



Meeting *challenges...*

Health and Safety Commission
Annual Report

Health and Safety Commission | Executive
Accounts 2006/07

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Health and Safety Commission Annual Report

Health and Safety Commission | Executive Accounts 2006/07

Presented to Parliament by the Secretary of State in pursuance of section 10 (6) and paragraph 15 of Schedule 2 to the Health and Safety at Work etc Act 1974 and by the Comptroller and Auditor General in pursuance of section 10 (6) and paragraphs 14 and 20 of Schedule 2 of the Health and Safety at Work etc Act 1974.

Ordered by the House of Commons to be printed 28 June 2007.

This report can be downloaded free from the HSE website at: www.hse.gov.uk/aboutus/reports/0607

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Part one

Health and Safety Commission
Annual Report 2006/07

About us

The Health and Safety Commission (HSC) is responsible for regulating health and safety in Great Britain. The Health and Safety Executive (HSE) and local government are the enforcing authorities who work in support of the Commission.

HSE looks after health and safety in nuclear installations and mines, factories, farms, hospitals and schools, offshore gas and oil installations, onshore chemical plants, the gas grid, and many other aspects of the protection both of workers and the public. Local authorities (LAs) are responsible to HSC for enforcement in offices, shops and other parts of the services sector.

The Department for Work and Pensions (DWP) sponsors HSC/E. The Rt Hon John Hutton is the Secretary of State for Work and Pensions. In January 2007, Lord McKenzie of Luton became DWP's Parliamentary Under Secretary (Lords) with responsibility for work-related health and safety. Lord Philip Hunt of Kings Heath OBE previously held the post.

For further information about us, please refer to the *Management commentary* (pages 6–14) or visit our website at www.hse.gov.uk.

The Health and Safety Commission



Bill Callaghan (Chair)



Sandy Blair CBE



Danny Carrigan



Judith Donovan CBE



Prof Sayeed Khan



John Longworth



Hugh Robertson



Elizabeth Snape MBE



John Spanswick CBE

New commissioner:



Robin Dahlberg
(appointment commenced 1 April 2007)

Past commissioner:



Margaret Burns CBE
(appointment ended 31 March 2007)

You can find biographies for each of the Commissioners on our website at: www.hse.gov.uk/aboutus/hsc/commissioners.htm.

The Health and Safety Executive



Geoffrey Podger
Chief Executive



Justin McCracken
Deputy Chief Executive (Operations)



Jonathan Rees
Deputy Chief Executive (Policy)

You can get a copy of the register of interests relating to members of the Health and Safety Commission and the Health and Safety Executive by contacting the HSC Secretariat at: Rose Court, 2 Southwark Bridge, London SE1 9HS; or by phoning 020 7717 6611.

Chair's foreword

In 2000, in my first foreword as chair of HSC, I drew attention to the *Revitalising Health and Safety* strategy and the national targets for 2010.

In this, my last foreword, I can report substantial progress towards those targets.

I can also report major achievements over the past year in delivering our strategy. HSC/E is committed to being a better regulator aiming to be the best. Our Simplification Plan will reduce administrative burdens on business and improve health and safety outcomes by making regulations easier to understand and implement. I am particularly pleased to have helped communicate our proportionate approach to risk and regulation. Our business is about saving lives, not stopping them.

However, our achievements should not blind us to the challenges around our work. I highlighted three in my 2000 foreword: the need to engage better with small firms; to raise awareness of occupational health issues; and to work closely with our local authority partners. Despite the progress we have made, these challenges remain and others come to the fore, ranging from regulating major hazard industries (such as nuclear, oil and chemicals) to promoting health and well-being at work.

Moreover, we cannot take recent safety improvements for granted. Indeed, there are worrying signs of an increased level of fatalities in the construction industry. The changing structure of industry and the labour market are also relevant, with the growth of hazardous industries such as recycling, and a more diverse workforce including many migrant workers.

We can meet these challenges first through prioritisation and the most effective and efficient use of resources, and secondly through closer and more

productive partnership working. My colleagues on the Commission can help strengthen partnerships in the workplace, with local authorities and with other stakeholders. These include the devolved administrations and I would like to thank Margaret Burns, who stood down in March this year after nine years as a Commissioner, for her work in developing partnership in Scotland.

Finally, I would like to thank my Commission colleagues for their support and hard work over the past year and pay tribute to the work of HSE staff, ably led by Geoffrey Podger and the Board of HSE.

Next year I hope that my successor will be able to introduce the report of a combined HSC and HSE. However, whatever the structure, we depend on the skills, professionalism and dedication of HSE staff. It has been a pleasure and an honour to work with them.



Bill Callaghan Chairman
Health and Safety Commission

Chief Executive's foreword

It has been another good year for HSE, with generally favourable movements towards achieving our targets as set out in this Report. As in previous years, we achieved this through close collaboration with local authority colleagues and with employers and trade unions. HSE staff's own achievement should, however, be recognised, not least as the organisation had to adapt to a tighter budgetary situation, which requires us to lose some 250-350 posts by the end of 2007/08.

Equally, the welcome improvements in health and safety are not found everywhere. In the offshore oil industry, for example, we have significant concerns about personnel competence and the effect of ageing plant. We cannot afford to be complacent in any sector; gains in health and safety can all too easily be reversed without continued effort from all involved.

Finally, I should once again like to thank the HSC Commissioners for their support, both to me personally and the organisation as a whole. Margaret Burns' departure from HSC has meant that we have lost an ever-constructive adviser. Later this year we will sustain a further loss with the retirement of the HSC Chair, Bill Callaghan. Bill will be greatly missed, not least for his unswerving integrity, commitment and wisdom.



Geoffrey Podger CB Chief Executive
Health and Safety Executive

Management Commentary

The Health and Safety Commission and Executive

The Health and Safety at Work etc Act 1974 established the Health and Safety Commission (HSC) and the Health and Safety Executive (HSE) and provided for the continuation of the Employment Medical Advisory Service (EMAS). HSC came into being on 1 October 1974 and appointed HSE on 1 January 1975. HSC and HSE are statutory non-departmental public bodies, performing their functions on behalf of the Crown. Responsibility for HSC and HSE transferred to the Department for Work and Pensions (DWP) in July 2002.

The primary function of the Commission and the Executive is to protect the health, safety and welfare of employees and safeguard others who may be exposed to risks from work activities. This includes proposing new laws and standards, conducting and sponsoring research, promoting training and providing information and advice. HSC provides strategic direction for Great Britain's health and safety system, including HSE and local authorities (LAs). The Commission reports to the Secretary of State for Work and Pensions, and to other Secretaries of State.

HSC also has powers to:

- approve and issue codes of practice, with the consent of the Secretary of State, subject to consultation with government departments and other organisations;
- make agreements with any government department or person to perform HSC or HSE functions on HSC/E's behalf;
- make agreements with any minister, government department, or public authority for HSC to perform

functions on their behalf;

- give mandatory guidance to LAs on enforcement; and
- direct HSE or authorise any other person to investigate and report on accidents or other matters and, subject to regulations made by the relevant minister, direct inquiries to be held.

The Commission has adopted a code of practice, which the Chair and Commissioners follow. This conforms to Cabinet Office guidance. It sets out the responsibilities of the Chair and the corporate and individual responsibilities of the Commissioners.

HSE advises and assists the Commission in its functions. Together with LAs, HSE has day-to-day responsibility for enforcing health and safety law, investigating accidents, licensing and approving standards in particularly hazardous areas and commissioning research.

The strategic framework

Our **vision** is to gain recognition of health and safety as a cornerstone of civilised society, and with that, to achieve a record of workplace health and safety that leads the world.

Our **mission** is, working with local authorities, to protect people's health and safety by ensuring that risks in the changing workplace are properly controlled.

HSC's *Strategy for workplace health and safety to 2010 and beyond* (www.hse.gov.uk/aboutus/hsc/strategy.htm) sets out the strategic direction for achieving health and safety improvements in Great Britain.

The Strategy's four key themes are:

- 1 Developing closer partnerships.
- 2 Helping people to benefit from effective health and safety management and a sensible health and safety culture, where we are best placed to reduce workplace injury and ill health.
- 3 Focusing on our core business and the right interventions where we are best placed to reduce workplace injury and ill health.
- 4 Communicating the vision.

