

PESTICIDES SAFETY DIRECTORATE
annual report & accounts
2006 / 07

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

Annual Report & Accounts 2006 / 2007

PESTICIDES SAFETY DIRECTORATE ANNUAL REPORT AND ACCOUNTS 2006/07

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

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Contents

Page

Foreword from the Chief Executive	4
About PSD	
• Our background	6
• Our structure and governance	7
Management Commentary	
• Our aims and objectives	9
• Our business strategy	10
• Our results - Performance against key ministerial targets (Objectives 1-4)	11
• EC thematic strategy	20
• Our biopesticides Scheme	21
• Our staff	22
Looking forward	
• Our future strategy	24
• Our targets for 2007/08	25
Remuneration report	27
Accounts	30

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Foreword from the Chief Executive

I am pleased to present the Pesticides Safety Directorate's (PSD's) Annual Report and Accounts, which reports our activities and performance in 2006/07, against our high-level targets as set by the Secretary of State for the Environment, Food and Rural Affairs. I am delighted to report that these targets have been met, despite this again being a challenging year for PSD. This achievement is due to the commitment and expertise of our staff and our desire to build effective working relationships with a wide range of stakeholders.

This has been a very busy year. Applications for product approvals were 23% above estimates and 100% of high priority 'fast track' applications were completed within target. Achieving this result with the same number of staff despite the increase in applications has required diligent application by both evaluating staff and their managers and represents a very significant achievement.

2006 saw the publication of the long awaited EU Thematic Strategy on the sustainable use of pesticides. This is one of seven environmental strategies under the Community's 6th Environmental Action Programme which called for a strategy to be adopted to minimise the risk to human health and the environment resulting from the use of pesticides. Given the Government's continuing policy to protect human health and minimise the impact of pesticides on the environment, we welcomed the concept of such a strategy and the range of measures proposed.

Building on the success of the Biopesticides Pilot Scheme, 2006 saw PSD launch a full-scale Biopesticides Scheme. The aim of the Biopesticides Scheme is to encourage applicants to consider entering the market with alternative products to conventional pesticides. This year has also seen the launch of a new dedicated Biopesticide area on the PSD website to support those making biopesticide applications.

We have continued to maintain a strong presence and leadership at European and international meetings. We provided training to new EC Member States and several other countries. As a key Member State in developing regulatory procedures, a number of our specialists have been instrumental in developing EC guidance documents. We are highly respected internationally for our scientific and policy expertise, and our training programmes. Our active participation in European Union (EU) enlargement initiatives has helped us develop strong links with new Member States.

Following consultation with customers, and in order to carry on improving our communication with external stakeholders and other interested parties, we launched a new version of our website in November 2006 and introduced a system of electronic update letters.

PSD as an organisation has been under review this year and this review will continue in the course of 2007/8 in the light of external developments. A business proposition is currently considering options for the future of PSD. We will work with the Defra project team to ensure that our existing objectives and activities continue and wherever possible are enhanced. I am confident that despite the uncertainties we face, the professionalism of PSD's staff will be maintained throughout.

I hope you enjoy reading this report, which gives more detail of our achievements and activities during the year.

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

Dr Kerr Wilson
Chief Executive



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About PSD

Our background

The Pesticides Safety Directorate (PSD) is an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra). The Agency was formed on 1 April 1993 and has been located in York since 1994. We employ around 200 scientific, policy and support staff.

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

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

During 2006/07, we were responsible for:

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

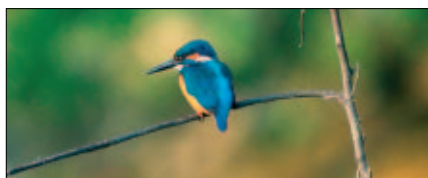
We evaluate applications for plant protection products used in the following situations: agriculture, horticulture, forestry, food storage, home and garden. Policy development on pesticide issues in the UK is taken forward on behalf of Defra and other Government departments. The Health and Safety Executive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

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

We work closely with the devolved administrations in developing pesticide policy through the Defra Pesticides Policy Network, and support the Scottish Executive Environment and Rural Affairs Department, (SEERAD) and Department of Agriculture and Rural Development for Northern Ireland (DARDNI) in framing their legislation. We also work closely with colleagues in the Welsh Assembly Government (WAG) on pesticide matters. We issue pesticide approvals and detergent derogations for the whole of the United Kingdom. We administer the Official Recognition scheme and issue certificates on behalf of Scotland and Wales and administer the scheme for Northern Ireland.



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About PSD

Our structure and governance

We are accountable to Parliament via the Secretary of State for Environment, Food and Rural Affairs, through the Parliamentary Under Secretary (Lords), who has responsibility for the overall policy and financial framework within which we operate.

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

PSD's Audit and Risk Committee is a subcommittee of the PSD Board. Dr Richard Pugh is the Chairman. Meetings are attended by Defra's Internal Audit Division and the National Audit Office. The role of the Committee is to provide advice and guidance on our internal controls and risk management procedures. The Committee met 4 times during 2006/07.

The members of the PSD Board are:



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Chief Executive
Dr Kerr Wilson



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Director of Approvals
Mr Richard Davis



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Acting Director of Policy
Mr Tim Davis



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Director of Finance, IT & Corporate Services
Mr Steve Milner



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Non-Executive Director
Dr Richard Pugh

About PSD

Our structure and governance

The Regulatory Agencies Strategy Board, formed in 2003, advises on the strategic direction and performance of PSD and the Veterinary Medicines Directorate. The members of the Regulatory Agencies Strategy Board that served during the year are:

Quintin McKellar

(Chair, external)

Chris Payne

(External)

Debby Reynolds

(Defra: Director General Animal Health and Welfare)

Howard Dalton

(Defra: Chief Scientific Adviser)

Bill Stow

(Defra: Director General Environment)

Michael Camlin

(Department of Agriculture & Rural Development for Northern Ireland)

Norma Barry

(Welsh Assembly Government)

Ian Anderson

(Scottish Executive Environment & Rural Affairs Department)

Tim Foster

(Food Standards Agency)

Les Philpott

(Health and Safety Executive)

Richard Wilkinson

(Defra: Financial Strategy Division)

Roger Atkinson

(Defra: Shared Services Executive Team)

Jim Smyllie

(Defra: Delivery Strategy Team)

Mike Murray

(Defra: Delivery Strategy Team)

Andrew Robinson

(Defra: Delivery Relationship Team)

Steve Dean

(Veterinary Medicines Directorate)

Kerr Wilson

(Pesticides Safety Directorate)

Defra's Delivery Relationship Team provides the Secretariat to the Regulatory Agencies Strategy Board.



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Management commentary

Our aims and objectives

During 2006/07 our aims and objectives were:

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



Our specific objectives for 2006/07 against which our performance is measured were:

Objective 1:

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

Objective 2:

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

Objective 3:

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

Objective 4:

To recover the full cost of our operations from the industry and from Defra and contribute to the Government's better regulation and efficiency agendas.

Our objectives link in with Defra's strategic priorities on sustainable food and farming, natural resource protection and sustainable consumption and production.

The specific Defra objectives to which we contribute are:

to protect and improve the rural, urban, marine and global environment, and lead integration of these with other policies across government and internationally (Defra objective 1)

to promote a sustainable, competitive and safe food supply chain that meets consumers' requirements (Defra objective 3)

to promote sustainable, diverse, modern and adaptable farming through domestic and international actions (Defra objective 4)

to protect the public's interest in relation to environmental impacts and health and ensure high standards of animal health and welfare (Defra objective 6)



Management commentary

Our business strategy

A wide array of people are interested in our work, ranging from the general public to the European Commission, and includes businesses such as farmers, growers and the crop protection industry as well as interest groups such as Friends of the Earth and the Pesticide Action Network. Our Small Business Champion continues to work with small and medium-sized companies to guide them through the regulatory process.

We provide support to growers of minor crops and, where possible, try to ensure plant protection product availability for such uses. Under an EC project, we are developing guidelines for the extrapolation of existing efficacy and residues data to minor crops.

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

In accordance with Government targets, we continue to move towards full electronic delivery of our services. Further work and enhancements will continue on our Evaluation Tracking system. Costs associated with our work are monitored and controlled using PSD's electronic work recording system. Efficiencies in our approval procedures have enabled us to hold down our costs. We continue to gain efficiencies from the full roll-out of an Electronic Document and Records Management system, which reduces overheads and allows the redeployment of resources.

