaire, Université Paris-Sud

Professor David Southwood, Programme Director, European Space Agency

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

ISAC was established in May 2005 with the remit to provide Council with "independent and objective strategic advice on existing or future investments in science and technology". During 2005-06 the Committee played a major part in advising Council on the UK Neutron Review and the publication of its outcome: 'Future access to neutron sources: A strategy for the UK'.

## Resource Allocation Committee

The Council has appointed a Resource Allocation Committee (RAC) to provide advice on strategic-level issues impacting on the Council's financial position, in particular the preparation of the annual Operating Budget. The new Committee met once during this financial year to consider the draft Operating Budget for 2006-07. Current membership is:

### Chairman

Sir Graeme Davies FEng, University of London

### Members

Professor Keith Burnett FRS, University of Oxford

Professor Henry Hutchinson, Chief Scientist, CCLRC

Professor David Saxon, University of Glasgow

Professor Colin Whitehouse, Deputy CEO, CCLRC

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

## Audit Committee

The Council has an established Audit Committee to review internal and external audit matters, internal control and risk management, and the Council accounts. The Committee met four times during the year.

The Committee's Terms of Reference are reviewed annually in October, and are ratified at the next meeting of the Council. The Committee also produces an annual report on its activities. Both the Terms of Reference and annual reports are publicly available on the Council's Freedom of Information website.

The following were members of the Audit Committee during the financial year. One further place is expected to be filled in June 2006.

	Attendance
Dr Derek Chadwick, Novartis Foundation (Chairman to 31 July 2005)	4/4
Mr Marshall Davies, Independent Advisor (Chairman from 1 August 2005)	4/4
Mrs Gillian Macpherson FCA, Research Machines plc	4/4

## Freedom of Information

In 2003, and in accordance with the Freedom of Information Act 2000, the CCLRC established an external FOI web site in order to make the content of its publication scheme available directly to the public. A summary of Council minutes and meeting notes from the CCLRC's Executive Board are now published on this web site (<http://www.foi.cclrc.ac.uk>). In the 12 months from 1 January 2005, when the Act came fully into force, the CCLRC received 11 additional requests for information, all of which were satisfied within the 20 working day timeframe. No exemptions were applied to the information requested.

## Auditors

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

The Accounts of the Council are audited by the Comptroller and Auditor General of the National Audit Office (NAO), under the terms of Section 2(2) of the Science and Technology Act 1965. Their estimated fee for the 2005-06 audit is £57,500 compared with £56,000 in 2004-05.

The NAO have not undertaken, or received any remuneration for, any non-audit work throughout the period of these Accounts.

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

## Performance and related trends

*“Of the 27 strategic-level targets specific to 2005-06, 85% were met in full by the target date”*

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

- The Delivery Plan (<http://www.cclrc.ac.uk/activity/DeliveryPlan>) sets out Research Council (RC) plans and programmes for the period 2005-06 to 2007-08
- The Scorecard (<http://www.cclrc.ac.uk/activity/Scorecard>) lists the key, strategic-level deliverables and associated metrics and targets from the Delivery Plan
- The Output Metrics Framework (<http://www.cclrc.ac.uk/activity/OutputMetrics>) will focus on the contribution an individual RC makes to achieving the Public Service Agreement target and performance will be measured against two principal outputs:

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

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

Performance against the targets, milestones and metrics defined in these documents are monitored routinely by OSI. Quarterly reports on the Scorecard, including a measure of concern based on a traffic light system, are submitted to OSI and are reviewed by Council. The Council is also required to produce an Annual Delivery Plan report which will include a summary of progress against the Scorecard targets and data on the Output Metrics Framework. The first Annual Delivery Report will be published in July 2006. In future years, this report will also illustrate trend data.

In 2005-06, CCLRC reported against 42 ongoing targets in the Scorecard. Eleven of these were marked as amber – giving cause for concern because of project slippage or resource issues, but expected to be resolved to bring them back on track by the next reporting period. None was marked as red, the category indicating urgent action required to be taken. Of the 27 strategic-level targets specific to 2005-06, 85% were met in full by the target date. Examples of major achievements throughout this reporting period are:

- delivered a report for the Minister for Science and Innovation on the future UK Strategy for Neutrons which was on time and well-received;
- delivered a new CCLRC Capital Investment Strategy which has been accepted by OSI;
- published an agreed closure plan for the Synchrotron Radiation Source which has enabled CCLRC to review staffing needs and consider provision for the UK community in the period between the SRS being turned off and Diamond beamlines being available;
- established a formal partnership and management structure for the Cockcroft Institute (for accelerator sciences), now housed in a new building on the Daresbury Science and Innovation Campus;
- Strategic Partnership Agreements signed with BBSRC and MRC and action plans put in place to develop joint activities; discussions underway with three other Research Councils;

- funded ten new facility development grants totalling £13M; three of these were in partnership with university groups and included projects at each of the CCLRC's major facilities. These projects will enable the facilities to maintain their competitiveness worldwide. During 2005-06, eligibility for the scheme was widened to include Diamond Light Source (DLS) Ltd.;
- funded two new Technology Partnership awards to provide new technology for cross-Research Council life science projects;
- contributed to the OSI biennial review of large research facility priorities which will inform funding for large facilities in future years;
- in his capacity as Chair of the European Strategy Forum on Research Infrastructures, the CEO hosted the third European Conference on Research Infrastructures. Output from this conference was shared by Lord Sainsbury with the European Council of Ministers;
- undertook a major review of the CCLRC's KT programme and prepared a specific Delivery Plan for this area which has been approved by OSI;
- held a major event reviewing, celebrating and promoting the Science and Engineering Ambassadors (SEA) scheme; the CCLRC now has over 100 SEAs and was presented with a Regional Award from SETNET (the Science, Engineering, Technology and Mathematics Network) South East in April 2006;
- implemented a programme of reviews, including Facility Access, the Central Microstructure Facility, Science and Society and Knowledge Transfer.

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

Overall, the days available to users of the SRS (~3700) were at a level comparable to FY2003-04, despite the loss of 2 weeks user beam in March 2006 due to an unexpected water to vacuum leak. User satisfaction was 86% compared to a target of 85%.

ISIS delivered 581 experiments for its user community, produced 459 mA-hr of beam and registered a user satisfaction of 89%.

The Central Laser Facility comprises the Lasers for Science Facility (LSF), the Laser Loan Pool, Astra and Vulcan. In 2005-06, the LSF scheduled 111 weeks of user time and recorded a user satisfaction, across the five categories measured, of 93.6%. The Laser Loan Pool scheduled 317 weeks with 90.5% user satisfaction. The CLF typically allows 2 months after the end of an experiment to obtain user feedback on the Vulcan and Astra facilities as experiments can be up to 3 months in duration and often run over the financial year end. User satisfaction data were therefore not available for these facilities at the time this report was completed. Vulcan and Astra delivered 68 and 38 weeks of scheduled time respectively during 2005-06.

During 2005-06, CCLRC ensured access for the UK Research community to a significant proportion of Europe's major research facilities: 24% of public access to the neutron source at the Institute Laue-Langevin and 17.7% of public access to the European Synchrotron Radiation Source, both in Grenoble, France.

## Trends and factors likely to affect future performance

The most significant factor likely to affect the future performance of CCLRC is the budget announcement made on 22 March 2006 and detailed in the Science and Innovation Framework: "Next Steps" document.

This document highlights two major activities of importance to CCLRC:

- the formal announcement of two science and innovation campuses at CCLRC's principal sites:
  - "...the Government has decided that the Harwell site, which includes RAL, and the Daresbury site should become the Harwell and Daresbury Science and Innovation Campuses respectively. The Government will look to develop these campuses so as to ensure that the facilities located there are internationally competitive, support world-class science, and maximise opportunities for knowledge transfer. Work has been commissioned to explore how this should be delivered in practice."
- the announcement of a consultation on the possible creation of a new Large Facilities Research Council, achieved by merging CCLRC and PPARC. Such a Council would:
  - "create for the first time a coherent approach to funding and operating large facilities in the Research Councils, aligning investment with strategic research priorities across the spectrum of Research Council activity; and
  - generate the critical mass to achieve a step change in knowledge transfer from large facilities, maximising opportunities for business engagement and commercialising the fruits of research."

CCLRC welcomes this announcement but recognises that significant effort and resources will need to be expended into achieving the merger should it be approved.

## Operational initiatives

*"capital projects totalling £248.7M remain on budget and on schedule to complete on time"*

During 2005-06, CCLRC continued to take forward four major capital projects supported through the Large Facilities Capital Fund. These were:

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

Diamond is a third generation 3GeV synchrotron light source which will produce X-ray, infrared and ultra-violet beams of exceptional brightness. Diamond aims to be the best medium-energy X-ray source in the world. CCLRC is the 86% shareholder in DLS Ltd on behalf of OSI, in partnership with the Wellcome Trust. The project is currently on schedule for opening in 2007, on budget and above specification.