Work-related health and safety targets

In 2000, HSC and the government published the *Revitalising Health and Safety* (RHS) Strategy (www.hse.gov.uk/revitalising/strategy.htm). This included three national targets to improve occupational health and safety outcomes by 2010.

Table 1 *Revitalising Health and Safety targets*

Indicator	Baselines	Results (2005/06) ²	Target (2009/10)	Assessment ⁵
The incidence rate of fatal and major injury per 100 000 workers	117.3 (1999/2000)	110.7	105.6 (10% reduction)	Not on course
The incidence rate of work-related ill health per 100 000 workers ¹	2200 (2001/02)	1600 ³	1800 (20% reduction)	On course
The number of working days lost from work-related injury and ill health per worker	1.8 (2000-02)	1.3 ⁴	1.3 (30% reduction)	Probably on course

¹ Based on self-reporting surveys. Assessment of progress will also use other sources

² HSC will publish the 2006/07 results for these indicators in the *Health and safety statistics* in November 2007

³ The range of possibilities (95% confidence interval) for this result is from 1500 to 1800

⁴ The range of possibilities (95% confidence interval) for this result is from 1.2 to 1.4

⁵ For more details please see www.hse.gov.uk/statistics/targets.htm

For commentary on the latest occupational health and safety statistics, see *Fit for work, Fit for life, Fit for tomorrow (Fit3)* (page 20).

As part of Spending Review 2004, DWP agreed a new work-related health and safety Public Service Agreement (PSA) with HM Treasury:

By 2008 improve health and safety outcomes in Great Britain through progressive improvement in the control of risks in the workplace.

We measure our progress towards the PSA against six targets, grouped under the two main areas of HSC/E's work: **occupational health and safety** (workers' injury, ill health and resulting days lost) and **major hazards** (precursor incidents in the nuclear, offshore and onshore sectors). The occupational health and safety PSA targets are based on the same indicators as the RHS targets, but work from a different baseline year. They represent a three-year slice of the full ten-year targets.

Table 2 Occupational health and safety PSA targets

Indicator	Baselines (2004/05)	Results (2005/06) ²	Target (2007/08)	Assessment
The incidence rate of fatal and major injury per 100 000 workers	118.6	110.7	115.0 (3% reduction)	On course
The incidence rate of work-related ill health per 100 000 workers ¹	1800	1600 ³	1700 (6% reduction)	On course
The number of working days lost from work-related injury and ill health per worker	1.5	1.3 ³	1.4 (9% reduction)	On course

¹ Based on self-reporting surveys. Assessment of progress will also use other sources

² HSC will publish the 2006/07 results for these indicators in the *Health and safety statistics* in November 2007

³ Subject to a 95% confidence interval – see Table 1 for details

Table 3 Major hazards PSA targets

Indicator	Baselines (2001/02)	Results (2006/07)	Target (2007/08)	Assessment
The number of events reported by licence holders, which HSE's Nuclear Installations Inspectorate judges as having the potential to challenge a nuclear safety system	143	126	132 (7.5% reduction)	On course
The number of major and significant hydrocarbon releases in the offshore oil and gas sector	113	73	62 (45% reduction)	Not on course
The number of relevant RIDDOR ¹ -reportable dangerous occurrences in the onshore sector	179	158	152 (15% reduction)	On course

¹ Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

Full details on the target are available in the PSA Technical Note (www.hse.gov.uk/aboutus/plans/sr2004.htm). Commentary on the latest PSA results is in the performance section, under the Fit3 and Major Hazards Strategic Programmes (page 9). DWP publishes performance data against all its PSAs in its Departmental and Autumn Performance Reports (www.dwp.gov.uk/publications/dwp/2007/dr07 and www.dwp.gov.uk/publications/dwp/2006/autumnreport).

Key activities

There are many different areas of work that contribute to delivering our vision, mission and objectives (including the targets). We grouped the main workstreams within our Strategic Programmes. During 2006/07 there were:

- two Strategic Delivery Programmes:
 - **Fit for work, Fit for life, Fit for tomorrow (Fit3)** focuses on key hazard and industry sectors to deliver the occupational health and safety PSA targets; and
 - **Major Hazards** regulates and assures safe management of key major hazard industries to reduce the likelihood of catastrophic incidents;
- four Strategic Enabling Programmes, which focused on key elements of HSC's Strategy, kick-starting new activities to support the work of Fit3 and Major Hazards:
 - **Local Authorities and HSE Working Together:** building a partnership with LAs, to make the best use of HSE's and LAs' respective strengths in tackling national, regional and local priorities;
 - **Worker Involvement:** securing more and better worker involvement in health and safety risk management by raising awareness, influencing attitudes and changing behaviours;
 - **Business Involvement:** promoting the business benefits of well-managed health and safety; and
 - **Enforcement:** Ensuring that HSE and LAs make best use of

formal enforcement in the delivery of health and safety priorities alongside the enabling of justice.

The programme working arrangements for the first three of these areas have now come to an end. However, this work remains important and will continue as part of HSE's normal business.

HSE carries out a range of other essential activities that complement the Strategic Programmes and HSE's long-term capability. These include:

- **enforcing the law**, which remains one of HSE's (and the local authorities') key interventions. Our inspectors make a vital contribution to delivering HSC's Strategy by inspecting workplaces, investigating accidents and complaints, offering advice and guidance, and, where appropriate, taking formal enforcement action. HSC publishes details of prosecutions taken and notices served by HSE annually in *Health and safety statistics*;
- **developing policy** and ensuring that HSE remains an exemplar of modern regulation. The Policy Programme is responsible for key areas of health and safety policy (including major hazards);
- **communicating** effectively. The Communications Directorate and Communications Delivery Service provide HSC/E's media relations, stakeholder management, campaigns, events, online goods and services, paper publications and effective internal communications;
- **using science** to identify the causes of health and safety incidents, develop solutions to risks in the workplace, test the effectiveness of our interventions, and identify new and emerging risks. HSE leads a major research and support programme, carried out by the Health and Safety Laboratory (HSL) and a wide variety of other organisations;
- **providing corporate services and systems** for HSE and, in doing so, making best use of available resources. These activities (for example, personnel functions,

managing accommodation, performance and financial management) are critical to HSE's continued operation and success.

It is important to make sure that HSC/E fulfils each of the roles set out in the Health and Safety at Work etc Act 1974 and that we can account for use of both our statutory powers and of the public funds we receive. During 2006/07, we identified four key business areas that cover the full scope of our work and provide a useful framework for planning:

- delivering health and safety outcomes;
- enabling justice;
- support to government; and
- demonstrating public accountability

To find out how HSE is structured to deliver these business areas (plus our corporate support functions), see Annex 1.

Performance in 2006/07

The HSC Business Plan 2006/07 (www.hse.gov.uk/aboutus/plans/hscplans/0607/plan0607.pdf) set out how we intended to:

- meet the Public Service Agreement (PSA);
- secure and maintain public confidence;
- provide value for money;
- support wider government goals; and
- continue to meet our statutory obligations.

The following is a summary of HSE's performance against the Business Plan during the year. More detail is provided on pages 15–26.

The Strategic Programmes

Fit for work, Fit for life, Fit for tomorrow (Fit3)

Fit3 has continued to perform well during 2006/07, not only in terms of progress towards the RHS and PSA targets, but also in delivering wider health and safety benefits. HSC's *Health and safety statistics 2005/06* (www.hse.gov.uk/statistics/index.htm) show significant falls in the work-related ill health rate and numbers of working days lost. The Fit3

team hopes that its continuing efforts on initiatives such as Workplace Health Connect, the *Better Backs* campaigns and workshops to improve organisations' management of stress, will help maintain these positive trends.

The 2005/06 statistics also showed a reduction in the rate of fatal and major injuries, but the picture here is less clear-cut. Although the indicator has fallen over the last two years, it shows no clear trend since 1999/2000 (the RHS baseline). Injury rates have continued to improve in the production sector (which HSE has targeted and engaged), the number of fatal injuries is the lowest on record, and major injuries to employees due to falls from height are down by 12% on 2004/05. However, slipping and tripping incidents (the most common cause of major injuries) have remained constant and major injury rates in the service sector continue to increase. Fit3 has taken steps to reinvigorate its work on slips and trips, including plans for an increase in field resource devoted to this issue, better training for inspectors and a revamped website. We are also encouraged by the commitment that LAs have shown to HSE's priorities during 2006/07 – for example, the *Devon Slip Blitz*, which involved over 500 visits to service sector premises by LA officers and effective use of local media.