We continue to work to represent UK interests in the renegotiation of Council Directive 91/414/EEC, in the consolidation of EC Maximum Residue Levels legislation and in the development of the EC's Thematic Strategy on the sustainable use of pesticides. For further information see page 18.

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



PSD is identified as an organisation that is within the scope of the Hampton Review on inspection and enforcement. The outcome of the Defra review on PSD's future will inevitably have a significant impact on our future business strategy.

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

PSD supports Defra's aim of sustainable development and has agreed a Sustainable Development Action Plan (SDAP) which was implemented during 2006/07. Progress towards the objectives in our SDAP will be monitored by the Sustainable Development Commission.

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





Management commentary

Our results

During 2006/07 we successfully achieved all our high-level targets. Details of the activities we have undertaken towards protecting people and the environment, at the same time as promoting wider awareness and understanding of pesticides, are provided under each of our objectives.

Table 1, page 10 summarises our results and gives information on our approvals work.

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

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



Table 1: Performance against key ministerial targets 2006/07

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

Table 1a: Breakdown of application processing times 2006/07

TYPE OF APPROVAL	PROCESSING TIMES (WEEKS)	
	Target	Actual
EU reviews: <ul style="list-style-type: none"> 3rd stage evaluation. Deliver our scientific assessments to EFSA within 52 weeks of confirmation that dossier is complete ^a 	52	100
% processed within target (total of 3 applications, with 1 completed within target)	90%	33%
New active substances: <ul style="list-style-type: none"> Completeness check for new active substance Deliver our scientific assessments to EFSA within 52 weeks of the publication of the Commission's completeness decisions. ^a Complete UK approval applications within a maximum of 48 weeks from receipt of the completed dossiers. ^b 	5 52 48	5 46 19-58
% processed within target (total of 9 applications, with 8 completed within target)	90%	89%
Secretariat applications: <ul style="list-style-type: none"> Applications for major changes within 42 weeks from acceptance Other applications with data within a maximum ^{c, d} of 30 weeks from acceptance Applications requiring technical consideration but without data ^d within 9 weeks of acceptance Applications for simple changes within a maximum of 4 weeks from acceptance 	42 9-30 9 1-4	42 9-29 6-9 1-3
% processed within target (total of 1,736 applications, with 1,672 completed within target)	90%	96%
Overall % processed within targets	90%	96%

Notes

- ^a In some cases, the deadline was extended in agreement with EFSA to allow for the submission of further data by the notifier
^b The start date is taken as the date of receipt by PSD of the complete dossier
^c A range of processing targets have been reported to reflect the different streams falling within this category
^d The 'first stage' of 'two stage' applications will be evaluated within the 9 week 'No Data' target even when data are included. 'Fast track data' applications will also be evaluated within 9 weeks from the date of acceptance

Table 2: Performance against key ministerial targets 2005/06

OBJECTIVES	TARGETS	ACHIEVED
Objective 1: To evaluate pesticide approval applications and contribute to the EU review programme.	1. To deliver high-quality scientific work to underpin the safe use of pesticides for people and the environment	✓
	2. To complete pesticide approval applications to time (90% within published processing times) and to cost (published fees and charges).	✓
Objective 2: To develop policy initiatives to reduce the negative impact of pesticides and to encourage alternative control measures.	3. To take forward a National Strategy for the sustainable use of plant protection products	✓
	4. Increased information to the public on pesticide treatments carried out	✓
	4a. New target agreed during the year – to contribute to the Government's response to the report from the Royal Commission on Environmental Pollution published in September 2005.	✓
Objective 3: To ensure UK objectives are reflected in EU legislation and regulation.	5. To secure the UK's interests in negotiations on the revision of Council Directive 91/414/EEC, the formulation of a thematic strategy on the sustainable use of pesticides and the development of the new Maximum Residue Levels Regulation	✓
	6. To deliver EU-funded projects to the satisfaction of the European Commission and the Twinning/Partners' contract, strengthening our links with new Member States and those planning to accede to the European Union.	✓
Objective 4: To actively monitor pesticide use and limit illegal use by taking appropriate enforcement action.	7. Carry out an annual surveillance programme, monitoring the UK food supply for pesticide residues to make sure it is safe and pesticides are being used properly	✓
	8. Report number of incidents and follow-up action taken, including enforcement and prosecution cases.	✓
Objective 5: To increase public awareness and understanding of safe use and regulation of pesticides.	9. Increase public awareness on safe use and regulation of pesticides by improving clarity and reducing jargon in public communication, and by engaging with stakeholders.	✓
Objective 6: To recover the full cost of our operations from the industry and Defra, and achieve efficiency savings.	10. To recover the full economic cost (as calculated according to resource accounting principles) of our services from industry and Defra	✓
	11. For savings of 3% to be achieved against Defra funding and to maintain fees at 2004/05 levels.	✓

Table 2a: Breakdown of application processing times 2005/06

TYPE OF APPROVAL	PROCESSING TIMES (WEEKS)	
	Target	Actual
EU reviews:		
• 3rd stage completeness check. Carry out checks on submitted dossiers for List 3B compounds and report on whether they are complete to European Food Safety Authority (EFSA) within 26 weeks of receipt	26	26
• 3rd stage evaluation. Deliver our scientific assessments to EFSA within 52 weeks of confirmation that dossier is complete ^a	52	67
% processed within target (total of 25 applications, with 16 completed within target)	90%	64%
New active substances:		
• Completeness check for new active substances	5	4
• Deliver our scientific assessments to EFSA within 52 weeks of the publication of the Commission's completeness decisions. ^a	52	85
• Complete UK approval applications within a maximum of 48 weeks from receipt of the completed dossiers. ^b	48	30-58
% processed within target (total of 24 applications, with 16 completed within target)	90%	67%
Secretariat applications:		
• Applications for major changes within 42 weeks from acceptance	42	36
• Other applications with data within a maximum ^{c, d} of 30 weeks from acceptance	9-30	8-35
• Applications requiring technical consideration but without data ^d within 9 weeks of acceptance	9-10	2-16
• Applications for simple changes within a maximum ^e of 4 weeks from acceptance	1-4	1-2
% processed within target (total of 1,901 applications, with 1,767 completed within target)	90%	93%
Overall % processed within targets	90%	92%

Notes

^a In some cases, the deadline was extended in agreement with EFSA to allow for the submission of further data by the notifier

^b The start date is taken as the date of receipt by PSD of the complete dossier

^c A range of processing targets have been reported to reflect the different streams falling within this category

^d The 'first stage' of 'two stage' applications will be evaluated within the 9 week 'No Data' target even when data are included. Also includes historical applications containing storage stability and varietal tolerance data evaluated within a 10 week target.

Table 3: Performance against key ministerial targets 2004/05

OBJECTIVES	TARGETS	ACHIEVED
Objective 1: To evaluate pesticide approval applications and contribute to the EU review programme.	1. To deliver high-quality scientific work to underpin the safe use of pesticides for people and the environment.	✓
	2. To complete pesticide approval applications to time (90% within published processing times) and to cost (published fees and charges).	✓
Objective 2: To develop policy initiatives to reduce the negative impact of pesticides and to encourage alternative control measures.	3. To take forward a National Pesticides Strategy in support of sustainable pesticide use, including alternative control measures and consideration of use reduction policies.	✓
	4. To complete evaluation of buffer zones and notification of spraying consultations.	✓
Objective 3: To ensure UK objectives are reflected in EU legislation and regulation.	5. To secure UK's interests in negotiations on the revision of Council Directive 91/414/EEC, and the revision and consolidation of the Maximum Residue Levels Directives.	✓
	6. To deliver EU funded projects to the satisfaction of the European Commission and the Twinning/Partners' contract, strengthening our links with new Member States and those planning to accede to the European Union.	✓
Objective 4: To monitor actively pesticide use and limit illegal use by taking appropriate enforcement action.	7. Carry out an annual surveillance programme, monitoring the UK food supply for pesticide residues to make sure it is safe and pesticides are being used properly.	✓
	8. Investigate reported wildlife incidents, taking appropriate enforcement action and using information gathered to inform the regulatory process.	✓
Objective 5: To increase public awareness and understanding of safe use and regulation of pesticides.	9. Lend support to increasing public awareness of the safe use and regulation of pesticides by improving clarity and reducing jargon in public communications and engaging with stakeholders.	✓
Objective 6: To recover the full cost of our operations from the industry and Defra, and achieve efficiency savings.	10. To recover the full economic cost (as calculated according to resource accounting principles) of our service from industry and Defra.	✓
	11. For percentage increases in support function costs to be no greater than the percentage increase in revenue.	✓