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

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

- Energy Recovery Linac Prototype (£2.5M)

This project is an experimental test-bed for fourth generation light sources/free electron lasers and will inform the decision on the proposal for a UK Fourth Generation Light Source (4GLS). The project is due to be completed in March 2007. It has moved into contingency time but the slippage is expected to be recoverable.

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

The first phase of MICE involves the construction of a new muon beam on ISIS. This is part of a large, international collaboration of 150 particle physics and accelerator scientists. The project aims to develop the technology that will be needed for a neutrino factory. The project is due to be completed in December 2007 and is on schedule and on budget.

The Daresbury Science and Innovation Campus has been established as a strategic partnership between the CCLRC, the North West Development Agency (NWDA), the Universities of Manchester, Liverpool and Lancaster and Halton Borough Council. The NWDA invested around £50M to develop the Daresbury Innovation Centre (DIC) and a new building to house the Cockcroft Accelerator Institute. The DIC opened in April 2005 and is significantly ahead of predicted occupancy rates – it is anticipated that the building will be full by autumn 2006. A Memorandum of Understanding with the academic partners has now been put in place to provide a firm basis to establish a company limited by guarantee which will be responsible for the promotion of the Campus and for the operation of the Daresbury Innovation Centre.

The intention is to develop the Harwell Science and Innovation Campus using a similar model. Negotiations began in 2004 to establish a Joint Venture company, with CCLRC charged with developing the scientific vision for the campus and UKAEA contributing land to the JV. A Stakeholder Advisory Group, chaired by Sir Keith O’Nions was established during 2005-06 and met in October 2005 for a Harwell Campus ‘Vision Workshop’. In November 2005, the CCLRC DCEO was assigned lead responsibility within CCLRC for the Harwell Campus development. Architectural consultants DEGW have been engaged by CCLRC to assist in the development of the Harwell Campus vision and overall masterplanning for the CCLRC estate at Rutherford Appleton Laboratory. In parallel, UKAEA has engaged CUH2A as its consultant masterplanners and both companies are now working closely together.

During 2005-06, the sustainability programme focused on addressing back-log maintenance to CCLRC’s sites and buildings. Projects included replacement windows and roofs for many of the buildings, refurbishment of toilet blocks and conference rooms, replacement of perimeter fencing and car park resurfacing, new telecoms infrastructure etc. In anticipation of the increase in visitors to the site when Diamond and ISIS Second Target Station come on line, the restaurant at RAL has been extended and upgraded and the Central Exhibition area has been upgraded.

## Health, Safety and Environment Issues

*"A new Head of SHE and a revised health and safety policy underlines the importance CCLRC places in health, safety and the environment"*

### Health and Safety

The CCLRC continues to maintain a safe and healthy working environment for its employees, contractors working on our behalf, tenants located at our laboratories, visitors to our sites and users of our facilities. The CCLRC has an established health and safety management system, comprising policies, codes, notices and procedures, through which the health and safety of staff and others are assured. The recently revised CCLRC health and safety policy commits the CCLRC to continual improvement in its health and safety performance. Key to achieving this policy objective is the monitoring of health and safety performance through the reporting and recording of accidents, near misses, and dangerous occurrences. Accident and near miss reporting and investigation is a primary driver of improvement in the health and safety management system, and provides the basis of objective reporting of health and safety performance to Council and management.

In 2005-06 the Chief Executive appointed a Director at the major CCLRC laboratories to maintain an overview of health and safety on the site, to monitor the implementation of Council Policy, and to bring to his attention the need for any action to improve health and safety performance.

A key component of the CCLRC safety management system is the safety committees. Meeting on a regular basis for each department and collectively for each site they include management and employee representatives. They consider accident reports, injury statistics and proposed codes and notices, and provide a forum through which employee safety representatives can raise areas of concern. The Safety Health & Environment (SHE) Group and the Radiation Protection Advisers (RPAs) monitor safety performance and advise the Directors, and departmental and site safety committees, as appropriate.

The principal CCLRC laboratories, Daresbury (DL) and Rutherford Appleton (RAL), both received Royal Society for the Prevention of Accidents (RoSPA) Gold Medal Awards, for their health and safety management practices and overall health and safety performance.

STATISTICS	00-01	01-02	02-03	03-04	04-05	05-06
Total accidents to employees	109	78	98	84	79	87
Total accidents to contractors	12	14	15	18	22	35
Total accidents to users/visitors/tenants	11	6	10	9	13	7
All accidents	132	98	123	111	114	129
Reportable accidents to employees*	9	3	6	9	2	6
Reportable accidents to contractors/users/visitors/tenants	0	2	2	0	0	3
All reportable accidents	9	5	8	9	2	9
Reportable lost time accidents per 1,000 employees	5.04	1.68	3.36	5.04	1.12	3.36

\*One of the key health and safety metrics employed by the CCLRC is the number of accidents reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations (RIDDOR). Such accidents, generally serious, include those that result in more than three days absence from work. In 2005-06 there were 6 reportable incidents to employees and 3 to contractors, which gave rise to an employee incidence rate of 3.36 per 1,000 employees, a significant increase on 2004-05. The 2005-06 performance, while disappointing, is not inconsistent with the overall and long term safety performance of the CCLRC and indicates that sustained improvement in CCLRC health and safety performance will continue to require management focus and attention.

The total number of accidents reported in 2005-06 reached 129, again within the overall and long term safety performance of the CCLRC. The successful introduction of “first aiders” at RAL in 2005/06 (there has been a team of employee first aiders at DL for several years), may have encouraged incident reporting and contributed to the increase in reported injuries on 2004-05. Similarly there has been an increased focus on incident reporting at the Cosener’s House and RAL nursery. The accelerated investment in laboratory infrastructure during 2005-06 also contributed to an increase in the number of contractor staff working at CCLRC laboratories. This increase in construction activity is partly reflected in the number of contractor injuries which reached a 6 year high.

## Radiological Safety

The radiation protection teams at RAL and DL, respectively based in the ISIS neutron spallation and Synchrotron Radiation Source (SRS) facilities, are the responsibility of the Facilities Business Unit Director. Both teams whilst based within the CCLRC’s major science facilities also provide professional advice on radiation safety to all staff in the laboratories in which they are based.

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

Landauer Inc. continued to provide the CCLRC with an HSE approved dosimetry service during 2005 and made all statutory returns to both the HSE’s Central Index of Dose Information (CIDI) and the Health Protection Agency’s (HPA, formerly the NRPB’s ) National Registry for Radiation Workers (NRRW). Personal doses continue to be low, with the majority of personal dosimeters having doses below the detector reporting level.

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

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

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

Two near misses at DL with the potential for radiation exposure were recorded and investigated. In both incidents there was no exposure or contamination of either personnel or equipment. Lessons learnt have been built into established working practices to prevent their reoccurrence. There was no requirement for HSE notification in either case.

At DL the local rules for all designated radiation areas were reviewed and reissued during the year.

At RAL on-going revision of local rules progressed and detailed, prior risk assessments were carried out for all new work involving ionising radiation hazards. A minor incident involving radioactive contamination was investigated and appropriate controls re-inforced to prevent further occurrences and mitigate the consequences of uncontrolled events.

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

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

Annual personal doses remained below the ISIS constraint of 3 mSv for occupationally exposed workers and below 0.3 mSv for other members of RAL and the public at large. Individual doses can be expected to increase slightly, over the next few years, following planned major maintenance and development projects.

## Environment

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

During 2005-06 there were no significant environmental incidents for which Environmental Agency (EA) concerns were raised. In 2005 an algal bloom appeared on a long stretch of the Bridgewater Canal, including that adjacent to the DL, for which no link to DL activities has been identified.

The CCLRC actively manages the recycling of waste materials at both main laboratories. Specific items for which recycling schemes exist include: printer cartridges; fluorescent tubes; computer monitors; drink cans; scrap metals; paper and cardboard. In addition, the re-distribution and re-use of furniture has resulted in reduced costs and environmental impact – at RAL alone this has saved over £20,000. At both laboratories plastic vending cups are recycled through the ‘SavaCup’ scheme and the recycled plastic used in products such as pencils.

At RAL, the recycling of materials reduced waste by:

- 25 tonnes of waste paper;
- 52 tonnes of cardboard;
- 11.4 tonnes of monitors;
- 400 printer cartridges; and
- 389 tonnes of ferrous metals and over 21 tonnes of non ferrous metals.

In November 2005 DL contracted the management of waste disposal to Bagnall and Morris, a Wirral based company. The company handles all DL site wastes, hazardous and non hazardous, sorting, processing and separating waste which results in up to 52% of waste being recycled, in particular: paper; cardboard; glass; and plastics.

The ISIS Facility at RAL through its normal operation produces small quantities of radioactive gas, mainly tritium, which is discharged into the atmosphere via monitored ventilation stacks. The EA authorises the airborne emissions of the

radioactive gas and sets allowable limits. Measured levels were well within the authorised annual limits of 2,500 GBq for tritium and 100 TBq for other nuclides.