Major Hazards



The Major Hazards Strategic Programme has continued to perform well during 2006/07, despite the increasing demands placed upon its resources by the government's Energy Review, the implications of nuclear new build and continuing work related to HSE's investigation of the Buncefield incident. Catastrophic incidents such as Buncefield remain rare events and precursor incidents in the onshore, offshore and nuclear industries continue

to show a downward trend since the base year (2001/02). HSE remains on track to deliver both the onshore and nuclear PSA targets. However, precursor incidents in the offshore sector have risen slightly above the target level. Numbers at this level are vulnerable to statistical fluctuation, but the indicator seems to reflect the recent upsurge in offshore activity, which has exacerbated problems with a lack of competent and trained personnel in the industry, ageing offshore plant and equipment, and maintenance issues. HSE continues to work closely with the offshore industry to address these issues.

The Major Hazards portfolio also includes the Cross-Cutting Programme, which aims to improve the consistency, efficiency and effectiveness of HSE's major hazards work. During 2006/07, the Programme published new guidance on managing human behaviour to prevent major accidents and sought to engage more effectively with large organisations, such as Serco.

Local Authorities and HSE Working Together

The Local Authorities and HSE Working Together Strategic Programme concluded during 2006/07, having substantially met the objectives in the 'Statement of Intent' agreed between HSC/E and local government bodies in 2004. With the relationship between LAs and HSC/E now much improved, and LAs showing strong commitment to HSC/E's strategic priorities, we have switched our focus to field-based delivery.

The LA/HSE partnership teams have been crucial in encouraging and co-ordinating partnership activities and helping to shape LA/HSE plans to meet HSC/E's priorities. Delivering these priorities relies heavily on significant LA involvement and there is still a challenge to ensure this commitment is sustained. Good communication between HSE and LAs is also important to sustaining an effective partnership. The content of our extranet (an IT-based tool for sharing information) has expanded hugely this year.

Setting governance and liaison arrangements in place to sustain the partnership has been a key part of the programme's work. HSC met with the

Local Government Panel (LGP), which comprises elected LA members from England, Scotland and Wales, for the first time in May 2006. The HSC/LGP forum meets twice a year to discuss local, central and devolved government issues that impact on health and safety regulation. It also reviews the effectiveness and performance of the partnership.

LAs have made good use of HSE's science and technology funding scheme to investigate a range of issues across the spectrum of activities for which LAs are the enforcing authority. Work has almost finished piloting 'flexible warrants', to allow LA and HSE inspectors to take enforcement action in each other's fields of responsibility.

Enforcement

The Enforcement Strategic Programme has made good progress on its three central workstreams, two of which have now moved to implementation. The programme has developed and trialled measures to improve the efficiency and effectiveness of investigation and prosecution activities. It has also helped position HSE's and LAs' formal enforcement activity to support delivery of the Fit3 Strategic Programme and provided direction in preventative enforcement work. The programme has been implementing an enforcement communications strategy to optimise and sustain – through communications – the ripple and deterrent effect of health and safety enforcement activity.

Business Involvement

The Business Involvement Strategic Programme closed at the end of 2006/07, having made substantial progress towards its initial aims and having fully established its key workstreams.

Through the Large Organisations Partnership Pilot (LOPP – run jointly with Local Authorities Coordinators of Regulatory Services), the programme has sought to improve HSE's and LAs' engagement with large organisations, encourage better management of health and safety, and create a forum for sharing best practice. During 2006/07, the organisations participating in LOPP have started to publicise their

action plans and have held their first plenary event, involving HSE and LA staff, to review progress. Following the Commission's instruction, the business involvement team has also been supporting an Institute of Directors-led steering group in developing new guidance for directors on their health and safety responsibilities.

The Small Business Trade Association Forum, set up to ensure that HSC and HSE take the needs and concerns of small businesses into account during policy making, has continued to provide a valuable contribution to HSE's work. It is chaired by Judith Donovan and now comprises more than 40 member organisations, covering over 1.4 million businesses. These activities, and the programme's other workstreams, will continue into 2007/08 as part of HSE's mainstream policy work.

Worker Involvement

Since its creation in early 2005, the Worker Involvement Strategic Programme has provided the focal point for HSE's efforts in implementing the Commission's strategy as it relates to worker involvement. The programme's achievements include:

- producing firmer evidence for the effectiveness of worker involvement as a driver for improving health and safety;
- publishing guidance for employers on how to involve workers;
- improving the tools and information available to workers and safety representatives on HSE's website; and
- developing guidance for HSE and LA inspectors on encouraging more worker involvement.

The programme team has also worked effectively with colleagues across HSE to build worker involvement into our wider activities, for example, the *Better Backs* 2006 campaign adopted worker involvement as one of its key themes and included tools for safety representatives. Having kick-started HSE's worker involvement workstreams, the programme closed at the end of 2006/07. Like business involvement, this work will continue as part of HSE's mainstream policy and delivery.

Essential underpinning work

Policy

HSE's policy role covers the whole range of health and safety issues, including public safety. In the past year, we have maintained our position as a leader in better regulation and as an evidence-based organisation. In particular, HSC/E was the first government body to publish its plan for reducing the administrative burdens of regulation, and our advice to the government during the Energy Review was based on a comprehensive review of the evidence (see page 24).



HSC/E has also responded effectively to requests for advice from the government. As a publicly accountable organisation, we have also provided Parliament, the media and other stakeholders with prompt information on any policy topic within our remit.

Communications

HSE continues to use communication activity as an intervention to deliver improved health and safety outcomes. 2006/07 saw two successful publicity campaigns, targeting bad backs and accidents resulting from falls. We developed and published a new HSC performance report '*Measuring up...*', to complement this Annual Report, and redesigned the HSC Newsletter available to businesses and stakeholders through subscription (www.hse.gov.uk/pubns/books/newsletter.htm).

Science

HSE has continued to implement the HSC Science Strategy 2005–2008 (www.hse.gov.uk/research/content/strategy0508.pdf), applying high quality science to support delivery of the PSA targets. The Office of Science and Innovation has recently endorsed the quality of HSE's science (www.dti.gov.uk/files/file37104.pdf).

During 2006/07, we have been developing new science planning and governance arrangements to improve support to the Strategic Programmes, including facilitating the Programmes' development of more robust evidence bases. HSE's new Chief Scientific Adviser has agreed research priorities for 2007/08, following internal consultation. Establishing the new HSE Board Science Sub-group during 2007/08 will further improve oversight and direction of HSE's science, including the planning, commissioning and management of research.

During 2006/07, HSE spent £38.6 million on commissioned science and technology. This compares with £44.5 million spent in 2005/06. £1.5 million of the science and technology budget was transferred to the Office of Rail Regulation (ORR) during 2006/07.

Of the £38.6 million spent this year, £9.3 million was spent on research and £1.6 million on support commissioned with external bodies. £27.7 million was spent with HSL on research plus scientific and technical support. In addition, Nuclear Directorate (ND) spent £2.8 million on research and support (£0.3 million of which was with HSL). ND recovers the majority of its science and technology expenditure from nuclear licensees. Also, HSL spent £2.2 million on extramural research and support. HSL and extramural contractors carried out 90 research reports on newly completed projects, which HSE published on its website.

Efficiency

The HSE Board has set a target of £50 million efficiency savings to be delivered by March 2008. Progress in 2006/07 enabled us to achieve our in-year target of £15 million and keep well on course. Key achievements included:

- implementing a new electronic human resource (e-HR) service;
- implementing the new Electronic Document and Records Management (EDRM) system; and
- developing new ways of working to improve service delivery.

Performance management

HSC/E's main tools for managing corporate performance are quarterly reports against the Balanced Scorecard, the PSA and the Corporate Risk Management Plan. Further details on our performance management arrangements are in the Statement on Internal Control (pages 40–43).

Key stakeholder relationships

Stakeholders are organisations or individuals outside HSE who can have a significant influence on occupational health and safety. HSC's Strategy emphasises the necessity of 'developing closer partnerships' to achieve its ambitious targets. Stakeholder engagement, including the building of partnerships, is therefore a key part of HSE's corporate communications activity.

We co-ordinate engagement with our key corporate stakeholders (including politicians, unions, business and safety organisations) centrally, through a network of lead contacts. Our Strategic Programmes analyse and plan engagement with their own stakeholders. HSE also engages with a wide range of stakeholders at a regional level.