Table 3a: Breakdown of application processing times 2004/05

TYPE OF APPROVAL	PROCESSING TIMES (WEEKS)	
	Target	Actual
EU reviews:		
• 2nd stage evaluation. Deliver our scientific assessments to European Food Safety Authority (EFSA) within 52 weeks of receiving completed submissions ^a	52	59
• 3rd stage completeness check. Carry out checks on submitted dossiers for List 3B compounds and report on whether they are complete to EFSA within 26 weeks of receipt	26	26
• 3rd stage evaluation. Deliver our scientific assessments to EFSA within 52 weeks of receiving EFSA's completeness decision for List 3A compounds	52	45
% processed within target (total of 16 applications, with 15 completed within target)	90%	94%
New active substances:		
• Completeness check for new active substances	5	4
• Deliver our scientific assessments to EFSA within 52 weeks of receiving EFSA's completeness decisions ^a	52	86
• Complete UK approval applications within a maximum of 48 weeks from receipt of the completed dossiers ^b	48	25-40
% processed within target (total of 14 applications, with 12 completed within target)	90%	86%
Secretariat applications:		
• Applications for major changes within 42 weeks from acceptance	42	48
• Other applications with data within a maximum ^c of 30 weeks from acceptance	9-30	7-34
• Applications requiring technical consideration but without data ^d within a maximum ^c of 10 weeks of acceptance	9-10	6-9
• Applications for simple changes within a maximum ^c of 4 weeks from acceptance	1-4	1-2
% processed within target (total of 1,181 applications, with 1,104 completed within target)	90%	93%
Overall % processed within targets	90%	93%

Notes

- a In some cases, the deadline was extended in agreement with EFSA to allow for the submission of further data by the notifier
b The start date is taken as the date of receipt by PSD of the complete dossier
c A range of processing targets have been reported to reflect the different streams falling under each category
d Includes applications containing storage stability and varietal tolerance data

Management commentary

Objective 1

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

This has been a very busy year in the approvals group. Applications for product approvals were 23% above estimates with a total of 1500 applications received. 96% of applications were completed within published targets and 100% of high priority 'fast track' applications were completed within target. We continue to recover the full costs associated with this work whilst maintaining high levels of scientific quality as confirmed by Professor Jon Ayres in his independent review of evaluations work undertaken during the past year. Achieving this demanding target with the same number of staff despite the increase in applications has required diligent application by both evaluating staff and their managers and represents a very significant achievement.

We continue to play a major role in Europe. We completed the completeness checks for one new active submission received during the year, as well as providing detailed advice to companies on the compilation of dossiers for four biopesticides under the biopesticides scheme. We submitted completed evaluation reports for three new active substances where the UK is the EU Rapporteur Member State, one of which was a biopesticide. A further completed report was withdrawn at the applicant's request. Decisions were taken on the national approval of three new active substances

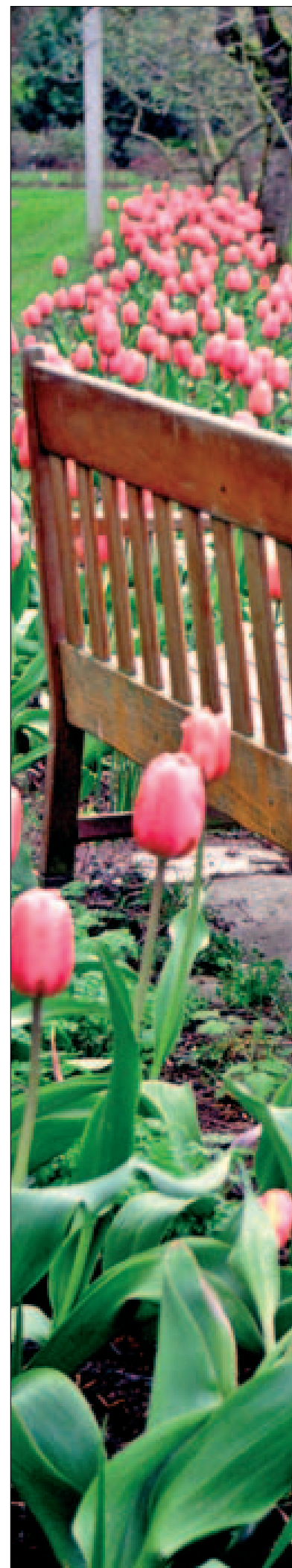
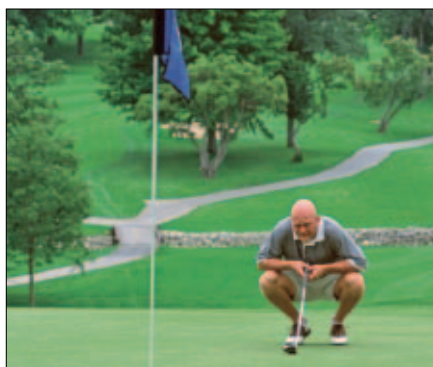
for use in the UK. In addition, we submitted completed evaluation reports for three existing active substances to the European Food Safety Authority as part of the EU review programme.

We have assisted in the European peer review process by commenting on 35 evaluations produced by other member states and attending the expert peer review meetings now managed by the European Food Safety Authority.

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

PSD has reviewed procedures on the re-registration of plant protection products. Staff who have been involved in the EC review process are now taking an increased role in the evaluation of re-registration applications in order that best use is made of the knowledge and experience they have gained. In addition, other PSD staff have received training to ensure that their skills can be flexibly deployed to cope with the varied peaks of work arising from re-registration. A successful review of the criteria requiring full departmental consideration of applications has been completed resulting in some adjustments that will also improve the processing of these more complex applications.

There were no applications for detergent derogations received this year.



Management commentary

Objective 2

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

PSD represented the UK in the EC's approval process for active substances under Council Directive 91/414/EEC, voting on decisions to approve 29 existing and 5 new active substances for inclusion in Annex I to the Directive. Another 24 were not approved for inclusion.

We have collaborated with other Member States to improve harmonisation and share work on re-registering authorised uses, and on drafting a Regulation for re-reviewing approved active substances.

In June 2006, the European Commission published proposals for a Regulation to replace Directive 91/414/EEC as part of its Thematic Strategy for the Sustainable Use of Pesticides. This is being negotiated in a Council Working Party, where PSD represents the UK. Discussions are still at an early stage and will continue in 2007/08.

We have proposed a number of additional provisions for inclusion in the Regulation. One of these would improve the control of parallel imports, reinforcing the existing guidance. Others would encourage minor uses, which we have also supported in collaborative projects with other Member States to identify new pest solutions and by promoting wider extrapolations.

The Commission's Thematic Strategy also

included proposals for a Framework Directive for the Sustainable Use of Pesticides. PSD is again representing the UK in Council Working Party negotiation, which will continue in 2007/08.

We represented the UK in setting maximum residue levels (MRLs), voting on new or revised levels for 44 active substances. We contributed to the development of the Regulation which will establish the new, fully harmonised MRLs regime, in particular making proposals for establishing temporary MRLs in Annex III.

PSD provided training for new EC Member States under Commission-funded schemes, participating in projects with Bulgaria, Latvia, Lithuania, Slovakia and Slovenia. We also completed a twinning project with Croatia and secured an agreement to provide them with further training in 2007/08. Internationally, we provided training for Kenya, South Africa and various Caribbean countries.

We replaced the long-term arrangements for extension of use for edible crops with some 1200 off-label authorisations and began a review of the similar arrangements for ornamental crops.

PSD clarified certain aspects of the procedure for sharing animal testing data. One request for access to data was received, but could not be pursued because we could not be satisfied that all the other information required to support the application was available.

We consulted on revisions to the Detergents Regulations 2005 to allow PSD to charge for





Management commentary

Objective 2

applications for derogations. This and other amendments were incorporated into the revised Detergents Regulations 2007 which will come into force in future.

PSD began a consultation on a proposal to update and consolidate four sets of regulations (plus their amendments) into one set of Pesticides

Regulations. They are due to come into force in April 2008 and will serve to control and monitor marketing and use of pesticides in England and Wales. They will also give local authorities powers to seize and destroy pesticides and introduce a new record-keeping requirement for all professional users of pesticides.