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

## **Social and community issues**

*“CCLRC on track to achieve liP re-accreditation with people, their knowledge and keeping them informed at the heart of the organisation”*

### **Employee relations and communication**

Employee involvement in management decisions and policy formation continues to add value in achieving the objectives of the Council. During a period of significant change the consultation framework has been instrumental in helping to achieve a successful outcome to the organisational restructure under the ‘Fit for The Future’ project, both in terms of planning and implementation.

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

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

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

### **Equality and Diversity**

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

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

A number of Diversity workshops have been run, with more to follow, and a new Diversity website has been set up. The Council also has a good track record of retaining staff beyond their retirement age and will therefore be ready to embrace the forthcoming legislative changes. The infrastructure renewal programme has incorporated modifications to sites and buildings to make CCLRC’s sites more accessible to people with a physical disability.

As at 31 March 2006:

- The average age of employees in CCLRC is 42;
- 4.7% of employees are non-white, which is an increase over previous years and represents an upward trend. The majority of non-white staff are to be found in middle and senior management positions;
- 21% of all employees are female, and 10.9% of Science, Engineering and Technology (SET) employees are female. CCLRC, in addition to offering a range of flexible working patterns to support work-life balance is also engaged in various initiatives to encourage women back into the workplace in science, engineering and technology posts, and to support employees through mentoring and network groups.
- CCLRC has no accurate data on the numbers of disabled employees because employees are not required to declare disabilities and many choose not to do so. At least 0.5% of staff are known to be disabled.

### **Investors in People**

CCLRC received its first accreditation in 2001 and was successfully reviewed in 2002 and 2004, with the next review due in November 2006.

# Remuneration Report

## Remuneration Policy

### Council Chair and Members

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

### Chief Executive

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

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

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

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

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

## Other Senior Employees

The remuneration of the senior staff in CCLRC is determined by the Council's own Remuneration Committee. The Chair of this Committee is the Chair of Council. Two other independent members of Council are members of the Committee, as is the Chief Executive. The current membership is:

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

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

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

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

## Contracts of Employment

### Council Chair and Members

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

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

### Other Senior Employees

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

Unless otherwise stated below, the staff covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. As is the case with other CCLRC employees, the contract may be extended beyond age 60 by mutual agreement (these arrangements will change with the introduction of new legislation in October 2006).

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

## Remuneration of Council and Committee Members

The Council comprises both senior management and external appointees. The remuneration of senior management is detailed below. The total cost of external Council appointments in the period was £87,649 and external Council appointees' remuneration excluding pension contributions was in the following ranges:

Range	2005-06 Number	2004-05 Number
£0 - £4,999	1	0
£5,000 - £9,999	10	8
£10,000 - £14,999	0	0
£20,000 - £24,999	1	1

The Council reimburses travel and subsistence expenses necessarily incurred by Council members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates applying to the Council's employees. The amount reimbursed for 2005-06 was £5,610 (2004-05 £395). Council members do not become members of a pension scheme and there are no superannuation payments relating to the fees paid to them.

## Salary and pension entitlements of senior employees

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

	2005-06 Salary £'000	2004-05 Salary £'000
<b>Prof John Wood</b> Chief Executive	110-115	110-115
<b>Prof Colin Whitehouse</b> Deputy Chief Executive (since January 2006)/Director Daresbury Laboratory	80-85	75-80
<b>Mr Paul Hartley</b> Head of Operations Business Unit (since January 2006)/ Director Corporate Operations	70-75	65-70
<b>Prof Richard Holdaway</b> Head of Science Programmes Business Unit (since January 2006)/ Director Space Science and Technology	75-80	70-75
<b>Mr Stuart Hopley</b> Finance Director	70-75	70-75
<b>Prof Henry Hutchinson</b> Chief Scientist/Director Central Laser Facility	75-80	75-80
<b>Dr Michael Johnson</b> Head of Technology Business Unit (since January 2006)/ Director Engineering and Instrumentation	80-85	75-80
<b>Mr David Schildt</b> Executive Director	70-75	70-75
<b>Dr Andrew Taylor</b> Head of Facilities Business Unit (since January 2006)/Director ISIS	80-85	80-85

## Salary

'Salary' is gross salary, including performance pay and bonuses, but not including employer's pension contribution. In previous years employer's pension contributions were included in the "salary" disclosure, but will not be included from now on. The comparative figures for 2004-05 disclosed above reflect this change.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the above senior employees received such benefits in kind during 2005-06.

## Pension Benefits

	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£
Prof John Wood	6.0 - 6.5 plus 19.0 - 19.5 lump sum	1.0 - 1.5 plus 4.0 - 4.5 lump sum	143	90	32	0
Prof Colin Whitehouse	3.5 - 4.0 No lump sum	1.0 - 1.5 No lump sum	67	36	21	0
Mr Paul Hartley	22.0 - 22.5 plus 54.0 - 54.5 lump sum	2.0 - 2.5 plus 2.5 - 3.0 lump sum	363	251	31	0
Mr Stuart Hopley	5.5 - 6.0 plus 17.5 - 18.0 lump sum	0.5 - 1.5 plus 2.5 - 3.0 lump sum	128	90	18	0
Prof Richard Holdaway	27.5 - 28.0 plus 83.0 - 83.5 lump sum	1.0 - 1.5 plus 4.0 - 4.5 lump sum	639	499	33	0
Prof Henry Hutchinson	30.5 - 31.0 plus 92.5 - 93.0 lump sum	1.0 - 1.5 plus 3.5 - 4.0 lump sum	745	638	20	0
Dr Michael Johnson*	35.0 - 35.5 plus 105.0 - 105.5 lump sum	2.0 - 3.0 plus 8.5 - 9.0 lump sum	626	573	52	0
Mr David Schildt	26.0 - 26.5 plus 67.0 - 67.5 lump sum	1.0 - 1.5 plus 0.5 - 1.0 lump sum	557	428	25	0
Dr Andrew Taylor*	28.0 - 28.5 plus 84.5 - 85.0 lump sum	1.5 - 2.0 plus 5.0 - 5.5 lump sum	490	458	32	0

\* PNISS

Except for those senior staff who are members of the UKAEA's Principal Non-Industrial Superannuation Scheme (PNISS – see below), pension benefits are provided through the Research Councils Pension Scheme (RCPS – see below).

## RCPS

The RCPS arrangement is a “by analogy” scheme to the Principle Civil Servants Pension Scheme.

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 premium 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. CCLRC pays an employer’s contribution, the level of which is set following tri-ennial actuarial reviews; since 1 April 2005 the rate has been 21.3%. 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. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service Pension arrangements can be found at the website <http://www.civilservice-pensions.gov.uk>

## PNISS

For historical reasons some CCLRC employees are members of the United Kingdom Atomic Energy Authority’s Principal Non-Industrial Superannuation Scheme, which is an “analogous” scheme to the PCSPS. The benefit structure of the PNISS is essentially the same as the RCPS/PCSPS classic scheme. The employee contributes 7.5% of salary to the scheme and the employer pays a contribution determined by tri-ennial actuarial review. During 2005/6 the employer’s contribution was 0%; a new rate of 15.8% takes effect on 1 April 2006.

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP 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 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.

Signed: **J. V. Wood**  
Accounting Officer

Date: 14 June 2006

# Annual accounts

## **Statement of the Council's and Chief Executive's responsibilities with respect to financial statements**

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

In preparing the accounts the Council is required to:

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

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

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

## Statement on the system of internal control

### Scope of responsibilities

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

### The purpose of the system of internal control

The system of internal control 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 at CCLRC is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout CCLRC for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

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

### The risk and control framework

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

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

### Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control at CCLRC. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers throughout CCLRC 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 Executive

Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I place reliance on a framework of regular management information, sound and documented administrative procedures including the segregation of duties, and a system of delegation and accountability from myself to Heads of Business Units, which is currently under review in light of the 'Fit For the Future' reorganisation. This management culture is enhanced by the involvement of a respected independent Chairman and Non-Executive Members on a number of key Committees, notably the Audit Committee. Particular strengths of the system of internal control are seen as:

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

CCLRC benefits from the services of an independent Internal Audit provided by the Research Councils' Internal Audit Service (RCIAS), which operates to the Government Internal Audit Standards (GIAS). The work of internal audit is informed by an analysis of the risks to which CCLRC is exposed, and annual internal audit plans are drawn up on this basis. The analysis of risk and the internal audit plans are endorsed by CCLRC's Audit Committee and approved by me. On an annual basis, the Director of Internal Audit (DIA) of the RCIAS provides me with a report on internal audit activity within CCLRC. The report includes the DIA's independent opinion on the adequacy and effectiveness of CCLRC's system of internal control, which also provides an independent view on the validity of this Statement on the system of Internal Control. For 2005-06, I am pleased to note that RCIAS have again offered their highest level of assurance on the strength of internal control within CCLRC.