The Health and Safety Commissioners play a key role in stakeholder engagement, by taking an ambassadorial role and participating in a range of activities, such as speaking at conferences and representing HSC at meetings and events. Over the course of the year, Commissioners have spoken at or attended over 50 events, including the NHS Employers' Conference, fringe meetings at the political party conferences, the annual Scottish Hazards Conference and a health and safety event for London elected members.

Our aim is to see our stakeholders promoting HSE's corporate messages, managing their own health and safety well, and publicly championing HSE and its work.

Workforce matters

HSE values its people and operates policies and systems to ensure the

health, safety, welfare, development and equal treatment of its staff.

HSE publishes staff in post figures for each of its Directorates/Divisions at www.hse.gov.uk/aboutus/reports/staff.htm.

Recruitment

HSE took over recruitment for HSL from September 2006. During 2006/07, we:

- recruited 14 staff externally – nine to HSE and five to HSL. This is a significant reduction on recent years, resulting from a conscious effort to rein back our expenditure during 2006/07. However, we ran internal exercises to redirect existing staff resources into front-line activity, resulting in 27 new trainee inspectors and eight existing inspectors (with major hazard experience) who are now training to inspect nuclear premises. We have also made three senior civil service appointments at HSL.
- commenced 18 UK and five overseas secondments and loans into/out of HSE; and
- appointed nine fixed-term staff (six into HSE and three into HSL).

Staff training and development

During the year we:

- arranged training for 1750 staff at over 200 events. Our centrally provided training received satisfaction rates of over 95%;
- piloted a successful programme of 'bite-sized' training. These were 1½ to 2 hour sessions focusing on performance management, staff development and leadership. We are currently reviewing the feasibility of rolling these out further; and
- continued to develop a new integrated work-based programme for trainee inspectors with Warwick University. Both Warwick University and HSE will deliver this training, which means staff will no longer need to study away from work for extended periods.

Health and safety in HSE

Issues relating to the health and safety of our workforce can be found in Annex 2.

Diversity

In 2006/07 HSE carried out research across a range of diversity issues, the main outcome of which was the publication of a Disability Equality Scheme and a Gender Equality Scheme. In addition, we updated our Race Equality Scheme. The schemes, available on HSE's website (www.hse.gov.uk/aboutus/diversity/index.htm), set priorities for the next three years and are supported by a more detailed diversity action plan.



▼ Colin Douglas (Board Champion on Race Diversity) with Dr Siddiqui from the Muslim Council at a Black History Month event, held in Rose Court during November

To help take forward diversity in 2006/07, we:

- assessed our human resource (HR) policies and procedures for their relevance to diversity;
- established closer working relationships with HSE trade unions, staff and staff networks by involving all parties in the development of the equality schemes;
- issued a suite of practical tools for our staff to apply, including a communications toolkit, a translation standard and a diversity impact assessment tool designed to boost diversity mainstreaming into everyday HSE business and employment practices;
- supported events held by the race, gender and disability staff networks, such as the Women's Network Conference, the launch of a new disability network 'equal' and the Black History Month celebrations. Workshops covering gender, disability and age sensitivity and their relationship to health and safety were held, while practical experience of engaging black and ethnic minority communities was also shared

Table 4 Total HSE staff in post by occupational group¹

Occupational group	01/04/2003 staff in post	01/04/2004 staff in post	01/04/2005 staff in post	01/04/2006 reconstructed staff in post ² (includes staff transferred to ORR on 1 April 2006 – for comparison only)	01/04/2006 staff in post (excluding staff transferred to ORR on 1 April 2006)	01/04/2007 staff in post ³
Front-line staff ⁴	1508	1551	1517	1543	1442	1405
(of which the following are front- line/operational inspectors)	(1508)	(1483)	(1404)	(1421)	(1328)	(1312)
Inspectors working in functions other than front-line/ operational	143	122	126	122	116	127
Other professional or specialist staff	1481	1359	1371 ⁵	1470	1429	1326
Other staff (of which are agency staff)	1030 (94)	987 (115)	889 (100)	856 (88)	824 (88)	690 (4)
Total staff⁶	4162	4019	3903	3991	3811	3548

¹ All figures are for full-time equivalent (FTE) staff, rounded to the nearest whole number and include agency/temporary staff and secondees/loans for whom HSE meets all or the majority of costs

² Reconstructed 'staff in post' figures at 01/04/2006 include staff who transferred to the Office of Rail Regulation (ORR) on that date, when responsibility for rail regulation health and safety matters transferred from HSE to ORR. Inclusion will enable direct comparison with previous years' figures

³ Staff in post figures at 1/04/2007 exclude staff in the Office for Civil Nuclear Safety (OCNS) and the UK Safeguards Office who transferred from the Department of Trade and Industry to HSE on that date. HSC/E's 2007/08 Annual Report will restate the staffing figures at 1/04/2007 to reflect their inclusion. The figures also include four FTE staff who transferred to HSE from DTI's Engineering Inspectorate on 02/10/2006 with the transfer of regulatory functions around public safety aspects of the electricity distribution network

⁴ 'Front-line staff' includes operational inspectors and, since 01/04/2004, other visiting staff who support delivery of key health and safety messages

⁵ From 01/04/2005 onwards, 'other professional/specialist staff' figures have been reduced by the total for 'other visiting staff' (note 4) as follows: 68 for 01/04/2004, 113 for 01/04/2005, 114 for 01/04/2006 and 93 for 01/04/2007. These staff are already included in the 'front-line staff' line

⁶ Total staff = the sum of all rows except 'of which are front-line/operational inspectors' and 'of which are agency staff'

through presentations;

- carried out research into career progression issues for black and minority ethnic staff to identify where changes might be needed, which will be discussed with the Trade Unions and MAGNET (Minority Action Group Network for staff) and introduced in 2007/08.
- started to carry out equality impact assessments on major new HR projects.

The diversity statistics (www.hse.gov.uk/aboutus/reports/diversity.htm) show that the levels of representation of women, black and minority ethnic staff, and staff with disabilities have changed little over the last year. This is mainly due to the tight controls put on recruitment

and promotion because of the financial position, but also because it takes a long time to bring about change. HSE is committed to equality of opportunity for all staff and to making HSE reflect the diversity of the UK workforce, and the figures will be used to review the priorities in the published equality schemes mentioned above.

Employee involvement

It is HSE's policy to consult the trade unions representing its staff as widely as possible to give them the opportunity to influence the development and application of proposals relating to major organisational and staffing changes. There is a formal consultation structure between HSE management and unions within the Whitley system at both national

and local levels. The HSE Whitley Council is the central forum for discussion of all matters of concern to HSE as a whole. National Whitleys are held quarterly and are chaired by the Chief Executive.

HSE consults and negotiates with the trade unions about all issues affecting the terms and conditions of employment of staff.

Public interest and other

Openness

HSC believes that public access to health and safety information improves understanding and strengthens confidence in the health and safety system. Details of HSC open meetings, together with agendas, papers, minutes

and those of its advisory committees and subcommittees, are published on HSE's website. You can find further information on HSC's commitment to openness at www.hse.gov.uk/aboutus/hsc/openness.htm.

Sustainability

The following activities have helped to make HSE more environmentally friendly:

- HSE agreed a contract with the Office of Government Commerce in 2006/07 for the procurement of utilities, which will guarantee that HSE will be able to meet government targets on procuring electricity from a sustainable source.
- The British Standards Institution confirmed that, following changes to the Environmental Management System to incorporate the new HSE Merseyside Centre, we had achieved continued accreditation (ISO 14001: 2004).
- The Carbon Trust visited three HSE offices and conducted comprehensive energy surveys to highlight potential energy, cost and carbon savings. We will use this information to identify best practice across the estate and target sustainability investment.



Making business sense
of climate change

- The private finance initiative contract at Redgrave Court includes the provision to recycle paper, cardboard, plastics, wood, metals, and glass. We recycled approximately 50% of all waste produced in 2006/07.
- Video conferencing in HSE increased in the calendar year 2006 by 43.7%. The number of participants using the system also increased by 47.14%.
- HSE staff participating in *Bike Week* cycled a total of 1674 miles, saving approximately 479 kg of CO₂.