We followed up publication of the new Code of Practice for using Plant Protection Products with leaflets to increase awareness of important messages in the code. We have published five leaflets on our website covering amenity uses, record-keeping, emergency procedures, waste management, and contract-writing and management.

PSD set up a UK Liaison Group comprising the various national enforcement bodies concerned with monitoring the use and impact of pesticides. The Group meets regularly and has begun work on developing a national UK control plan for pesticide enforcement monitoring.

PSD continued to run the food and drink monitoring programme of the Pesticide Residues Committee, testing 3562 samples for up to 129 pesticides in the 2006 calendar year. We published quarterly reports of the results, along with an annual report for the 2005 programme. We held a successful open meeting of the Committee in Bristol, and an open business meeting in York. We also organised the residues monitoring programme of the Department of Health's School Fruit and

Vegetable Scheme, analysing 153 samples of fruit and vegetables for residues and publishing three reports of the results. Most food tested contained no detectable residues, or residues that complied with MRLs. The Committee concluded that none of the residues found was likely to have resulted in adverse health effects for consumers.

We published quarterly reports of enquires made to the Wildlife Incident Investigation Scheme on the PSD website for the first time. PSD continue to work with Defra and other enforcement agencies to bring successful prosecutions resulting from incidents reported under the Scheme. A number of cases remain under investigation.

We have continued to make use of IT tools to improve our delivery. The Evaluation Tracking system introduced last year has delivered significant efficiencies, particularly in the administration of the approvals process. A new system to generate off label approvals notices enabled the production of some 1262 specific off label approval notices covering 659 products to replace long term arrangements for extension of use of pesticides for edible minor crops ahead of the changes to MRL regulations that will require specific approvals for each use.

We have continued to look for ways to improve the efficiency of the regulatory process both nationally and internationally. We have led initiatives to share the work evaluation of active substances with other Member States and with USA, Australia and Canada e.g. chlorantraniliprole and shared the work of re-registration e.g. on chlorothalonil. Working with other Member States on post Annex I related issues, new measures have been introduced to ensure commonality of approach and sharing of workloads (e.g. Step I compliance checking). These initiatives will help to reduce the burden on both regulatory bodies and authorisation holders.

Management commentary

Objective 3



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

Following the publication of the UK pesticides strategy in March 2006, we set up action plan groups to take forward key water and biodiversity issues, and consider the amenity and amateur sectors and the availability of pesticides particularly for minor uses. Linked to the Government's pesticide strategy we also contributed to the review of the effectiveness of the Voluntary Initiative (VI) for Pesticides by commissioning a scientific evaluation for Ministers and participating in a Society of Chemicals and Industry (SCI) conference on the VI in January 2007.

A permanent Biopesticide scheme was established in April 2006 to facilitate the registration of novel pesticides. This incorporated the lessons learned from the pilot scheme, such as the provision of specific guidance to applicants via pre-submission meetings and provision of more accessible information on the regulatory process with a new Biopesticide area on our website. Further details can be found at page 19. A Biopesticide training day for the crop protection industry and researchers was held in March 2007.

In July 2006 the Government responded to the report of the Royal Commission on Environmental Pollution (RCEP) report on "Crop Spraying and the Health of Residents and Bystanders". PSD made a major contribution to the Government's response and is leading on many of the areas being followed up as a consequence. A pilot study for rural residents neighbouring farming areas commenced in March 2007 which explores the feasibility of providing information on pesticide use. PSD has also

consulted on the removal of the grandfather rights exemption for spray operators born before 31 December 1964 and Ministers will be invited to take decisions on this issue later in the year.

We have commissioned a major 3-year research project which aims to develop and validate a Bystander and Residential Exposure Assessment Model (the "BREEM" project). Approximately one third of the £5 million pesticide research budget has been spent in the human health, residues and operator exposure area. The rest of the research allocation is being spent on protecting the environment and developing alternatives to pesticides.

Following consultation with customers, we launched a new version of our website in November 2006 and introduced a system of electronic update letters. We continued to respond to a wide range of questions dealing with 2311 enquiries this year. We have also dealt with 50 requests for information under the Environmental Information Regulations 2004 and the Freedom of Information Act 2000. We continue to ensure that relevant Agency publications are Crystal Marked by the Plain English Campaign, and offer Plain English training to all our staff.

To contribute to the transparency of the regulatory process we held open meetings of the Advisory Committee on Pesticides and the Pesticides Residue Committee, and provided the secretariat to the Pesticides Forum which held 3 meetings and a field visit this year.

During the year, one formal complaint was registered under PSD's complaints procedure. It related to the investigation of an alleged pesticide poisoning incident. PSD response clarified our responsibilities and made an offer of further assistance, if requested. The complaint was processed within the timescales specified in our Statement of Service Standards.

Management commentary

Objective 4

To recover the full cost of our operations from the industry and from Defra and contribute to the Government's better regulation and efficiency agendas.

Full cost recovery and efficiency gains

Our work is funded by industry (through fee-paid work, events we charge for and the pesticide levy) and directly by the Government for policy development and Defra-funded activities. We also receive European Commission funding for a variety of activities. We have met our main financial target to fully recover our costs.

We have reviewed our fees to make sure they reflect the work we do on each application and, following a widespread fees consultation, a new charging structure was introduced with effect from 1 March 2007. The new structure is transparent, equitable and provides the flexibility to match fees to the varied application types that PSD handles. It provides a more consistent and simplified approach and aims to recover the full costs directly from the recipient of the service.

We have met our 2006/07 efficiency targets as agreed with Defra and we have signed up to their ongoing efficiency agenda. We have also processed 99.2% of invoices within the Government's 30-day target.

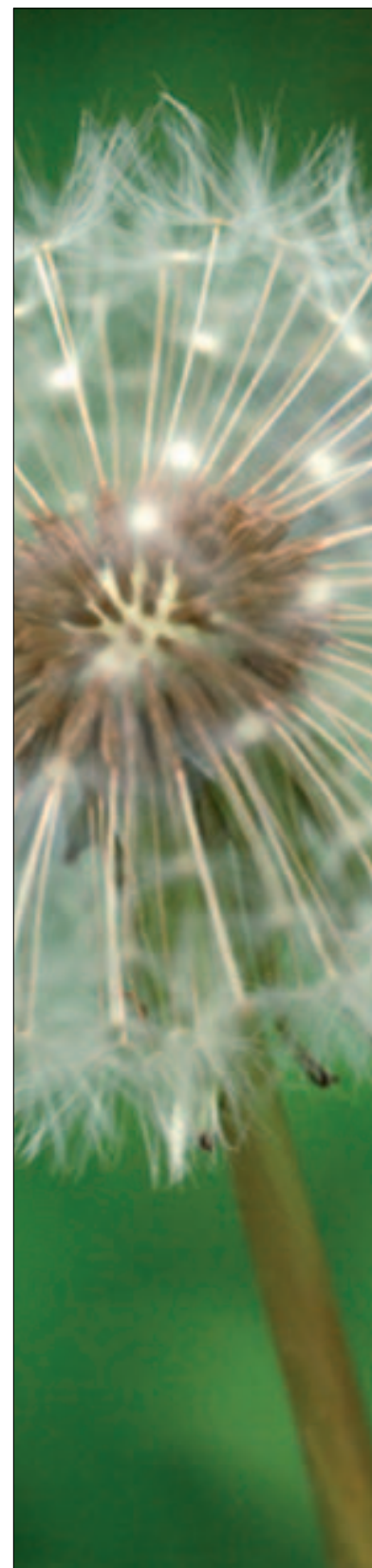
We have continued to rigorously monitor our financial performance and to seek out opportunities to reduce our costs. In doing so we have succeeded in reducing our total costs by 3.3% compared to 2005/06 whilst maintaining the delivery of our key services and continuing to achieve our Ministerial targets.

We have continued to make full use of electronic methods to become more efficient and reduce our effect on the environment.

A new IT system has been created to manage and monitor the flow of applications for approval through our processes. This system provides improved management information to assist us in meeting our processing targets. The system is more adaptable and flexible allowing processes to be modified more easily.

We have reduced our paper usage by 13% continuing the downward trend of recent years. We have sought to reduce energy consumption and increase recoverability through our choice of IT equipment.

Our reliance on IT has encouraged us to invest in highly reliable IT solutions. During the year, we carried out a disaster recovery test which demonstrated that we can restore the most important IT systems within a few days of a serious incident.