All the above procedures and controls are regularly considered by the Audit Committee, composed of Non-Executive Members but with myself, the Chief Financial Officer, and representatives of both External and Internal Audit in attendance. The Committee met on four occasions during 2005-06. The Committee undertakes a number of duties on behalf of the Council, the most notable of which is the full consideration of the Annual Accounts. Its Terms of Reference are subject to annual review by Council, and an annual report on its activities is made to Council to enhance the other assurance systems detailed above.

Since 2002-03 I have highlighted the Diamond Light Source (DLS) as a significant internal control issue, and I still believe this to be the case. This, the largest investment in UK Science for 30 years, is being built adjacent to the CCLRC's Rutherford Appleton site under the management of a Limited Company established for that specific purpose. CCLRC acts, on behalf of the Office of Science and Technology, as Primary Shareholder in the Company, with the remaining shares being held by the Wellcome Trust. There are significant challenges in bringing this project to fruition within the budget and timescale identified, while fully meeting the expectations of the international scientific community. This process continues to be closely managed through ongoing consultation with the various parties involved, and with the oversight of the Audit Committee on behalf of the Council.

However, in the light of the closeness of the relationship between CCLRC and DLS, and the support of the Office of Science & Innovation (OSI) throughout 2005-06, I do not believe that this issue is prejudicial to this Statement.

During 2004-05, I launched a reorganisation of CCLRC called 'Fit For the Future', both to achieve operational efficiencies and to establish independence between the strategic advice and operational functions of CCLRC, as required by the Parliamentary Science and Technology Committee. This reorganisation will require significant revision to the internal control environment of CCLRC, and also its governance and reporting processes. This restructuring has continued throughout 2005-06, and the agreed structural changes will be implemented on 1 April 2006. Until that process is completed, and its effects reviewed, to the satisfaction of Council (through its Audit Committee) and external stakeholders such as the OSI, the National Audit Office, and the Research Councils' Internal Audit Service, I deem it appropriate to continue to regard this reorganisation as a significant internal control issue.

**J. V. Wood**  
Accounting Officer

Date: 14 June 2006

## **The certificate and report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Council for the Central Laboratory of the Research Councils for the year ended 31 March 2006 under the Science and Technology Act 1965. These comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Council's Balance Sheet, the Consolidated Cash Flow Statement and Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Council, the Chief Executive and Auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State for Trade and Industry directions made thereunder. I 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Council for the Central Laboratory of the Research Council's 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 31-33 reflects the Council for the Central Laboratory of the Research Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of Council for the Central Laboratory of the Research Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword, History and Statutory Basis of Council, the unaudited part of the Remuneration Report and the Management Commentary. 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 Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Council for the Central Laboratory of the Research Council's circumstances, consistently applied and adequately disclosed.

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

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Trade and Industry, of the state of the Council for the Central Laboratory of the Research Council's affairs and its consolidated affairs as at 31 March 2006 and of the consolidated deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State for Trade and Industry directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

### John Bourn

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

Date: 19 June 2006

## Consolidated income and expenditure account for the year ended 31 March 2006

	Notes	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
<b>Income</b>					
Income from operating activities	2	71,129	0	<b>71,129</b>	67,865
Grant in Aid	3	83,088	0	<b>83,088</b>	66,382
Release of deferred income	13	25,657	0	<b>25,657</b>	20,864
<b>Total income</b>		<b>179,874</b>	<b>0</b>	<b>179,874</b>	<b>155,111</b>
<b>Expenditure</b>					
Staff costs	5	65,181	0	<b>65,181</b>	58,008
Restructuring	6	4,206	0	<b>4,206</b>	527
International subscriptions		21,900	0	<b>21,900</b>	19,668
Equipment and supplies		24,377	0	<b>24,377</b>	20,643
Services		20,982	0	<b>20,982</b>	18,496
Depreciation	8	26,727	0	<b>26,727</b>	21,285
Notional cost of capital		17,851	0	<b>17,851</b>	13,872
Other operating costs	7	18,564	0	<b>18,564</b>	15,406
<b>Total expenditure</b>		<b>199,788</b>	<b>0</b>	<b>199,788</b>	<b>167,905</b>
<b>Operating deficit for the year</b>		<b>(19,914)</b>	<b>0</b>	<b>(19,914)</b>	<b>(12,794)</b>
Provisions made in year		0	0	<b>0</b>	(28,954)
<b>Operating deficit for the year before interest</b>		<b>(19,914)</b>	<b>0</b>	<b>(19,914)</b>	<b>(41,748)</b>
Interest	4	(68)	495	<b>427</b>	407
Unwinding of discount on provisions	12	(5,890)	0	<b>(5,890)</b>	(226)
<b>Operating (deficit)/surplus for the year after interest receivable and interest charges</b>		<b>(25,872)</b>	<b>495</b>	<b>(25,377)</b>	<b>(41,567)</b>
Tax on operating (deficit)/surplus		0	(148)	<b>(148)</b>	(122)
<b>Operating (deficit)/surplus for the year after tax</b>		<b>(25,872)</b>	<b>347</b>	<b>(25,525)</b>	<b>(41,689)</b>
Loss on disposal of assets		(254)	0	<b>(254)</b>	(319)
Reversal of notional cost of capital		17,851	0	<b>17,851</b>	13,872
Transfer from reserves	14	1,330	0	<b>1,330</b>	951
		<b>18,927</b>	<b>0</b>	<b>18,927</b>	<b>14,504</b>
<b>(Deficit)/surplus for the year</b>		<b>(6,945)</b>	<b>347</b>	<b>(6,598)</b>	<b>(27,185)</b>
Accumulated (deficit)/surplus brought forward		(29,466)	472	<b>(28,994)</b>	(1,809)
<b>Accumulated (deficit)/surplus carried forward</b>		<b>(36,411)</b>	<b>819</b>	<b>(35,592)</b>	<b>(28,994)</b>

All activities are continuing. The notes on pages 40-62 form part of these accounts.

## Consolidated balance sheet as at 31 March 2006

	Notes	CCLRC Group 31/03/06 £'000	Interest in DLS Joint Venture 31/03/06 £'000	Consolidated Total 31/03/06 £'000	Consolidated Total 31/03/05 £'000
<b>Fixed assets</b>					
Tangible assets	8	416,926	230,246	<b>647,172</b>	483,128
Investment in joint venture	9	203,719	(203,719)	<b>0</b>	0
		<b>620,645</b>	<b>26,527</b>	<b>647,172</b>	<b>483,128</b>
<b>Current assets</b>					
Stocks		92	0	<b>92</b>	195
Debtors and prepayments					
– amounts falling due after one year	10	2,746	0	<b>2,746</b>	1,960
– amounts falling due within one year	10	34,015	2,127	<b>36,142</b>	23,917
Cash at bank and in hand	17	6,520	11,246	<b>17,766</b>	12,976
		<b>43,373</b>	<b>13,373</b>	<b>56,746</b>	<b>39,048</b>
<b>Creditors</b>					
Amounts falling due within one year	11	(35,197)	(5,610)	<b>(40,807)</b>	(31,030)
<b>Net current assets</b>		<b>8,176</b>	<b>7,763</b>	<b>15,939</b>	<b>8,018</b>
<b>Total assets less current liabilities</b>		<b>628,821</b>	<b>34,290</b>	<b>663,111</b>	<b>491,146</b>
<b>Accrued liabilities and charges</b>					
Creditors (amounts falling due after more than one year)	11	(3,069)	(24,722)	<b>(27,791)</b>	(2,778)
Provisions	12	(41,518)	(8,749)	<b>(50,267)</b>	(47,671)
<b>Total assets less liabilities</b>		<b>584,234</b>	<b>819</b>	<b>585,053</b>	<b>440,697</b>
<b>Financed by:</b>					
<b>Capital and Reserves</b>					
Deferred income	13	508,206	0	<b>508,206</b>	375,275
Revaluation reserve	14	112,439	0	<b>112,439</b>	94,416
Accumulated surplus/(deficit)	14	(36,411)	819	<b>(35,592)</b>	(28,994)
<b>Government funds</b>	15	<b>584,234</b>	<b>819</b>	<b>585,053</b>	<b>440,697</b>