Corporate governance

The relationship with our sponsoring department, DWP, and the framework within which corporate governance currently operates is set out in the Management Statement (which replaced HSC/E's Framework of Accountabilities in December 2006) and a Financial Memorandum (updated in 2004). You can find the Financial Memorandum at www.hse.gov.uk/aboutus/framework/f01-a5.pdf, and the Management Statement at www.hse.gov.uk/aboutus/management/.

The Chair and members of HSC (Commissioners) are appointed by the Secretary of State and are drawn from a wide range of backgrounds. HSC meets monthly; its responsibilities include setting the strategic direction for HSC/E within the policy and resources framework agreed with the responsible minister, and then challenging performance against strategic priorities.

HSE, as the principal operating arm of HSC, ensures that HSC's regulatory responsibilities, strategic activities and decisions are carried out; and that HSC is updated regularly on performance matters, including use of resources and the management of risks. HSE is led by its Board, which comprises the Chief Executive, Deputy Chief Executives for Operations and Policy and the directors of its operational, policy, research and corporate functions. The HSE Board meets formally once a month, supplemented by weekly video-conferences. It decides on a range of issues including strategy, personnel and resource issues and monitors progress against targets.

The HSC Audit Committee supports the HSC Chair and HSE's Chief Executive as Accounting Officers. It advises them on issues of governance, risk, control and associated assurance by providing an independent view on appropriateness, adequacy and overall value for money. Its membership comprises two Commissioners (one of whom is chair and the other vice-chair) and two independent non-executive members. The Committee meets at least three times a year.

HSE's Chief Executive makes delegations on use of resources annually in writing to HSE's four main budget

holders: the Deputy Chief Executives for Operations and Policy, the Director of Resources and Planning, and the Chief Scientific Adviser. The main budget holders issue any further delegations in writing.

In December 2006, HSC published a consultative document setting out proposals for merging HSC and HSE into a single unitary body. The consultation period closed on 5 March 2007. The overarching proposal, to merge HSC and HSE, received a generally favourable response. HSC has agreed to the merger in principle and decided to invite the Minister to consult on detailed proposals to conform to legislative requirements.

Forward look

How and where we work

An internal project has been set up to look at how and where we work within HSE. The Board is taking a broad look at the working patterns and facilities that HSE needs to deliver its business and support staff into the future.

As a national regulatory, enforcement and advisory body HSE needs to retain a nationwide presence to have face to face contact with dutyholders, to work with our partners and to develop our relationship with local authorities.

We are looking to improve our use of office space and patterns of working to bring substantial benefits in terms of quality of working life, improved efficiency and reduced overheads. The possibilities are many and varied: more innovative use of office space, home-working, and mobile working with ICT support (especially for field staff), or a combination that enables people to work flexibly and effectively.

We want to free up staff time, and reduce the demands on staff to travel with the associated financial costs and physical wear and tear.

We want to meet changing staff expectations on careers and mobility, so that we grow and refresh our talent, better utilise opportunities for interchange with other organisations, and ensure we have a diverse workforce that reflects the society it serves.

How people contact HSE

People contact HSE through many

channels and at many points. Infoline, Workplace Health Connect Adviceline, the Incident Contact Centre, local office switchboards, the Gas Safety Adviceline, HSE Books and HSE's duty officer system for emergency out of hours calls all handle combinations of e-mails, e-forms, fax, written correspondence and telephone calls. HSE has set up an internal project to look at how these services can be provided differently to make them both better for the user and more efficiently delivered. This project will be fully in line with the Transformational Government agenda which puts the service users at the heart of the system and design services around their needs.

Payments to suppliers

HSE is committed to the prompt payment of bills for goods and services received and is a signatory to the principles of the Better Payment Practice Code, issued by the Better Payment Practice Group. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, payment is due to be made within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later. HSE's overall performance during 2006/07 was 98.8% (2005/06 – 99.2%) of invoices paid within the agreed credit period.

Introduction of the euro

HSE continues to maintain its changeover planning and preparation activities such that, in the event of a decision to join the single European currency, the changes required to the computer systems, business systems and products will have been identified and quantified and we would be able to meet the timescales set out in the Third National Changeover Plan.

Events after the balance sheet date

HSC/E's financial statements were authorised for issue by the Secretary of State on 19 June 2007. On 1 April 2007: HSE became the licensing authority (AALA) under the Activity Centres (Young Person's Safety) Act 1995; and the Office for Civil Nuclear Safety transferred from DTI together with the UK Safeguards Office.

Pension liabilities

Details of pension costs etc are contained in Note 1(c) to HSC's accounts, Note 1(l) and Note 3 to HSE's accounts and the remuneration report.

External auditors

The financial statements of the Commission and the Executive are audited under Schedule 2 paragraphs 14(2) and 20 of the Health and Safety at Work etc Act 1974 by the Comptroller and Auditor General whose certificate and report appear on pages 44 and 45.

The cost of audit work was £94 000, which related solely to audit services.

Financial position and results for the year

HSE boosted spend in 2005/06 (as indicated in the HSC Annual Reports for 2004/05 and 2005/06) in the knowledge that 2005/06 spending levels could not be sustained. The plan was to scale back from this historic high level in 2006/07 and 2007/08. However, it identified that it had entered 2006/07 at the risk of being over committed and with some unexpected cost increases and therefore needed to rein expenditure back further than expected. HSE drew up plans to achieve a balanced budget and also agreed contingency measures (which included reducing overhead costs) to reduce the cost of its estate where possible, and planned expenditure was reduced on programmes such as publicity and extramural research. But, as most of HSE's funds are spent on staff, it was necessary to reduce the number of posts – the precise number will depend on the rate (in terms of both time and value) at which staff leave but is expected to be between 250 and 350 by March 2008. HSE expects to achieve this through natural turnover, two small voluntary early retirement schemes and by strictly controlling external recruitment.

Financial position (balance sheet)

HSE's balance sheet shows debtors of £30 million (which mainly consist of income due to HSE for chargeable activities and a prepayment for the fair value of the Sheffield site, recognised as part of HSL's PFI contract at

Buxton) and creditors of £83 million (which mainly consists of the long-term liability to pay finance lease charges on HSL's Buxton site).

Tangible fixed assets of £85 million are also a significant component of the balance sheet, of which £57 million relates to HSL's Buxton site.

Results for the year (operating cost statement)

The operating cost statements (for HSC and HSE) shows a net operating cost of £234 million.

Cash flow statement

The cash flow statement shows a net cash outflow from operating activities of £228 million, compared to £218 million in 2005/06. The main reason for this change is the movement in creditors from an increase of £7.6 million in 2005/06 to a decrease of £2.5 million in 2006/07. Cash outflow of £7 million from investing activities (net of £0.3 million proceeds from disposal of fixed assets) consists mainly of expenditure on fixed asset additions of £7 million (£2 million of which relates to land and buildings).

The difference in the cash balance at 31 March 2006 and 31 March 2007 is due to the way HSE receives its cash from DWP.

Funding

HSC is financed by Grant-in-Aid within DWP's Request for Resources (RfR) 2.

Prior year comparatives

Comparative figures have been restated (where appropriate) following the transfer of HSE's rail safety functions to the Office of Rail Regulation on 1 April 2006.

Directors' statement

So far as the Accounting Officers are aware, there is no relevant audit information of which HSC/E's auditors are unaware.

The Accounting Officers have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that HSC/E's auditors are aware of that information.

Achievements

during the year

HSC's Strategy sets the direction for HSE, LAs and others to improve work-related health and safety in Great Britain. The Strategy's four themes point us in the right direction to deliver the vision, the mission, our objectives and the targets.

This section lists some of the many things that HSE has achieved during 2006/07, implementing HSC's Business Plan 2006/07 (www.hse.gov.uk/aboutus/plans/hscplans/0607/plan0607.pdf). We have presented these examples under the themes to show how the Strategy influences everything we do. To provide a rounded picture of the organisation's work, we have also identified some achievements under the heading *We have been applying public sector best practice in managing our resources* (another element of HSC's Strategy). Each theme contains examples of work from our four new business areas (see page 8). In many cases, these achievements would sit equally comfortably under one or more one of the other themes.

We have been developing closer partnerships by:

Establishing the key elements of a productive and long-lasting partnership with our local authority colleagues. This work has included:

- creating and maintaining national, regional and local governance arrangements for the partnership, which have helped ensure commitment and raised the profile of health and safety in local government and local communities;
- building and maintaining the relationship at field level, through regional partnership teams. Developing plans at regional level

helps us to deploy joint resources for maximum impact in delivering national outcomes and local and regional priorities;

- developing an IT-based tool (an extranet) to provide support for LAs and enable LAs and HSE to communicate better. We hope the extranet will become the main vehicle for sharing data and for capturing and disseminating best practice.