Management commentary

EC thematic strategy

2006 saw the publication of the long awaited EU Thematic Strategy on the sustainable use of pesticides. This is one of seven environmental strategies under the Community's 6th Environmental Action Programme which called for a strategy to be adopted to minimise the risk to human health and the environment resulting from the use of pesticides.

The Thematic Strategy was developed over a four-year period by the Commission following extensive stakeholder consultations, and was formally adopted by the Commission in July 2006. Given the Government's continuing policy to protect human health and minimise the impact of pesticides on the environment, we welcomed the concept of such a strategy and the range of measures proposed.

Thematic Strategies work by taking a holistic approach to address specific issues. There is emphasis on the use of existing policies and legislation wherever practicable (for example, in this case the CAP reform package and Water Framework Directive are seen as supporting the strategic objectives). Where this is not possible, new legislation or other instruments are proposed. This Thematic Strategy proposes a package of measures including new legislation which will ensure that, for the first time, Community regimes cover all stages of a pesticide's 'life-cycle' (from authorisation, through storage, use and disposal, to the monitoring of residues in foodstuffs and the environment).

The most important elements of the Thematic Strategy are a Regulation to replace the authorisation Directive (Directive 91/414/EEC) and a new sustainable use Directive. The need to modernise the authorisation directive has been under discussion for some time, and the proposed Regulation aims to secure greater harmonisation of the EU pesticides market, and speed up decision-making. It also includes provisions to increase the level of protection given to human health and the environment. Our general approach will be to support the Commission's efforts to harmonise and simplify the current regime and also to support the strengthening of the regime where this is proportionate.

The fundamental measure of the new sustainable use Directive is a requirement for Member States to create National Action Plans to draw together the procedures and processes which will deliver more sustainable use of pesticides. The Directive goes on to list a number of initiatives around which the Plans could be built. These include: training of users, distributors and advisers; inspection of application equipment; restrictions or prohibitions on use in or adjacent to areas such as watercourses or public spaces; promotion of integrated approaches; and monitoring progress via a series of indicators.

Most of the measures proposed in this Directive are already part of the range of controls in force in the UK. Many of these controls have a statutory basis (for example, training of users and restrictions on use around watercourses). But a number have been established on a voluntary basis

(for example, inspection of application equipment and promotion of integrated approaches). The Government believes that the proposed Directive represents a reasonable starting point, but should afford Member States a degree of flexibility in implementing the range of measures proposed, should not stifle innovative approaches, and should be proportionate. The measures should establish a benchmark of controls and generally raise standards across the Community as a whole.

We held a stakeholder consultation on the proposed Regulation and Directive from September to December 2006, including an open public meeting in October, and the responses to these will contribute to the developing UK position. We are actively contributing to discussions in Europe which we expect to continue over much of 2007, before the European Council and Parliament try to agree a common position.



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Management commentary

Our biopesticides scheme

Building on the success of the Biopesticides Pilot Scheme, 2006 saw PSD launch a full-scale Biopesticides Scheme. The aim of the Biopesticides Scheme is to encourage applicants to consider entering the market with alternative products to conventional pesticides. The scheme covers a range of biopesticides including products containing micro-organisms, pheromones, semiochemicals and plant extracts. There is also scope to consider other novel alternatives which do not easily sit within a specific category and as such the data requirements will have to be assessed on a case-by-case basis.

Since the introduction of the pilot scheme four biopesticide products have been successfully guided through the system and are approved for use in the UK. Five other products are at various stages of evaluation and a large number of other companies are discussing possible applications with PSD. These developments have been welcomed and highly praised by industry both on a national and international level.



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The key elements of the scheme itself are:

- The appointment of a 'Biopesticide Champion', who provides an initial contact for product innovators/manufacturers, and steers them through the approval process.
- Appointment of 'Biocontacts' in each of the specialist areas of risk assessment to provide guidance on specific scientific and regulatory issues.
- Encouraging potential applicants to meet with us at the earliest possible stages of product development.
- Providing specific guidance to applicants (via pre-submission meetings), flagging up possible hurdles to address and identifying the best way forward for their product.
- A fee for evaluations that is approximately a quarter of the cost of a conventional pesticide.

This year has also seen the launch of a new dedicated Biopesticide area on the PSD website to support those making biopesticide applications. The information in this area will continue to grow with further information and guidance on the regulatory and scientific aspects of the process.

In March 2007, PSD organised a one-day seminar at the National Railway Museum in York to give 'An Introduction to the UK Biopesticides Scheme and an Overview of the Biopesticide Regulatory Process'. This was the first such event PSD had organised specifically for an international audience in the Biopesticide sector and was attended by over 60 participants.

In addition to their significant contribution to the Biopesticides Scheme, PSD staff participated in a number of UK and international biopesticide-related events. These included the EU FP6 REBECA Project, the 'Biopesticides: The Way Ahead' conference (organised as part of the RELU (Rural Economy and Land Use) funded research project being undertaken by Warwick University in conjunction with Warwick HRI) and the 'Inaugural Annual Biocontrol Industry Meeting (ABIM)'. Staff have also continued to actively network with counterparts in other countries and have provided further inputs in to the OECD Biopesticide Steering Group with the aim to harmonise regulatory measures at a global level.

Management commentary

Our staff

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

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

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



Our policy staff work with a range of other Government departments, agencies and external organisations. We work with the Health and Safety Executive on enforcement issues, the Food Standards Agency on consumer safety issues and the Department of Health on the assessment of the potential impacts of pesticides on human health, as well as with colleagues in the Environment Agency and English Nature. Our Information Services branch answers enquiries from a range of external customers, including members of the public, students and academics, the pesticide industry, farmers, growers and other organisations.

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

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

We are committed to the learning and development of our staff, and have recently implemented a revised induction process to ensure all new staff receive full and comprehensive training and advice.

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

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



Management commentary

Our staff



We continue to promote our 'stakeholders' visits scheme', which covers short-term visits by our staff to a wide range of external organisations. The aim of the scheme is to improve our knowledge and understanding of the business of our stakeholders to improve our ability when making decisions that may effect them; to improve communication and to encourage staff development and on-the-job learning. Since its introduction, a number of PSD staff members have visited various organisations.

We are committed to retaining our Investors in People status for which we will be reappraised in Autumn 2007.

In line with Defra, we are committed to



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

We have also updated our Charter and Statement of Service Standards, which sets out the level of service the PSD aims to provide in our dealings with members of the public and our stakeholders. The level of service is in accordance with the Government's guidance on service standards, and incorporates the provisions of the central and local government Enforcement Concordat on good practice. This commits us to good enforcement policies and procedures. The Charter also explains the steps to take in respect of complaints. This sets out guidelines for staff in the way they are expected to deal with members of the public and stakeholders. This can be found at www.pesticides.gov.uk/corporate.

To help staff achieve an effective work/life balance, we have developed flexible working arrangements. Defra also provides a childcare facility on site and we support staff in all development, equality and diversity issues. PSD is recognised by the Employment Service with 'Two ticks' accreditation for our commitment regarding

the employment, retention, training and career development of disabled employees.

Disabled persons

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



Equal opportunities and health and safety at work

equal opportunities and health and safety at work. PSD's Director of Approvals is designated Diversity and Equality Officer for the Directorate.

Employee involvement

The Agency actively encourages staff involvement in its business. In addition to ad-hoc consultations on specific issues, there are meetings between staff representatives and the Management Board. Minutes of Board meetings are made available to all staff and PSD adopts Defra policy and practices with regard to welfare, trade union representation and staff suggestions.

Looking forward

Our future strategy

PSD as an organisation will be reviewed in the course of 2007/8 in the light of external developments. A business proposition is currently considering options for the future of PSD. Two leading options are (a) a merger with the Health and Safety Executive and (b) the creation of a new Defra Regulatory Science Agency from PSD, Plant Health Division and the Plant Health and Seeds Inspectorate, the Central Science Laboratory and the Plant Variety Rights Office and Seeds Division based at Sand Hutton in York. The latter option is focusing on the opportunities for building on the strengths and synergies of the four units and considering the opportunities for improving efficiency. PSD will work with the project team to ensure that our existing objectives and activities continue and wherever possible are enhanced.

The responsibility for policy work is currently under review as part of the consideration of the future of PSD described above. Strategic policy work may return to Defra with operational policy remaining with the regulatory body. Our expertise enables us to contribute to cross-cutting policy issues and particularly those concerning sustainable farming and environmental protection. Equally, we draw on the advice of others in Defra in developing integrated pesticide policy.