Signed: J. V. Wood      Date: 14 June 2006  
Accounting Officer

*The notes on pages 40-62 form part of these accounts*

## Balance sheet as at 31 March 2006

	Notes	31/03/06 £'000	31/03/05 £'000
<b>Fixed assets</b>			
Tangible assets	8	416,926	339,932
Investment in joint venture	9	203,719	129,759
		<u>620,645</u>	<u>469,691</u>
<b>Current assets</b>			
Stocks		92	195
Debtors and prepayments			
– amounts falling due after one year	10	2,746	1,960
– amounts falling due within one year	10	33,920	21,915
Cash at bank and in hand	17	6,136	5,142
		42,894	29,212
<b>Creditors</b>			
Amounts falling due within one year	11	(33,908)	(21,069)
<b>Net current assets</b>		<u>8,986</u>	<u>8,143</u>
<b>Total assets less current liabilities</b>		<u>629,631</u>	<u>477,834</u>
<b>Accrued liabilities and charges</b>			
Creditors (amounts falling due after more than one year)	11	(3,069)	(1,508)
Provisions	12	(41,518)	(35,628)
<b>Total accrued liabilities and charges</b>		<u>(44,587)</u>	<u>(37,136)</u>
<b>Total assets less liabilities</b>		<u><b>585,044</b></u>	<u><b>440,698</b></u>
<b>Financed by:</b>			
<b>Capital and Reserves</b>			
Deferred income	13	508,206	375,275
Revaluation reserve	14	112,439	94,416
Accumulated (deficit)	14	(35,601)	(28,993)
<b>Government funds</b>	15	<u><b>585,044</b></u>	<u><b>440,698</b></u>

Signed: J. V. Wood      Date: 14 June 2006  
Accounting Officer

*The notes on pages 40-62 form part of these accounts*

## Consolidated cash flow statement for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow/(outflow) from operating activities	16	1,009	(617)
Capital expenditure			
Payments to acquire tangible fixed assets		(84,628)	(42,149)
Cash proceeds from disposal of fixed assets		6	211
Payments to acquire investment in joint venture		(73,960)	(80,410)
<b>Financing</b>			
Capital grant received		158,588	122,559
<b>Increase/(decrease) in cash</b>		<b>1,015</b>	<b>(406)</b>
Reconciliation of net cash flow to movement in net funds	17		
Increase/(decrease) in cash in the period		1,015	(406)
Change in net funds		1,015	(406)
Net funds at 1 April		5,505	5,911
Net funds at 31 March		<b>6,520</b>	<b>5,505</b>

## Consolidated statement of total recognised gains and losses for the year ended 31 March 2006

	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
(Deficit)/Surplus for the year	(6,945)	347	(6,598)	(27,185)
Net surplus on revaluation of fixed assets	18,023	0	18,023	9,722
Total recognised gains/(losses) for the year	<b>11,078</b>	<b>347</b>	<b>11,425</b>	<b>(17,463)</b>

The notes on pages 40-62 form part of these accounts

## Notes to the accounts

### 1. Accounting policies

#### 1.1 Basis of accounting

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

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

#### 1.2 Basis of consolidation

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

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

#### 1.3 Fixed assets

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

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

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

Surpluses or deficits on revaluation are taken to the revaluation reserve except that any permanent diminution in value is charged to the Income and Expenditure Account when recognised. The revaluation reserve was set at zero on 1 April 1996.

## 1.4 Depreciation

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

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

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

## 1.5 Stocks and long term contract balances

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

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

## 1.6 Grant in Aid

Grant in Aid is provided by the Department of Trade and Industry (Science) and is credited to the Income and Expenditure Account when earned, or applied to the purchase and construction of capital equipment when expenditure occurs.

## 1.7 Income from operating activities

Amounts due annually from other Research Councils under general service level agreements are credited to the Income and Expenditure Account when due, except that amounts applied to the purchase of fixed assets are credited to the deferred income account and released to the Income and Expenditure Account over the working lives of the assets concerned. Income received in advance is treated as a creditor.

Grants receivable for specific research projects from other Research Councils, higher education institutions, government departments and the European Commission are credited to the Income and Expenditure Account except that amounts applied to the purchase of fixed assets are credited to the deferred income account and released to the Income and Expenditure Account over the working lives of the assets concerned.

Amounts receivable from the European Commission and foreign governments for general or specific use of the Council's research facilities are credited to the Income and Expenditure Account when due under the terms of the agreement or when specific use is made of the facilities as appropriate, except that amounts applied to the purchase of fixed assets are credited to the deferred income account and released to the Income and Expenditure Account over the working lives of the assets concerned.

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

## 1.8 Deferred income

Deferred income consists of deferred Grant in Aid and deferred capital.

The deferred Grant in Aid reserve was set up at 1 April 1996 representing the sums invested in fixed assets by the Council and its predecessor bodies from their annual Grant in Aid.

Grant in Aid received for the purchase and construction of fixed assets is credited when expenditure is incurred.

Amounts received from customers for the purchase and construction of fixed assets are credited when expenditure is incurred.

Amounts are released to the Income and Expenditure Account over the lifetime of the assets.

## 1.9 Research and development

The Council's expenditure on research and development is charged to the Income and Expenditure Account when incurred.

## 1.10 Decommissioning costs

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

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

## 1.11 Pensions

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

Liability for the payment of future benefits is a charge on the UKAEA Pension Scheme and the Research Councils Pension Scheme.

## 1.12 Early departure costs

The costs of early retirement or severance up to 31 March 2005 were charged to the Income and Expenditure Account when the early departures were agreed. These costs were net of the lump sums recoverable from the pension schemes when the individual reached normal retirement age.

A provision has been established for the costs of early retirement or severance from 1 April 2005 onwards.

## 1.13 Value Added Tax

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

### **1.14 Foreign currency**

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

Transaction and translation gains and losses are credited or charged to the Income and Expenditure Account.

### **1.15 Insurance**

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

### **1.16 Capital charge**

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

## 2. Income from operating activities

	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
<b>UK Research Councils</b>				
Biotechnology and Biological Sciences Research Council	527	0	<b>527</b>	335
Engineering and Physical Sciences Research Council	8,601	0	<b>8,601</b>	8,323
Medical Research Council	64	0	<b>64</b>	36
Natural Environment Research Council	3,846	0	<b>3,846</b>	3,099
Particle Physics and Astronomy Research Council	28,167	0	<b>28,167</b>	30,164
	41,205	0	<b>41,205</b>	41,957
<b>Government departments</b>				
Department of Trade and Industry	476	0	<b>476</b>	1,438
Other	1,687	0	<b>1,687</b>	2,398
	2,163	0	<b>2,163</b>	3,836
<b>External bodies</b>				
Universities	4,545	0	<b>4,545</b>	2,885
European Commission	4,342	0	<b>4,342</b>	3,865
Other overseas	12,865	0	<b>12,865</b>	9,774
Private sector	4,632	0	<b>4,632</b>	3,844
Domestic	1,377	0	<b>1,377</b>	1,704
	27,761	0	<b>27,761</b>	22,072
<b>Total</b>	<b>71,129</b>	<b>0</b>	<b>71,129</b>	<b>67,865</b>

## 3. Grant in Aid

	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
Grant in Aid (DTI Science)	155,500	0	<b>155,500</b>	101,000
DLS Grant in Aid (DTI Science)	73,960	0	<b>73,960</b>	80,410
Grant in Aid brought forward	(6,275)	0	<b>(6,275)</b>	(2,829)
DLS Grant in Aid brought forward	45	0	<b>45</b>	45
Less capital expenditure	(81,292)	0	<b>(81,292)</b>	(38,064)
Less DLS capital expenditure	(73,960)	0	<b>(73,960)</b>	(80,410)
	67,978	0	<b>67,978</b>	60,152
Grant in Aid carried forward	15,155	0	<b>15,155</b>	6,275
DLS Grant in Aid carried forward	(45)	0	<b>(45)</b>	(45)
Grant in Aid income for year	83,088	0	<b>83,088</b>	66,382

#### 4. Interest

	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
Interest receivable	118	502	620	407
Less interest payable	0	(1)	(1)	1
Less foreign exchange losses	(186)	(6)	(192)	(1)
	<b>(68)</b>	<b>495</b>	<b>427</b>	<b>407</b>

#### 5. Staffing

(See also the Remuneration Report on pages 24-29).

##### Staff costs

	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
Salaries and wages	56,481	0	56,481	53,937
Social security costs	4,573	0	4,573	4,380
Superannuation	10,418	0	10,418	4,691
Total payroll costs	71,472	0	71,472	63,008
Capitalised pay costs*	(5,229)	0	(5,229)	(3,992)
Pay costs capitalised by DLS**	(1,062)	0	(1,062)	(1,008)
Staff costs charged to the income and expenditure account	65,181	0	65,181	58,008

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

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

## Superannuation

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

The PNISS is a notionally funded, contributory scheme. Employees who are members of the PNISS make pensions contributions at the rate of 7.5% of pensionable pay. The Council makes employer's contributions at a rate determined from time to time after actuarial assessment of assets and liabilities. In 2005-06 no employer's contributions were required from the Council, but following the Government Actuary's Department's (GAD's) assessment in 2004-05, an employer contribution of 15.8% will be required from 1 April 2006.

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

The RCPS is in all respects "by-analogy" with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately on the recommendation of the GAD. It is a notionally funded, contributory, defined benefit scheme, and is administered by the Research Councils' Joint Superannuation Services. The Scheme's accounts are prepared by the Biotechnology and Biological Sciences Research Council (BBSRC) on behalf of the Chief Executive of BBSRC as Accounting Officer for the RCPS, and contain the further disclosure information required under FRS17 as interpreted by FRAB for use in the public sector. The employer's contribution is agreed by the RCPS Board of Management on the recommendation of the GAD and in 2005-06 was 21.3% of pensionable pay.