Continuing to play a fundamental part in implementing the *Health, work and well-being (HWWB) strategy* – a

ground-breaking partnership between HSE, DWP and the Department of Health, with the Scottish Executive and the Welsh Assembly Government. HSE contributes through Fit3's work, which supports HWWB's aims. HSC's *Good Health, Good Jobs* conference in October 2006 looked at the relationship between health and work and helped engage HWWB's key stakeholders.

During 2006/07, HWWB also delivered:

- a successful national stakeholder summit in May 2006;
- cross-government working at official and ministerial level;
- two well-attended National Stakeholder Council meetings; and
- the appointment of the first National Director for Health and Work, Professor Dame Carol Black, who has met a variety of different stakeholders including HSE's Chief Executive and HSC's Chair.

Improving collaboration and targeting of our front-line resources by working with HM Inspectorate of Constabulary (HMIC). The Police Service is a major employer of staff involved in potentially hazardous work. Both HSE and HMIC have a shared interest in police forces' arrangements for effective management

of health and safety and in increasing the understanding of risk management.

Improving the control of risks on offshore installations. The joint HSE/industry programme continued in 2006/07, helping to deliver improvements such as better controls to help senior managers focus on asset integrity and feedback to help companies benchmark their own individual programmes. The offshore industry has worked with HSE to produce guidance and performance indicators that will sustain improvement in asset integrity beyond the life of the programme.

Helping to reduce the risk from avian and pandemic flu by co-operating closely with other government bodies, such as the Health Protection Agency, Department of Health and Department for Environment, Food and Rural Affairs (Defra). HSE has also supported civil contingency exercises on the national response to managing the impact of a flu pandemic.

Co-ordinating data gathering activities to reduce burdens on employers.

HSE has been working in partnership across government (with Cabinet Office, the Environment Agency and DWP) and with key external stakeholders. We are working more closely with the Economic and Social Research Council through a new concordat.

Using the Large Organisations Partnership Pilot (LOPP) to help HSE and LAs work more effectively with large, multi-site organisations. We have jointly agreed action plans that take account of both HSE's priorities and the participating organisations' internal objectives. LOPP is bringing an improved focus on shared priorities and helping to

spread best practice, so improving health and safety outcomes.

Delivering key messages to engineering firms on the risks of occupational asthma from using metal working fluids. HSE worked in partnership with Amicus and the UK Lubricants Association to publicise this and how the risks should be managed.

Developing process safety performance measures and incident precursor measures, working closely with the chemical industry and the Chemical Industries Association. HSE launched a step-by-step guide in November 2006, setting out a six-stage approach to developing process safety measurement systems at site level. We have carried out programmes of field inspection and worked with ten major chemical companies to test this model during 2006/07.

Strengthening the strategic partnership between HSE and the Health and Safety Laboratory (HSL). We have agreed principles to establish an enhanced partnership between HSE and HSL and are developing mechanisms to improve medium to long-term science planning.

We have been helping people to benefit from sensible health and safety by:

Working closely with other agencies to tackle issues relating to migrant working (including health and safety, licensing, tax etc). HSE hosted an advisory day for employers of migrant



workers, gangmasters and employee representatives to raise awareness of regulatory requirements. We also took part in a multi-agency inspection

campaign during February and March 2007, targeting migrant labour in the vegetable and flower industries.

Preparing to take on the role of UK Competent Authority (CA) for the new EU chemical legislation – REACH (Registration, Evaluation and Authorisation of Chemicals). In its early years of operation, the UK REACH CA will provide advice and support to businesses on dealing with the new requirements; liaise with the European Chemicals Agency in Helsinki and other member state CAs to establish how REACH will operate; and liaise between the various authorities that will enforce REACH in the UK. We have set up a helpdesk to provide information and advice in the run up to June 2007, when REACH comes into force.

Helping smaller businesses through Workplace Health Connect (WHC). This government-funded service offers free, confidential, practical advice on workplace health, safety and absence management to smaller businesses. Since February 2006, WHC has handled nearly 5000 enquiries and around 3000 businesses have requested an adviser to visit their workplace. An independent evaluation found that WHC is effective at targeting small employers across a range of sectors, has facilitated knowledge transfer, and employers are responding well to the recommendations made by advisers.

Preparing new pre-licensing arrangements to facilitate the introduction of ‘nuclear new build’. Although it is still subject to consultation, we have responded to the prospect of assessing the safety of new civil reactors by developing guidance on generic designs for future nuclear power stations that may be built.

Developing guidance on managing human performance, to prevent major accidents in key major hazard industries. HSE published online guidance covering a number of key topics, following research, inspection and consultation with industry. We have also begun a series of targeted inspections of our dutyholders to obtain a positive

impact, leading to improvements in safety culture.

Supporting Better Regulation. In October 2006, HSC/E published its Simplification Plan, the first government department or agency to do so. This draws together a wide range of agreed actions in support of better regulation. More details can be found in Annex 3.

Completing a review of the domestic gas safety regime. This has resulted in proposals for radical change to the gas registration scheme to secure improvements for consumers, simplification of the regime, and more effective, risk-based targeting of resource.

Running a series of free, one-day workshops to help organisations manage sickness absence. Work-related stress is a major cause of occupational ill health. Our *Healthy Workplace Solutions* workshops were aimed at those sectors with the highest levels of stress-related ill health, including education, health services, central government, local authorities, and financial services. See www.hse.gov.uk/stress/index.htm for further detail.



▼ Vickie Lucas, co-ordinator of the *Healthy workplace solutions* workshops

Raising awareness of manual handling risks in the air transport industry. HSE served two improvement notices on an international baggage handling company for failing to manage manual handling and falls risks. As a result the company improved its manual handling practices significantly. The resulting publicity has also had a wider impact on the national air transport industry health and safety group, which has renewed its commitment to raising baggage handling standards and tackling manual handling risks.

Securing improvements in the quality of nuclear licensee safety submissions by:

- discussing issues with dutyholders and holding a workshop with Magnox Electric, to gain a better understanding of a licensee's perspective;
- agreeing a good model for the safety case production process with British Energy and encouraging other licensees to adopt a similar process.

Issuing a joint statement with the Disability Rights Commission, setting out some overarching principles on health and safety management and disability. This will help us to tackle the use of health and safety as a false excuse for discriminating against disabled people and provide the basis for developing guidance on this issue. The statement can be found on our website at www.hse.gov.uk/aboutus/diversity/jointstatement.htm.

We have been prioritising to achieve maximum impact on work-related injury and ill health by:

Continuing to raise awareness about the biggest cause of major injuries in the workplace. Following on from the *Watch Your Step* campaign and as part of a two-year plan, HSE ran seminars (in association with the NHS) focusing on slipping and tripping hazards. We followed these up with visits to tackle slips and trips in healthcare establishments, where there is a higher than average number of reported accidents.

Developing the evidence base for our work. This includes reviewing the literature on major incident causation, improving performance indicators, learning lessons from safety culture interventions and analysing data from our main surveys (the Workplace Health and Safety and Workplace Employment Relations surveys). During the year, HSE commissioned researchers from Imperial College to investigate the current occupational burden of six work-related cancers. HSE will

publish the report in summer 2007 and set the findings alongside other intelligence and corporate knowledge to inform HSC/E's future priorities in tackling workplace carcinogens.

Addressing the recommendations from the Office of Science and Innovation's (OSI) review of HSE science. OSI published its report in February 2007. The findings are mostly positive, although a number of areas for improvement are identified. OSI's recommendations cover areas similar to those identified in HSE's own Fundamental Review in 2006/07. We have started implementing the key outcomes, including improved governance, planning and organisation of science.

Overseeing and approving the gas industry's programme to replace iron gas mains. HSE developed and published *Monitoring and reporting of the distribution networks' mains replacement programmes 2006–2013* under the Pipelines Safety (Amendment) Regulations 2003. Work has progressed in line with the planned programme during the year.

Revising the Construction (Design and Management) Regulations 2007 (CDM 2007) and Approved Code of Practice. We hope to achieve a step change in the construction industry's performance by improving planning and management of construction procurement. Following extensive analysis and consultation with industry stakeholders, the CDM 2007 regulatory package has been agreed by HSC, signed by the Minister and laid before Parliament, coming into force on 6 April 2007.