We manage a key part of Defra's pesticide science and research effort to underpin our pesticide policies. We will take forward the Government's response to the report from the Royal Commission on Environmental Pollution on pesticides and bystander exposure. We will continue to seek advice from the Advisory Committee on Pesticides, produce Regulatory Impact Assessments for relevant proposals and contribute to the formulation of research projects. We lead the Defra Pesticides Policy Network, providing a clear Departmental focus for pesticide issues.

PSD has a wide range of stakeholders – from the general public to the European Commission and

including specific sectors such as farmers, the crop protection industry and environmental interest groups. We will continue to interact with these stakeholders, particularly through the Pesticides Forum as well as through consultation exercises. We will also continue to make improvements to our service delivery, which cuts across all of our objectives.

We will retain our Corporate Membership of the Plain English Campaign and further improve our communication channels, training all staff in the use of plain English and will continue to develop newsletters to alert stakeholders to updated areas of our website.

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

As a key priority, we will continue to build on our effective partnerships with the EC, European Food Safety Authority (EFSA) and other Member States.

We will continue to develop and implement targeted monitoring and enforcement campaigns, including for wildlife incidents.

PSD will be appointing another non-executive Director to be a member of PSD's Audit and Risk Committee. We are hoping to make this appointment in April 2007.

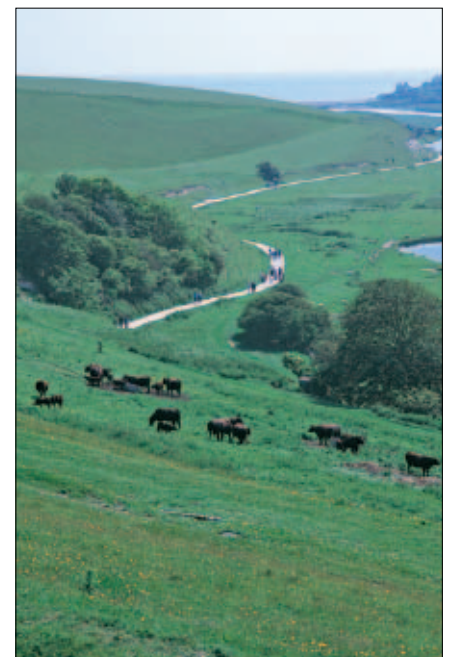
We recognise that strong leadership is essential to the delivery of our business and maintenance of relevant specialist capacity is vital to both our approvals work and our ability to develop pesticide policy effectively.

We are committed to retaining our Investors in People status, for which we will be re-appraised in Autumn 2007.

Maintaining the relevant technical skills, including succession planning, is proactively managed at Board and Specialist level. We have identified learning needs for staff against our future targets. We actively encourage staff to develop skills that will facilitate flexible deployment across the Agency to meet changing workloads and demands. We will continue to provide opportunities for short-term secondments to stakeholders and customers ensuring close working relationships are maintained and enhanced.

We will carry on improving our communication with external stakeholders and other interested parties by:

- continuing to provide an external information service by phone, post and e-mail
- maintaining and enhancing our website
- consulting on important issues
- encouraging our staff to understand the issues facing our customers.



Looking forward

Our targets for 2007/08

The table below summarises our four high-level targets and key measures agreed with Ministers for 2007/08, against which our performance will be measured. Year one of our three-year Business Plan for 2006-2009 is available on our website at www.pesticides.gov.uk and provides examples of the work we will take forward to meet these objectives.

• Objective 1:

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

Targets 2007/08	Measures 2007/08
<ul style="list-style-type: none"> To deliver high quality scientific work to underpin the safe use of pesticides for people and the environment. To complete pesticide approval applications and requests for detergent derogations to time (90% within published processing times) and to cost (published fees and charges). 	<ul style="list-style-type: none"> Independent scientific quality assessment. Monitoring of performance against targets.

• Objective 2:

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

Targets 2007/08	Measures 2007/08
<ul style="list-style-type: none"> To secure the UK's interests in negotiations on the revision of Council Directive 91/414/EEC and the Framework Directive on the Sustainable Use of Pesticides, and in the development of the new MRLs Regulation. To deliver EC-funded projects to the satisfaction of the European Commission and the Twinning / Partners' contract, strengthening our links with new Member States and those planning to accede to the EU. To monitor and report the presence of pesticide residues and environmental effects, and taking enforcement action as appropriate. To contribute to Defra's better regulation simplification plan and seek to reduce the burdens of EU agriculture administration. 	<ul style="list-style-type: none"> UK objectives reflected in EC legislation. Meeting milestones for twinning projects on time, with delivery within budget. Completing the annual pesticide residues monitoring programme, the pesticide usage survey and investigating wildlife incidents, taking enforcement action in appropriate cases. Adoption of a zonal approach to EC pesticide approvals and the consolidation of UK pesticide legislation.

Looking forward

Our targets for 2007/08

• Objective 3:

To manage all our resources effectively, recover the full cost of our operations from the industry and DEFRA, and contribute to the Government efficiency agenda.

Targets 2007/08

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

Measures 2007/08

- Recovering over 95% of the cost of PSD operations by the end of the financial year.
- 2006/07 Accounts to provide baseline figures. Efficiencies to be calculated year on year.

• Objective 4:

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

Targets 2007/08

- To take forward the Action Plans under the Strategy for the sustainable use of plant protection products.
- Contribute to publication of the Government's response to the Royal Commission on Environmental Pollution on pesticides and bystander exposure.
- To provide an information service on pesticide policy and regulation.

Measures 2007/08

- Successful delivery of Action Plans to implement the Strategy for the sustainable use of plant protection products.
- Effective implementation of any new legislative and advisory requirements resulting from the RCEP report required by Ministers.
- All responses dealt with in-line with Government guidelines and timescales.

Remuneration report

Remuneration policy and service contracts

Remuneration policy

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

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

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

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

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

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

Service Contracts

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

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

Dr K Wilson was appointed on a contract commencing on 1 April 2000 and which expires in November 2007.

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

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

Remuneration report

Salary and pension entitlements

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

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

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

	2006/07 Salary, including performance pay £,000s	2006/07 Benefits in Kind £	2005/06 Salary, including performance pay £,000s	2005/06 Benefits in Kind £
Dr Kerr Wilson	85-90 including 5-10 bonus	-	85-90 including 5-10 bonus	-
Mr Tim Davis (Appointed acting Director from 10/10/2005)	55-60	-	25-30 50-55 (full year equivalent)	-
Mr Richard Davis	65-70 including 5-10 bonus	-	65-70 including 5-10 bonus	-
Mr Steve Milner (Joined PSD 26/09/2005)	50-55	-	25-30 50-55 (full year equivalent)	-
Dr Richard Pugh	0-5	-	0-5	-

Salary

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

by the Civil Service Management Board. For the remaining Directors PSD has adopted the core Department's (Defra) Performance Management system.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. There were no benefits in kind during 2005/06 or 2006/07.

Register of Interests

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

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

	2006/07 Real increase in pension and related lump sum at age 60 £000s	2005/06 Real increase in pension and related lump sum at age 60 £000s	Total accrued pension at age 60 at 31/3/07 and related lump sum £000s	Total accrued pension at age 60 at 31/3/06 and related lump sum £000s	CETV at 31/3/06 £000s	CETV at 31/3/07 £000s	Real increase in CETV funded by employer £000s
Dr Kerr Wilson	0 - 25 plus 2.5 - 5 lump sum	0 - 25 plus 2.5 - 5 lump sum	35 - 40 plus 105 -110 lump sum	30 - 35 plus 95 - 100 lump sum	789	846	15
Mr Tim Davis	0 - 25 plus 2.5 - 5 lump sum	0 - 25 plus 2.5 - 5 lump sum	25 - 30 plus 65 - 70 lump sum	20 - 25 plus 60 - 65 lump sum	548	611	34
Mr Richard Davis	0 - 25 plus 2.5 - 5 lump sum	0 - 25 plus 2.5 - 5 lump sum	25 - 30 plus 77 - 80 lump sum	20 - 25 plus 65-70 lump sum	537	564	8
Mr Steve Milner	0 - 25	0 - 25	0 - 5	0 - 5	10	23	11
Dr Richard Pugh	-	-	-	-	-	-	-

Pension

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

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

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the

employee from a selection of approved products. The employee does not have to contribute, but where they do make contributions, the employer will match these to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers will also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Cash Equivalent Transfer Value

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

additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Compensation paid, significant awards to former managers

None was paid to former senior managers in 2006/07.