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

There were two retirements on ill-health grounds during the year.

At 31 March 2006, 91 employees were PNISS members and 1,641 employees were RCPS members. These numbers do not include those employees who left on early release terms on 31 March 2006.

### Staff numbers

The Council counts the number of staff in post to include all permanent, fixed term and temporary staff of all types who are paid as employees through the payroll. On this basis the average number of whole-time equivalent persons (including senior management) employed during the year was 1,793 (2004-05: 1,794).

### 6. *Restructuring costs*

During the year 56 staff members left on early retirement or voluntary early severance terms. The total costs of these early departures together with redundancy costs associated with two other staff members whose fixed term appointments ended and any additional costs arising from an underestimate of continuing annual payments for those who were granted early retirement prior to 31 March 2005, have been charged to the Income and Expenditure Account.

## 7. Other operating costs

	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
Travel, subsistence and allowances	7,478	0	<b>7,478</b>	6,593
Utilities	4,876	0	<b>4,876</b>	3,757
Rent, rates and maintenance	5,035	0	<b>5,035</b>	3,988
Administration expenses	809	0	<b>809</b>	712
Auditors remuneration*	74	0	<b>74</b>	69
Insurance premiums	292	0	<b>292</b>	287
<b>Total</b>	<b>18,564</b>	<b>0</b>	<b>18,564</b>	<b>15,406</b>

\*There was no auditor remuneration for non-audit work.

## 8. Tangible fixed assets

CCLRC	Freehold land and buildings	Leased land	Plant and equipment	Assets under construction	CCLRC Group Total	Interest in DLS Joint Venture	Consolidated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
At 1 April 2005	177,222	4,095	453,151	44,968	679,436	143,196	822,632
Additions	1,383	0	19,907	63,596	84,886	87,050	171,936
Reclassification	3,918	0	11,923	(15,841)	0	0	0
Disposals	(37)	0	(6,983)	0	(7,020)	0	(7,020)
Revaluation	11,892	0	15,168	0	27,060	0	27,060
<b>At 31 March 2006</b>	<b>194,378</b>	<b>4,095</b>	<b>493,166</b>	<b>92,723</b>	<b>784,362</b>	<b>230,246</b>	<b>1,014,608</b>
<b>Depreciation</b>							
At 1 April 2005	250	184	339,070	0	339,504	0	339,504
Charged in year	3,264	82	23,381	0	26,727	0	26,727
Disposals	(37)	0	(6,566)	0	(6,603)	0	(6,603)
Revaluation	(3,477)	0	11,285	0	7,808	0	7,808
<b>At 31 March 2006</b>	<b>0</b>	<b>266</b>	<b>367,170</b>	<b>0</b>	<b>367,436</b>	<b>0</b>	<b>367,436</b>
<b>Net book value</b>							
At 1 April 2005	176,972	3,911	114,081	44,968	339,932	143,196	483,128
<b>At 31 March 2006</b>	<b>194,378</b>	<b>3,829</b>	<b>125,996</b>	<b>92,723</b>	<b>416,926</b>	<b>230,246</b>	<b>647,172</b>

The Council's land and buildings were valued by Ridge Property and Construction Consultants as at 31 March 2003. Plant and equipment were valued by Rushton International, members of the Incorporated Society of Valuers and Auctioneers, as at 1 April 2001. Both valuations were performed in accordance with guidance notes issued by the Royal Institute of Chartered Surveyors.

In consideration of a one-off payment of £4,095,000, the Council has leased land from the United Kingdom Atomic Energy Authority (UKAEA) for a period of 50 years from 31 January 2003. This land has been capitalised and is being depreciated over the term of the lease.

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

## 9. Investment in joint venture

	CCLRC £'000	CCLRC Group £'000	Interest in DLS Joint Venture £'000	Consolidated Total £'000
<b>Cost</b>				
At 1 April 2005	129,759	129,759	(129,759)	0
Additions	73,960	73,960	(73,960)	0
<b>At 31 March 2006</b>	<b>203,719</b>	<b>203,719</b>	<b>(203,719)</b>	<b>0</b>
<b>Depreciation</b>				
At 1 April 2005	0	0	0	0
Charged in year	0	0	0	0
<b>At 31 March 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>				
At 1 April 2005	129,759	129,759	(129,759)	0
<b>At 31 March 2006</b>	<b>203,719</b>	<b>203,719</b>	<b>(203,719)</b>	<b>0</b>

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

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

The Council's shareholding in DLS at 31 March 2006 is 203,454,500 ordinary shares of £1 each and 264,000 redeemable preference shares of £1 each.

## 10. Debtors and prepayments

### (a) Analysis by type

#### Amounts falling due within one year

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Trade debtors	7,643	7,709	40	<b>7,749</b>	6,765
Other debtors and accruals	1,072	1,072	2,049	<b>3,121</b>	2,795
Prepayments	1,684	1,684	38	<b>1,722</b>	1,474
Amounts recoverable on long term contracts	7,591	7,620	0	<b>7,620</b>	5,693
Grant in aid not drawn down	15,155	15,155	0	<b>15,155</b>	6,275
Early retirements – amounts recoverable	775	775	0	<b>775</b>	915
<b>Total</b>	<b>33,920</b>	<b>34,015</b>	<b>2,127</b>	<b>36,142</b>	<b>23,917</b>

#### Amounts falling due after one year

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Early retirements – amounts recoverable	2,746	2,746	0	<b>2,746</b>	1,960
<b>Total</b>	<b>2,746</b>	<b>2,746</b>	<b>0</b>	<b>2,746</b>	<b>1,960</b>

### (b) Analysis by source

#### Amounts falling due within one year

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Other central government bodies	16,848	16,848	1,915	<b>18,763</b>	11,048
Local authorities	221	221	0	<b>221</b>	201
Public corporations and trading funds	36	36	0	<b>36</b>	0
Bodies external to government	16,815	16,910	212	<b>17,122</b>	12,668
<b>Total</b>	<b>33,920</b>	<b>34,015</b>	<b>2,127</b>	<b>36,142</b>	<b>23,917</b>

## Amounts falling due after one year

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Bodies external to government	2,746	2,746	0	<b>2,746</b>	1,960
<b>Total</b>	<b>2,746</b>	<b>2,746</b>	<b>0</b>	<b>2,746</b>	<b>1,960</b>

## 11. Creditors

### (a) Analysis by type

#### Amounts falling due within one year

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Trade creditors	17,679	17,703	5,094	<b>22,797</b>	16,539
Other creditors	3,583	4,686	451	<b>5,137</b>	4,550
Income received in advance	11,403	11,565	0	<b>11,565</b>	8,972
Corporation tax	0	0	65	<b>65</b>	51
Early retirement costs	1,243	1,243	0	<b>1,243</b>	918
<b>Total</b>	<b>33,908</b>	<b>35,197</b>	<b>5,610</b>	<b>40,807</b>	<b>31,030</b>

#### Amounts falling due after one year

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Building retention	0	0	1,355	<b>1,355</b>	1,270
HMRC VAT repayment	0	0	23,367	<b>23,367</b>	0
Early retirement costs	3,069	3,069	0	<b>3,069</b>	1,508
<b>Total</b>	<b>3,069</b>	<b>3,069</b>	<b>24,722</b>	<b>27,791</b>	<b>2,778</b>

## (b) Analysis by source

### Amounts falling due within one year

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Other central government bodies	5,888	6,059	511	6,570	5,187
Bodies external to government	28,020	29,138	5,099	34,237	25,843
Total	<b>33,908</b>	<b>35,197</b>	<b>5,610</b>	<b>40,807</b>	<b>31,030</b>

### Amounts falling due after one year

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Other central government bodies	0	0	23,367	3,367	0
Bodies external to government	3,069	3,069	1,355	4,424	2,778
Total	<b>3,069</b>	<b>3,069</b>	<b>24,722</b>	<b>27,791</b>	<b>2,778</b>

## 12. Provisions

### Decommissioning

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	6,674	6,674	12,043	18,717	9,891
Provision (released)/made in year	0	0	(3,294)	(3,294)	8,600
Unwinding of discount	3,242	3,242	0	3,242	226
Balance at 31 March	<b>9,916</b>	<b>9,916</b>	<b>8,749</b>	<b>18,665</b>	<b>18,717</b>

### Restructuring

	CCLRC	CCLRC Group	Interest in DLS Joint Venture	Consolidated Total	Consolidated Total
	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	6,100	6,100	0	6,100	0
Provision made in year	0	0	0	0	6,100
Unwinding of discount	0	0	0	0	0
Balance at 31 March	<b>6,100</b>	<b>6,100</b>	<b>0</b>	<b>6,100</b>	<b>6,100</b>