Running a successful 'flexible warrants' trial, aimed at overcoming barriers to joint working, by allowing HSE and LA inspectors to take action in each other's fields of responsibility. Local authorities across Great Britain have tested the scheme. We hope to offer it nationally during 2007.

Revising HSE's Safety Assessment Principles (SAPs) for nuclear facilities. These guide our inspectors

in assessing dutyholders' nuclear safety cases. We published the revised SAPs on HSE's website in December 2006 and held a public seminar on them in January 2007. We have now started work to revise the underpinning Technical Assessment Guides.

Investigating an incident that resulted in an EU supplier and GB client being prosecuted and fined £90 000 and £130 000 respectively. A contractor's employee was trapped in the machinery of a new process line being installed by an EU company with no British legal entity. The supplier co-operated fully with HSE's investigation, which revealed a number of failings, including lack of a safe system of work, inadequate instruction and ineffective liaison on health and safety between the supplier and client.

Focusing a significant proportion of inspection effort on the 'cornerstone' factors of compliance, which contribute most to licensees' safety management performance, and the prevention of significant nuclear events. We have exceeded our plans for numbers of inspections and are using the initial results to refine and focus additional interventions to tackle those areas of dutyholders' activities that are causing concern.

Prosecuting and securing a fine of £400 000, following an uncontrolled release of hydrocarbons on an offshore oil and gas installation. The release occurred because the dutyholder had failed to provide a safe system of work during removal of a pressure safety valve. This outcome reflects the importance of dutyholders ensuring their safety management systems are followed and the need to fully assess the risks of any significant changes to these systems. There were no major injuries, but such incidents have the potential to become major accidents. HSE regards them as very serious, a view clearly shared by the court.

Scanning the horizon for developments that could have an impact on HSC/E's future success in promoting and regulating Britain's

health and safety. In 2005 we introduced a more structured horizon scanning system, based on a wide network of internal and external sources, including horizon centres from other government departments, Europe and the rest of the world. Notable products from the system include:

- a list of emerging priority topics and cross-cutting issues for HSC/E and the rest of the health and safety system;
- a comprehensive report on population, workplace and social trends likely to impact on the health and safety system; and
- a groundbreaking external workshop in November 2006 that explored a set of scenarios of possible future worlds of work in 2017.

See www.hse.gov.uk/horizons/index.htm for more information.

We have been communicating effectively by:

Urging people to ‘get a life’, focus on risks that cause real harm and suffering, and stop concentrating on petty health and safety. The launch of HSC’s *Sensible risk* campaign, featuring Bill Callaghan and TV presenter Ben Fogle, received extensive national media coverage and even attracted international interest from the *New York Times*. HSE supported the campaign by launching principles on sensible risk management, the revised *Five steps to risk assessment* guidance and new risk management web pages (see www.hse.gov.uk/risk/index.htm).

Using mass media in our second campaign to promote awareness of the risks to people’s backs at work and the benefits of ‘staying active’.

- Better Backs* 2006 made use of:
- large billboards at 2000 sites nationwide;
 - commercial radio adverts reaching 15 million people;
 - a London Underground poster campaign;
 - over 150 pieces of press, media and online coverage; and

- over 100 000 visits to the campaign and back pain websites – with over 21 000 posters and documents downloaded.

The campaign ran in partnership with local authorities and involved trade associations, professional bodies, employee representatives and businesses. 36% of employers and 29% of workers recalled one or more campaign adverts when prompted.



▼ Getting the message across are (l to r) Colin Douglas (Director of Communications), Jane Willis (Director, Fit3 Strategic Programme) and Chief Executive Geoffrey Podger

Raising awareness among plumbers and heating/ventilation engineers about risks associated with the presence of asbestos within buildings. Maintenance workers are gambling with their lives by working on buildings where asbestos is still present and risks are not being managed. HSE worked with various sector stakeholders and trade unions to address this issue, by delivering the *Don’t take the gamble* campaign.

Working with local authorities to deliver a national campaign on work-related dermatitis, targeted at hairdressers. Up to 70% of hairdressers suffer some form of skin damage due to frequent contact with water and the chemicals in hairdressing products. The campaign was aimed at raising awareness among salon owners to encourage their staff, especially apprentices and students, to protect their hands. The campaign performed well: 86% of salons inspected and 55% of those not visited recalled the campaign and 9 out of 10 felt better informed about dermatitis. 50% claimed the campaign provided new ideas on protecting their hands.

Giving high priority to better co-ordinating our relationships with key stakeholders and to championing the case for sensible health and safety through:

- a stakeholder conference hosted by HSC;
- receptions at the Houses of Commons and Lords;
- events at party conferences attended by Commissioners;
- our new parliamentary newsletter, issued three times a year;
- approaches to MPs with key statistics;
- commissioners speaking at or attending over 50 different events during the year; and
- health and safety awards, run in partnership with National Business Awards, Business in the Community and Public Servant of the Year.

Engaging the support of councillors to tackle local health and safety issues. We have produced a handbook and DVD designed to raise the profile of health and safety with councillors, and aid discussion with LA enforcement teams and their council colleagues. We launched these materials in December 2006 at the annual HSE/LA partnership conference in London.

Responding to public concern. Following convictions for health and safety offences, HSE organised a public hearing into the outbreak of legionella at a leisure centre in Barrow-in-Furness in 2002, when seven people died. The purpose was to give local residents an opportunity to hear from, and question, the Chief Executive of Barrow Borough Council and the investigating authorities (the Crown Prosecution Service, Cumbria Police, HSE and the Health Protection Agency). The published report will help other organisations avoid Barrow’s tragedy.

Maintaining a high profile and standing with stakeholders, employers and employees. In a 2006 MORI survey, 82% of chief executives and senior directors said that they regarded HSE favourably.

We have been applying public sector best practice in managing our resources throughout the year by:

Making the most of major new investments.

HRH the Duke of York opened HSE's new Merseyside Centre officially on 19 July 2006. Bringing staff and contractors (previously housed in six separate buildings) together in Redgrave Court has:

- improved team and project working, communications and made senior managers more accessible;
- made it easier to undertake different and more efficient ways of working and so make better use of resources; and
- given staff a superb, modern working environment.

Consolidating Freedom of Information (FOI) arrangements.

HSE handled over 5700 enquiries (among the highest received by any central government department) during 2006/07. We improved staff knowledge and skills by:

- introducing an interactive e-learning training package;
- running training courses for new operational decision makers;
- offering refresher FOI training workshops for experienced staff; and
- producing guidance on handling the most common FOI enquiries.



▼ Speakers at September's FOI conference at Redgrave Court included (l to r) Jayne Thomas, Hilary Evans, Vinny Ainsworth, Russ Shepherd, Steve Newman and guest speaker Chief Inspector James Fulton from the Association of Chief Police Officers

Improving our management of information

by introducing the Electronic Documents and Records Management (EDRM) system and updating HSE's e-mail system. This enables better exploitation of the information and

knowledge in e-mail and documents, meets government requirements and improves how staff work together. We will complete the roll-out in 2007/08.

Completing the Fundamental Review to identify ways of improving HSE's efficiency and effectiveness.

The resulting action plan contains over 20 workstreams, covering three themes:

- making best use of resources;
- improving delivery; and
- making best use of science.

The Fundamental Review will lead to significant improvements in the way HSE uses its resources to achieve maximum effect in delivering its objectives.

Improving the management of sickness absence through:

- new policies and procedures, placing greater emphasis on rehabilitation and early intervention by managers;
- an interactive e-learning training package;
- real-time sickness reporting through a new e-HR system, with improved guidance; and
- refresher training workshops for all line managers.

Other examples of our work this year are illustrated in greater detail on pages 20–26.

Fit3 Fit for work, Fit for life, Fit for tomorrow

The Fit3 Strategic Programme is focused on delivering the occupational health and safety element of the Public Service Agreement. During 2006/07, Fit3 has enjoyed a number of successes, including work to raise awareness of slips and trips hazards and work-related stress, plus the continuing success of the Workplace Health Connect scheme. One of Fit3's most notable achievements this year, working alongside HSE's Communications Directorate, has been the *Height Aware* campaign.