H K Wilson
Chief Executive and Agency Accounting Officer

1 June 2007

Pesticides Safety Directorate Accounts 2006/2007



Statement of Agency's and Chief Executive's responsibilities

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

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

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

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

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

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

Preparation of accounts

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

Statement on Internal Control

Scope of responsibility

PSD is an Executive Agency of the Department for the Environment, Food and Rural Affairs, and is fully accountable to Parliament via the Secretary of State.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSD for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Internal control and the capacity to handle risk

PSD handles risk through the Agency Management Team (made up of the senior members of the Agency), which meets monthly and the PSD Board, which meets four times a year (which comprises the Agency Management Team plus the external non-executive director), to consider the plans and strategic direction of the Agency and to review any associated risks. Regular reports are received from managers on the steps they are taking to manage risks in their areas of responsibility, and an organisation-wide risk register is maintained. Guidance is provided to managers through a risk management strategy document which is available on the internal PSD website as well as through a locally-produced leaflet on 'risk management in PSD'.

PSD has a risk co-ordinator, who regularly liaises with staff throughout PSD on the identification of risk and where amendments need to be made to the risk register particularly in the identification of consequences and associated countermeasures. A thorough review of the register was undertaken during 2006/07 and all suggested changes were discussed with risk managers and presented to Risk Owners for formal approval. Agreed changes are then formally recorded on a sequential change record.

PSD also has an Audit & Risk Committee, which is a formally constituted committee of the PSD Board, and is chaired by an external member. It meets at least three times a year (during 2006/07 it met 4 times) and its terms of reference are publicly available in line with the Treasury's code of good practice. The purpose of the committee is to provide advice to the Agency Accounting Officer and the PSD Board on strategic processes relating to risk, control and governance. It will advise on both internal and external audit activity along with the adequacy of any management response to deal with issues raised. It will further advise on accounting policies, the organisations Annual Report & Accounts and in respect of

internal control and risk management within PSD. All Audit & Risk Committee recommendations are fed into PSD Board discussions where the necessary action is agreed and formally signed off. During 2006/07 the Audit & Risk Committee compared itself against the NAO's self assessment checklist and this provided a level of assurance that the committee was fully meeting its obligations.

PSD's strategy and plans are detailed in its Business Plan. This covers a 3-year cycle but it is reviewed on an ongoing basis by the Agency's Board and Agency Management Team. Objectives, targets and resources are agreed with PSD's Director General, Defra's Delivery Strategy Team and ultimately the Minister. The Business Plan is also subject to an independent assessment by the Regulatory Agency Strategy Board. The Agency Business plan is supported by the production of annual business plans for each business area within the Agency. These plans are agreed between PSD's Resource/Business Managers and the Agency Management Team. Resource/Business Managers provide monthly reports to the Senior Management Team on their progress towards the achievement of plans. During 2006/07 these procedures were reviewed as part of a "Performance Management" audit conducted by Defra's Internal Audit Division.

The PSD Board is independently advised on risk, control and governance by an internal audit service operating in accordance with Government Internal Audit Standards. The National Audit Office (NAO) are PSD's external auditors and a formal 2006/07 Audit Strategy has been agreed. NAO make recommendations from their work regarding risk, control and governance and both internal and external auditors attend PSD's Audit & Risk Committee meetings.

During 2006/07 PSD's internal audit service undertook four audits and provided assurances to the Audit & Risk Committee and the PSD Board in relation to Key Controls, Governance and Propriety. The internal audit service also audited

PSD's reported results against its performance targets for 2006/07.

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

The risk and control framework

A 'bottom up', as well as a 'top down' approach is in place for identifying, evaluating, and managing risk. From the bottom, risks are identified and assessed where they occur, to be captured in the Agency risk register as appropriate. Having properly identified a risk, the consequences of this materialising are assessed to give each a risk rating in order that efforts can be concentrated on addressing those that are most important. In doing this, a proportionate response is adopted, using a range of available risk management tools and techniques, including Guidelines 2000 which sets out the Government's key principles applying to the development and presentation of scientific advice for policy-making.

In completing the risk register, owners describe existing and additional activities to address the risk as well as outlining what action should be taken if the risk becomes an issue (i.e. contingency planning).

The top risk priorities for PSD have been reassessed, and a list of these key risks is maintained. The main risk relates to the potential impact of external influences. Other risks include possible legal challenges to Ministers, public health scares, as well as the loss of key IT systems or damage to PSD premises. The "top risks" have been addressed through the development of contingent strategies and plans which target the potential impact of change as a result of the external issues identified. Further work to address risks includes the maintenance of a Business Continuity Plan. As part of this the IT disaster recovery plan underwent a full test.

Our management of risk is embedded in policy-making, planning and delivery by the main risks being kept under regular strategic review by the PSD Board. High level information on risk is integrated with other key performance data and presented via Group quarterly reports to the Board. This data is built up from risk owners and collated by the risk co-ordinator in Finance & Corporate Services, and forms the core of risk information that feeds into future business plans and spending review exercises.

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

Review of effectiveness

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

Internal auditors validated our achievement of approval application processing and efficiency. The scientific quality of evaluations was assessed by the Chair of the Advisory Committee on Pesticides and Defra's Director General of Environment reported on our delivery against policy objectives.

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

The PSD Board considers risk management and internal control on a regular basis at their meetings throughout the year. Furthermore, during 2006/07 "risk reviews" have been included as a standing agenda item at both the Senior Management Team and Audit & Risk Committee meetings. These formal reviews of each of the agency's key risks are supported by further reviews between the risk co-ordinator, risk owners and managers. In addition, risk management has been incorporated into the corporate planning and decision-making process of the Agency.

No significant internal control problems have been identified during the course of the year.



H K Wilson
Chief Executive and Agency Accounting Officer

1 June 2007

The Certificate and Report

of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Pesticides Safety Directorate for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which includes the foreword, Management Commentary and Remuneration Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform

to the authorities which govern them.

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

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

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

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and Directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31st March 2007, and of the surplus, recognised gains and losses and cashflows for the year then ended.
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given within the Annual Report, which includes the foreword, Management Commentary and Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn

National Audit Office
Comptroller and Auditor General
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
13 June 2007

Income and Expenditure Account

For the year ended 31st march 2007

	Notes	2006/07 £000s	2005/06 £000s
Income	2	13,167	13,691
Expenditure			
Staff Costs	4a	7,121	6,976
Depreciation and amortisation	6 & 7	216	220
Other operating costs	5	5,818	6,403
Total operating cost for the year		13,155	13,599
Operating surplus before interest on capital	12	12	92
Interest on capital		28	10
Operating surplus for the year	3 & 11	40	102

All income and expenditure is derived from continuing operations.

There were no recognised gains or losses other than the operating surplus for the year ended 31 March 2006 and 31 March 2007.

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

Balance Sheet

as at 31st march 2007

	Notes	£000s	31.3.07 £000s	£000s	31.3.06 £000s
Fixed assets					
Tangible assets	6		253		333
Intangible assets	7		95		35
			<u>348</u>		<u>368</u>
Current Assets					
Debtors	8	2,051		2,827	
Cash at bank and in hand	9	3,896		3,203	
			<u>5,947</u>	<u>6,030</u>	
Creditors					
Amounts falling due within one year	10	3,759		3,437	
				<u>3,437</u>	
Net current assets			<u>2,188</u>		<u>2,593</u>
Total assets less liabilities			<u>2,536</u>		<u>2,961</u>
Taxpayers' equity General fund	11		<u>2,536</u>		<u>2,961</u>



H K Wilson
Chief Executive and Agency Accounting Officer
1 June 2007

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

Cash flow statement

For the year ended 31st march 2007

	Notes	2006/07 £000s	2005/06 £000s
Net cash inflow from operating activities	12	1,912	938
Capital expenditure	12	(197)	(193)
Financing:			
Net cash transfers from Defra		(1,022)	216
Movement in cash	9	693	961

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

Notes to the accounts

1. Statement of accounting policies

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

a. Accounting convention

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

b. Recognition of income

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

c. Levy collection

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

d. Fixed assets

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

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

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

e. VAT

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

f. Central charges

Central Defra costs are charged on a notional basis and included in the accounts. These include costs incurred by Defra divisions contributing to the work of PSD, such as Regional Services, as well as the costs of central services such as Accommodation, Information Technology, Personnel and Legal.

g. Capital charge

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

h. Foreign exchange

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

i. Pensions

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

j. Leases

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

Notes to the accounts (cont)