## SRS Closure

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Balance at 1 April	22,854	22,854	0	<b>22,854</b>	0
Provision made in year	0	0	0	<b>0</b>	22,854
Unwinding of discount	2,648	2,648	0	<b>2,648</b>	0
Balance at 31 March	<b>25,502</b>	<b>25,502</b>	<b>0</b>	<b>25,502</b>	<b>22,854</b>
<b>Total Provisions</b>	<b>41,518</b>	<b>41,518</b>	<b>8,749</b>	<b>50,267</b>	<b>47,671</b>

## Decommissioning of technical facilities

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

### CCLRC

The Council has in place plans for the decommissioning of the ISIS pulsed neutron source at the Rutherford Appleton Laboratory at the end of its anticipated operating life in 2020, and for minor decommissioning work related to the Synchrotron Radiation Source at the Daresbury Laboratory. A provision has been established for this purpose. The estimated cost of decommissioning the facilities commencing in 2020 for ISIS and 2007 for SRS is currently £19 million, after allowing for inflation at 3.5%. This amount is discounted at the Council's long term liabilities discount rate to arrive at a current provision of £9.916 million. In accordance with Treasury requirements, the long term liabilities discount rate was amended from 3.5% to 2.2% and the charge of £3.242 million represents the unwinding of discount for the current year of £0.213 million and increases due to the change of discount rate of £3.029 million.

### DLS Joint Venture

Diamond Light Source Ltd is required under the terms of the joint venture agreement to decommission the Synchrotron at the end of its anticipated operating life in 2030. A provision has been established for this purpose based on externally provided quotations for the buildings and cost estimates for the machine, beamlines and incidentals, and after allowing for notional inflation at 2.5% per annum. This amount is discounted at 2.2% which represents the company's post tax rate for interest receivable, to arrive at the current provision of £10.17 million of which CCLRC's share is £8.749 million.

## Restructuring

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

During 2005-06 it became apparent that the 2004-05 provision was inadequate for the anticipated early releases and so the costs of early departures agreed in 2005-06 have been charged to the Income and Expenditure Account. The balance on the provision at 31 March 2006 is deemed adequate to meet future early retirement and severance costs.

CCLRC has assurances from DTI that it will meet the cash costs of this provision.

## SRS Closure

On 7 March 2005, Lord Sainsbury, DTI Minister for Science and Innovation, announced that the Daresbury Synchrotron Radiation Source (SRS) would cease operations on 31 December 2008. CCLRC estimated the costs of discontinuing the operation of this facility as £27.6 million after allowing for inflation. This amount is discounted at the Council's long term liabilities discount rate to arrive at the current provision of £25.502 million. In accordance with Treasury requirements, the long term liabilities discount rate was amended from 3.5% to 2.2% and the charge of £2.648 million represents the unwinding of discount for the current year of £0.548 million and increases due to the change of discount rate of £2.1 million. CCLRC has assurances from DTI that it will meet the cash costs of this provision.

### 13. Deferred income

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Balance at 1 April	375,275	375,275	0	<b>375,275</b>	273,580
Capital received in year	158,588	158,588	0	<b>158,588</b>	122,559
Released to income	(25,657)	(25,657)	0	<b>(25,657)</b>	(20,864)
Balance at 31 March	<b>508,206</b>	<b>508,206</b>	<b>0</b>	<b>508,206</b>	<b>375,275</b>

### 14. Reserves

#### Accumulated surplus/(deficit)

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Balance at 1 April	(28,993)	(29,466)	472	<b>(28,994)</b>	(1,809)
Surplus/(deficit) for the year	(6,608)	(6,945)	347	<b>(6,598)</b>	(27,185)
Balance at 31 March	<b>(35,601)</b>	<b>(36,411)</b>	<b>819</b>	<b>(35,592)</b>	<b>(28,994)</b>

#### Revaluation reserve

	CCLRC 2006 £'000	CCLRC Group 2006 £'000	Interest in DLS Joint Venture 2006 £'000	Consolidated Total 2006 £'000	Consolidated Total 2005 £'000
Balance at 1 April	94,416	94,416	0	<b>94,416</b>	84,694
Surplus on revaluation	19,252	19,252	0	<b>19,252</b>	10,940
Donated Asset	259	259	0	<b>259</b>	0
Disposals	(158)	(158)	0	<b>(158)</b>	(267)
Transfer to income and expenditure account	(1,330)	(1,330)	0	<b>(1,330)</b>	(951)
Balance at 31 March	<b>112,439</b>	<b>112,439</b>	<b>0</b>	<b>112,439</b>	<b>94,416</b>

### 15. Reconciliation of movements in government funds

	CCLRC 2005-06 £'000	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
Surplus for the year	(6,608)	(6,945)	347	<b>(6,598)</b>	(27,185)
Movement in deferred income account	132,931	132,931	0	<b>132,931</b>	101,695
Net surplus on revaluation	18,023	18,023	0	<b>18,023</b>	9,722
Movement in government funds in the year	144,346	144,009	347	<b>144,356</b>	84,232
Government funds at 1 April	440,698	440,225	472	<b>440,697</b>	356,465
Government funds at 31 March	<b>585,044</b>	<b>584,234</b>	<b>819</b>	<b>585,053</b>	<b>440,697</b>

### 16. Reconciliation of the operating deficit to net cash (outflow) from operating activities

	CCLRC Group 2005-06 £'000	CCLRC Group 2004-05 £'000
Operating deficit	(25,872)	(41,974)
Depreciation charges	26,727	21,285
Transfer from deferred income	(25,657)	(20,864)
Increase in provisions	5,890	29,180
Decrease in stocks	103	69
(Increase) in debtors and prepayments	(13,876)	(5,780)
Increase in creditors	15,843	3,595
Cost of capital charge	17,851	13,872
Net cash inflow/(outflow) from operating activities	<b>1,009</b>	<b>(617)</b>

### 17. Analysis of changes in net funds

	CCLRC 2005-06 £'000	CCLRC Group 2005-06 £'000	Interest in DLS Joint Venture 2005-06 £'000	Consolidated Total 2005-06 £'000	Consolidated Total 2004-05 £'000
Balance at 1 April	5,142	5,505	7,471	<b>12,976</b>	12,302
Increase in cash	994	1,015	3,775	<b>4,790</b>	674
Balance at 31 March	<b>6,136</b>	<b>6,520</b>	<b>11,246</b>	<b>17,766</b>	<b>12,976</b>

## 18. CCLRC Group net operating surplus/(deficit) by activity

	2005-06 £'000	2004-05 £'000
<b>Central Laser facility</b>		
<b>Income from operating activities</b>		
UK Research Councils	254	407
Government Departments	161	567
Universities	46	111
European Commission	546	152
Other Overseas	203	142
Private sector and Domestic	104	148
<b>Total operating income</b>	<b>1,314</b>	<b>1,527</b>
<b>Grant in Aid</b>	<b>5,628</b>	<b>4,776</b>
<b>Release of deferred income</b>	<b>975</b>	<b>878</b>
<b>Total income</b>	<b>7,917</b>	<b>7,181</b>
<b>Expenditure excluding cost of capital</b>		
Depreciation	975	878
Other operating expenditure	7,016	6,301
<b>Total expenditure excluding cost of capital</b>	<b>7,991</b>	<b>7,179</b>
<b>Operating (deficit)/surplus for the year</b>	<b>(74)</b>	<b>2</b>
<b>ISIS facility</b>		
<b>Income from operating activities</b>		
UK Research Councils	0	122
Government Departments	31	6
Universities	199	42
European Commission	793	205
Other Overseas	2,702	2,463
Private sector and Domestic	345	116
<b>Total operating income</b>	<b>4,070</b>	<b>2,954</b>
<b>Grant in Aid</b>	<b>21,245</b>	<b>19,207</b>
<b>Release of deferred income</b>	<b>9,421</b>	<b>8,879</b>
<b>Total income</b>	<b>34,736</b>	<b>31,040</b>
<b>Expenditure excluding cost of capital</b>		
Depreciation	9,421	8,879
Other operating expenditure	26,162	22,479
<b>Total expenditure excluding cost of capital</b>	<b>35,583</b>	<b>31,358</b>
<b>Operating deficit for the year</b>	<b>(847)</b>	<b>(318)</b>