2. Income from activities

	2006/07 £000s	2005/06 £000s
Income was earned from the following activities		
Approvals Levy	3,884	3,928
Fees	3,209	3,061
European Commission	465	625
Policy	5,310	5,840
Other	299	237
	13,167	13,691

3. Performance against key corporate financial targets

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

A cost recovery rate of 100.3 per cent was achieved in 2006/07. Taking account of prior year surpluses, the cumulative cost recovery rate is 100.7 per cent. The cost recovery rate can be analysed as follows

	Income £000s	Expenditure £000s	Surplus/ (deficit) 2006/07 £000s	2006/07 cost recovery %	Cumulative surplus/(deficit) £000s	Cumulative cost recovery %
Approvals	7,392	7,331	61	100.8	655	100.7
EC	465	535	(70)	86.8	(244)	92.1
Policy	5,310	5,261	49	100.9	771	101.1
Total	13,167	13,127	40	100.3	1,182	100.7

Notes to the accounts (cont)

4. Staff numbers and costs

a. staff costs during the year were	2006/07			2005/06		
	Total £000's	Permanently employed staff £000's	Others £000's	Total £000's	Permanently employed staff £000's	Others £000's
Wages and Salaries	5,624	5,540	84	5,546	5,446	100
Social Security costs	414	406	8	391	382	9
Other pension costs	1,083	1,082	1	1,039	1,036	3
	7,121	7,028	93	6,976	6,864	112

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

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

	2006/07			2005/06		
	Total £000's	Permanently employed staff £000's	Others £000's	Total £000's	Permanently employed staff £000's	Others £000's
Work on 'To protect and improve the rural, urban, marine and global environment, and conserve and enhance biodiversity, and to lead integration of these with other policies across Government and internationally' (Defra objective 1)	63	61	2	66	64	2
Work on 'To promote a sustainable, competitive and safe food supply chain which meets consumers' requirements' (Defra objective 3)	125	121	4	130	126	4
	188	182	6	196	190	6

Notes to the accounts (cont)

c. The PCSPS is an unfunded multi-employer defined benefit scheme, but PSD is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

d. For 2006/07, employer's contributions of £1.083m were payable to the PCSPS (£1.039m in 2005/06) at one of four rates in the range of 17.1% to 25.5% of pensionable pay, based on salary bands. (The rates in 2005/06 were between 16% and 25%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2006/07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. For 2006/07 employer's contributions of £6k were paid to one or more of a panel of three appointed stakeholder pension providers.

5. Other operating costs

	2006/07 £000s	2005/06 £000s
These are made up as follows		
Programme expenditure:		
Services provided by Central Science Laboratory	1,814	1,950
Services provided by the Natural England	203	270
Services provided by Veterinary Laboratories Agency	40	40
Payments to Independent Advisory Committees	108	158
Services provided by industry	1,080	1,172
Other	16	26
	3,261	3,616
Other operating expenditure:		
Travel and subsistence	278	276
Training	36	31
Accommodation costs	64	56
Accommodation costs (Defra)	1,246	1,305
Hire of plant/machinery	7	7
Other costs	341	384
	1,972	2,059
Notional (non-cash) charges:		
Other Defra central services	479	454
Costs of other Defra divisions	80	251
Audit fees	26	23
	585	728
Total other operating costs	5,818	6,403

Audit fees do not include any amounts for non audit work.

Notes to the accounts (cont)

6. Tangible fixed assets

	IT £000's	Furniture & fittings £000's	Totals £000's
Cost or valuation:			
At 1 April 2006	1,924	405	2,329
Additions	110	-	110
Disposals	(79)	-	(79)
Revaluations	(15)	-	(15)
At 31 March 2007	1,940	405	2,345
Depreciation:			
At 1 April 2006	1,599	397	1,996
Charged in year	174	1	175
Disposals	(79)	-	(79)
At 31 March 2007	1,694	398	2,092
Net book value:			
At 1 April 2006	325	8	333
At 31 March 2007	246	7	253

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

	£000
Depreciation for the year	175
Permanent diminution following revaluation	15
	190

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

Notes to the accounts (cont)

7. Intangible assets

	Totals £000's
Software licenses:	
Cost or valuation:	290
As at 1 April 2006	
Additions	86
At 31 March 2007	376
Amortisation:	
As at 1 April 2006	255
Charged in year	26
At 31 March 2007	281
Net book value:	
As at 1 April 2006	35
At 31 March 2007	95

8. (a) Debtors

	2006/07 £000	2005/06 £000
Amounts falling due within one year:		
Debtors – Industry	376	900
Debtors – Defra and Other Government Departments	1,404	1,671
Debtors – EC Contracts	197	182
Prepayments	66	63
Other	8	11
	2,051	2,827

Notes to the accounts (cont)

8. (b) Intra - Government Balances

	Debtors: Amounts falling due within one year		Debtors: Amounts falling due after more than one year	
	2006/07 £'000's	2005/06 £'000's	2006/07 £'000's	2005/06 £'000's
Balances with other central Government Bodies	1,282	1,612	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	123	60	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to Government	646	1,155	-	-
At 31 March 2007	2,051	2,827	-	-

9. Cash at bank and in hand

	2006/07 £'000	2005/06 £'000
Balance at 1 April	3,203	2,242
Net change in cash balances	693	961
Balance at 31 March	3,896	3,203
Commercial Banks	26	670
Office of Paymaster General	3,870	2,533
Total Cash at Bank	3,896	3,203

Notes to the accounts (cont)

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

	2006/07 £000	2005/06 £000
Application fees paid in advance	1,737	2,187
Levies collected on behalf of Other Government Departments	206	168
Taxation and Social Security	143	147
EC creditors	0	110
Trade creditors	519	0*
Accruals	971	666*
Other creditors	183	159*
	3,759	3,437

* Figures restated to provide additional creditor detail

10. (b) Intra – Government Balances

	Creditors: Amounts falling due within one year		Creditors: Amounts falling due after more than one year	
	2006/07 £000's	2005/06 £000's	2006/07 £000's	2005/06 £000's
Balances with other central Government Bodies	1,505	904	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to Government	2,254	2,533	-	-
At 31 March 2007	3,759	3,437	-	-

Notes to the accounts (cont)

11. General Fund

There are two distinct parts within the General Fund:

a. The general account

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

b. The operating account

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

	General Account £000's	Operating Account £000's	General Fund £000's
Balance at 1 April 2006	1,819	1,142	2,961
Movement in year:			
Operating Surplus	-	40	40
Notional Charges (including interest on capital)	557	-	557
Net financing from Defra	(1,022)	-	(1,022)
At 31 March 2007	1,354	1,182	2,536

Notes to the accounts (cont)

12. Reconciliation of operating surplus to net cash flow

	2006/07 £000	2005/06 £000
Operating surplus before interest on capital	12	92
Adjustments for Non-cash transactions:		
Depreciation and amortisation	216	220
Notional charges	585	728
Adjustments for movements in working capital other than cash:		
Decrease/(Increase) in debtors	777	(912)
Increase/(decrease) in creditors falling due within one year	322	810
Net cash inflow from operating activities	1,912	938

12. Analysis of capital expenditure:

	2006/07 £000	2005/06 £000
Tangible fixed assets additions	110	181
Intangible fixed assets additions	87	12
	197	193

13. Commitments under operating leases

	2006/07 £000	2005/06 £000
PSD was committed to making the following payments during the next year in respect of operating leases expiring:		
Within 1 year	6	0
Between 2 and 5 years	692	734
	698	734*

* restated to include accommodation charges payable to Defra

Notes to the accounts (cont)

14. Capital commitments

There were no capital commitments.

15. Contingent liabilities

There were no significant contingent liabilities.

16. Senior management interests

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

17. Related party transactions

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

18. Derivatives and other financial instruments

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

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

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

19. Post Balance Sheet Events

There were no post balance sheet events. This Annual Report & Accounts has been authorised for issue on 23 June by the PSD Chief Executive and Accounting Officer.

20. Cost of Capital

A charge, reflecting the cost of capital utilised by PSD, is calculated in accordance with the Treasury Guide to fees and charges. The charge is shown in the Income & Expenditure Account as "interest on capital" and is calculated at the Government's standard rate of 3.5% (based on average capital employed during the year). For 2006/07 there is a credit of £28k (£10k credit in 2005/06).

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We follow the Government's policy on openness
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Further information on pesticides and their
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