	2005-06 £'000	2004-05 £'000
<b>Synchrotron Radiation facility</b>		
<b>Income from operating activities</b>		
UK Research Councils	329	417
Government Departments	0	3
Universities	126	77
European Commission	511	1,364
Other Overseas	45	688
Private sector and Domestic	568	726
<b>Total operating income</b>	<b>1,579</b>	<b>3,275</b>
<b>Grant in Aid</b>	<b>17,332</b>	<b>15,900</b>
<b>Release of deferred income</b>	<b>8,750</b>	<b>4,923</b>
<b>Total income</b>	<b>27,661</b>	<b>24,098</b>
<b>Expenditure excluding cost of capital</b>		
Depreciation	8,750	4,923
Other operating expenditure	19,625	19,175
<b>Total expenditure excluding cost of capital</b>	<b>28,375</b>	<b>24,098</b>
<b>Operating deficit for the year</b>	<b>(714)</b>	<b>0</b>
<b>Particle Physics</b>		
<b>Income from operating activities</b>		
UK Research Councils	18,963	19,698
Government Departments	0	5
Universities	45	180
European Commission	318	299
Other Overseas	314	33
Private sector and Domestic	5	7
<b>Total operating income</b>	<b>19,645</b>	<b>20,222</b>
<b>Grant in Aid</b>	<b>415</b>	<b>0</b>
<b>Release of deferred income</b>	<b>475</b>	<b>435</b>
<b>Total income</b>	<b>20,535</b>	<b>20,657</b>
<b>Expenditure excluding cost of capital</b>		
Depreciation	475	435
Other operating expenditure	19,974	20,203
<b>Total expenditure excluding cost of capital</b>	<b>20,449</b>	<b>20,638</b>
<b>Operating surplus for the year</b>	<b>86</b>	<b>19</b>

	2005-06 £'000	2004-05 £'000
<b>Space Science</b>		
<b>Income from operating activities</b>		
UK Research Councils	11,406	11,426
Government Departments	688	426
Universities	232	145
European Commission	364	36
Other Overseas	4,859	4,163
Private sector and Domestic	1,748	833
<b>Total operating income</b>	<b>19,297</b>	<b>17,029</b>
<b>Grant in Aid</b>	<b>608</b>	<b>13</b>
<b>Release of deferred income</b>	<b>592</b>	<b>503</b>
<b>Total income</b>	<b>20,497</b>	<b>17,545</b>
<b>Expenditure excluding cost of capital</b>		
Depreciation	592	503
Other operating expenditure	20,758	17,333
<b>Total expenditure excluding cost of capital</b>	<b>21,350</b>	<b>17,836</b>
<b>Operating deficit for the year</b>	<b>(853)</b>	<b>(291)</b>
<b>Other activities*</b>		
<b>Income from operating activities</b>		
UK Research Councils	10,253	9,887
Government Departments	1,283	2,829
Universities	3,897	2,330
European Commission	1,810	1,809
Other Overseas	4,742	2,285
Private sector and Domestic	3,239	3,718
<b>Total operating income</b>	<b>25,224</b>	<b>22,858</b>
<b>Grant in Aid</b>	<b>37,860</b>	<b>26,486</b>
<b>Release of deferred income</b>	<b>5,444</b>	<b>5,246</b>
<b>Total income</b>	<b>68,528</b>	<b>54,590</b>
<b>Expenditure excluding cost of capital</b>		
Depreciation	6,514	5,667
Other operating expenditure	61,675	47,257
<b>Total expenditure excluding cost of capital</b>	<b>68,189</b>	<b>52,924</b>
<b>Operating surplus for the year</b>	<b>339</b>	<b>1,666</b>

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

	2005-06 £'000	2004-05 £'000
<b>CCLRC group totals</b>		
<b>Income from operating activities</b>		
UK Research Councils	41,205	41,957
Government Departments	2,163	3,836
Universities	4,545	2,885
European Commission	4,342	3,865
Other Overseas	12,865	9,774
Private sector and Domestic	6,009	5,548
<b>Total operating income</b>	<b>71,129</b>	<b>67,865</b>
<b>Total Grant in Aid</b>	<b>83,088</b>	<b>66,382</b>
<b>Total release of deferred income</b>	<b>25,657</b>	<b>20,864</b>
<b>Total income</b>	<b>179,874</b>	<b>155,111</b>
<b>Total CCLRC group expenditure</b>		
Total CCLRC Depreciation	26,727	21,285
Total CCLRC other operating expenditure	155,210	132,748
<b>Total CCLRC group expenditure</b>	<b>181,937</b>	<b>154,033</b>
<b>Operating (deficit)/surplus for the year</b>	<b>(2,063)</b>	<b>1,078</b>
Cost of capital	(17,851)	(13,872)
<b>Operating deficit for the year</b>	<b>(19,914)</b>	<b>(12,794)</b>

## 19. Contingent liabilities

From 1 April 2003, the CCLRC took over responsibility for the United Kingdom's (UK's) subscriptions to the Institute Laue Langevin (ILL) and the European Synchrotron Radiation Facility (ESRF) from the Engineering and Physical Sciences Research Council (EPSRC). As a consequence of this, the CCLRC inherited the UK's share of the likely decommissioning and other costs of these facilities to be met in future years. As there has been no past obligating event, as CCLRC does not have singular control over the decommissioning and other costs of these facilities and as the timing and amount of the decommissioning and other costs cannot be known with any certainty and, therefore, in accordance with FRS12, these decommissioning costs have now been treated as a contingent liability. The estimated value of the contingent liability at 31 March 2006 is £53.4 million (ILL £46.2 million and ESRF £7.2 million). (2004-05 £51.9 million (ILL £45.3 million and ESRF £6.6 million).)

## 20. Derivatives and other financial instruments

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

## Liquidity risk

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

## Interest-rate risk

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

## Foreign currency risk

CCLRC's exposure to foreign currency risk is not significant. Foreign currency income is less than 10.0% of total income and foreign currency expenditure, excluding international subscriptions, is less than 10.0% of total expenditure. CCLRC's greatest exposure to foreign currency risk relates to the Euro and, with the agreement of the Office of Science and Technology and Treasury, CCLRC operates its own Euro bank accounts to minimise its exposure to risk in this currency. In addition, forward currency contracts eliminate currency exposure on international subscriptions where payments are due on fixed dates in each financial year. CCLRC had three such hedging contracts in place at the balance sheet date amounting to £15 million.

## 21. Capital expenditure commitments

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

	2006 £'000	2005 £'000
Contracted	12,388	36,689

The large reduction in capital commitments arises mainly from the completion of work on contracts relating to the construction of the ISIS second target station.

## 22. Investments

### Central Laboratory Innovation and Knowledge Transfer Limited (registration number 4361684)

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

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

### Spectrum (General Partner) Limited (registration number 4409886)

The Council holds 690 ordinary shares of 0.01p (23.1% interest) in Spectrum (General Partner) Limited. This company was set up to act as the Advisory Board for the Rainbow Seed Fund (RSF) and its purpose is to ensure that the RSF operates within the parameters set out by the Office of Science and Technology and to monitor the performance of the Fund and

the Fund Manager. The Council's shareholding and value of shares in Spectrum was diluted on 17 September 2004 when the Biotechnology and Biological Sciences Research Council (BBSRC) joined the RSF as a fourth core partner.

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

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

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

### Other investments

The Council also holds minority shareholdings in the following companies all of whom have registered offices in England:

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

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

### 23. Related party transactions

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

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

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

As set out in Note 9 above, the Council holds the major interest in Diamond Light Source Limited (DLSL). Related party transactions with DLSL for the period ending 31 March 2006 were as follows:

	£'000
Provision of technical and scientific manpower and other services	3,034
Costs collected on behalf of DLSL	203
DLSL invoices to CCLRC	61
<b>Total</b>	<b><u>3,298</u></b>

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

Name	Related Party	Number of contracts	Aggregate Value £'000
<b>Council members</b>			
Prof J V Wood*	University of Oxford	28	385
	University of Nottingham	1	5
Prof K Burnett	University of Oxford	28	385
Prof A M Cruise	University of Birmingham	1	26
Prof R Donovan	University of Edinburgh	7	49
Prof D Saxon	University of Glasgow	6	60
*Also member of staff			
<b>Members of staff</b>			
Prof R Holdaway	University of Southampton	5	123
Prof M H R Hutchinson	Imperial College, London	12	430
	University of Oxford	28	385
Prof K G Jeffery	ERCIM	4	18
Mr P Kummer	Net North West Limited	4	171
Prof C R Whitehouse	University of Birmingham	1	26
	University of Oxford	28	385

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

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

Name	Related Party
<b>Council members</b>	
Sir Graeme Davies	University of London
Prof J V Wood	University of Nottingham University of Oxford
Prof K Burnett	University of Oxford
Mr J Burrows	University of Nottingham
Prof A M Cruise	University of Birmingham
Prof G Davies	University of Wales, Swansea University of Birmingham
Prof R Donovan	University of Edinburgh
Prof P Gregson	Queen's University, Belfast
Prof D Saxon	University of Glasgow
<b>Members of staff</b>	
Prof R Holdaway	University of Southampton University of Kent
Prof M H R Hutchinson	University of Oxford Imperial College, London
Prof K G Jeffery	University College of Wales, Cardiff Heriot Watt University Oxensis
Dr A D Taylor	Los Alamos
Prof C R Whitehouse	University of Birmingham University of Oxford

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

#### 24. *Post balance sheet events*

There have been no events since the end of the financial year which would affect the understanding of the accounts.

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