▼ *Ground Force's Tommy Walsh helped Chief Executive Geoffrey Podger launch the campaign at the end of May 2006*

Falls are the most common cause of workplace fatality and one of the main causes of major injury. In 2005/06, 46 people died and over 3350 suffered major injury from falls at work, the majority from 'low' falls below head height. *Height Aware* was a nationally co-ordinated campaign about the risks of working at height, running between May and June 2006. Its objectives included:

- increasing awareness among building and plant maintenance workers/employers of the risks, even when working at low height; and

- influencing attitudes and behaviour to working at height.

The campaign comprised:

- a nationwide media campaign (with the strapline 'Take a moment, not a fall') – launched by Tommy Walsh of *Ground Force*;
- educational and promotional events; and
- targeted inspections.

The media campaign centred around strong regional promotional activity, but also included nationally co-ordinated press and radio advertisements, targeting common maintenance activities. HSE revamped its *Falls* website completely to support the media campaign and made *Fallington village* available – a specially designed guide to safe working at height, where visitors could spot hazards and find solutions.



HSE ran 28 safety and health awareness days (SHADs) and 38 breakfast events, with more than 2200 attendees. Many were run in partnership with Speedy Hire, HSS Hire, or the British Ladder Manufacturers Association, who were able to offer those attending demonstrations of safe use of access equipment or alternative, safer equipment.

We issued over 35 000 campaign packs, including guidance sheets on selecting equipment, personal protective equipment, and competent contractors

for work at height. We also used the campaign to launch a new guidance note on minor roof maintenance work and a consultative document on good practice in maintenance work.

HSE inspectors and their local authority partners carried out targeted inspections to reinforce the SHADs and breakfast events. LAs also ran some 30 events of their own – such as Oldham Metropolitan Borough Council's *Ladder Amnesty* (a scheme offering businesses the chance to hand in defective ladders and claim new sets at a discount).

The campaign evaluation showed:

- raised awareness among workers about the risk of falls from below head height;
- increased awareness among targeted employers of the risks of working at height;
- about one in five employers and one in ten workers who recognised the campaign had sought further information about working at height. One in ten employers and 6% of workers reported having taken action as a result of the campaign and more than a third of both groups said they planned action in the future;
- SHAD events were well received; and
- HSE's website was well used, with 250 000 hits on the campaign pages.

Overall, the evaluation shows that those working at height are recognising risk and taking precautions. Employers are communicating the campaign message to their workforce and ensuring risk assessments are carried out.

Major Hazards

HSE's Major Hazards Strategic Programme is responsible for regulating and assuring the safety of those industries where failure to manage risks to health and safety can lead to a catastrophic incident. The industries we regulate include nuclear, offshore oil and gas, plus onshore major hazard industries (eg chemical manufacture/storage, mining, explosives, diving at work, dangerous pathogens and genetically modified organisms). The examples below give a flavour of the important work HSE does in these areas.

Nuclear industry

On 20 April 2005, British Nuclear Group Sellafield Limited (BNGSL) discovered a leak from a pipe that supplied highly radioactive liquor to an accountancy tank in a cell in the Thermal Oxide Reprocessing Plant (THORP) at Sellafield. In total, approximately 83 000 litres of radioactive liquor leaked onto the floor of the contained cell, although it did not pose a danger to workers or the public.



▼ British Nuclear Group Reprocessing plant (THORP) at Sellafield

HSE investigated the incident and has published a report (see www.hse.gov.uk/nuclear/thorpreport.pdf). Following the investigation, the company was charged with three offences alleging breaches of nuclear site licence

conditions. BNGSL pleaded guilty to these offences and on 16 October 2006 the company was fined a total of £500 000, with costs of £67 959 awarded to HSE. In his summing up, the judge emphasised that, 'compliance with the terms of the licence is therefore of greatest importance' and urged dutyholders to, '...ensure that health and safety issues are driven up the board room agenda...'. THORP was shut down following the incident and needed consent from HSE before starting reprocessing operations again. We granted this on 9 January 2007, following an extensive review of safety. HSE's investigation report also identified important lessons for the operator and for the nuclear industry as a whole.

Onshore major hazards industries

In the early hours of Sunday 11 December 2005, a number of explosions occurred at the Buncefield oil storage depot near Hemel Hempstead, and a large fire broke out at the site. Over 40 people were injured and blast damage occurred to both commercial and residential properties in the vicinity.

HSE declared this a major incident and HSC established the Buncefield Major Incident Investigation Board (MIIB). The MIIB is independent of HSC/E and is chaired by Lord Newton of Braintree. The MIIB has produced three progress reports from the investigation and, in July 2006, published an interim report indicating the scope of the MIIB's future recommendations for:

- design/operation of sites;
- emergency preparedness/response;
- land use planning; and
- policy and regulatory framework.

HSE moved quickly to take forward the findings and recommendations from the MIIB and wider issues emerging from the investigation to:

- work with industry, trade associations and the environment agencies through the Buncefield Standards Task Group;
- make proposals to enhance standards and improve management of major accident risks;
- propose, for consultation, revised HSE land use planning policy advice for development adjacent to sites similar to Buncefield.

HSE's Buncefield response team has issued safety alerts about ongoing findings from the investigation and followed them with a programme of site inspections to all similar sites in the UK. In October 2006, HSE published initial findings from that work, and, in conjunction with industry, agreed a schedule of actions and improvements for industry to implement at around 60 sites storing gasoline in circumstances similar to Buncefield. The full list of findings from the earlier review has been placed on the HSE website with all other Buncefield material (www.buncefieldinvestigation.gov.uk/index.htm).

As information has emerged from the ongoing investigation into the cause of the incident, HSE has followed this up with appropriate actions for industry. The complex investigation continues and once completed it will inform any decision on formal enforcement action by HSE for possible breaches of health and safety legislation. The main focus of the MIIB is now moving to develop recommendations for potential actions to reduce the possibility of a similar incident occurring in the future.

Working with local authorities

By working to develop the partnership with local authorities (LAs), we are seeking to make best use of HSE's and LAs' respective strengths to tackle national and local priorities. Partnership teams (HSE and LA staff in HSE's field divisions) are key contributors. In 2006/07, these teams engaged with LAs to agree work contributing to HSC's strategic priorities. Many individual LAs have now signed 'local' Statements of Intent with their regional HSE counterparts. Of the many examples showing HSE and LAs working in partnership during 2006/07, two award-winning projects are highlighted below. Details of other projects in England, Scotland and Wales can be found in the HSE/LACORS Annual Report 2006 (www.hse.gov.uk/lau/pdfs/lacors06.pdf).

A project involving 74 LAs, working in partnership with HSE and other stakeholders, set out to reduce the risks and improve health and safety management in builders' merchants



▼ Lois Leonard, Partnership Liaison Officer for the Midlands Partnership received an award on behalf of the 74 local authorities in the Midlands, in recognition of the builders' merchants project

across the Midlands – a sector identified as having high rates of accidents, ill health and complaints. We organised safety and health awareness days for independent and small and medium-sized builders' merchants. Attendees

'earned' an 18-month break from general proactive inspection to enable development of their action plans and make improvements based on the information from the seminars.

Companies not attending the event, and those who did attend but whose activities caused concern, remained in the inspection programme. Larger builders' merchants received safety management audits by cross-boundary LA teams. The scale of this initiative was impressive and has had a nationwide impact, with proposals to set benchmarks for the industry.



The Yorkshire and North East Partnership established the *Safer Working Community campaign*, involving councils in Blyth Valley, Sunderland, and East Riding of Yorkshire. This initiative targeted HSE's priorities as well as specific local issues. The overall aim of the initiative was to build sustainable improvements in health and safety; a key means of achieving this was to build relationships with and between key stakeholders. The campaign addressed planning, stakeholder engagement, a week of visits, inspections, and further awareness events, building in sustainability.

Enforcement

HSE and local authority inspectors are at the front line, working with dutyholders to ensure that risks to people's health and safety from work activities are controlled properly. This means reducing risks and protecting people at work by: providing advice and guidance on how to comply with the law, inspecting workplaces, investigating accidents and complaints and taking enforcement action where necessary. HSE's recent work with the drilling industry shows how our inspectors work and the benefits that result.



In April 2006, HSE successfully prosecuted a drilling company following a near-fatal accident when an employee became entangled in an unguarded lorry-mounted drilling rig. The company received a fine of £20 000 with £30 000 costs.

During the investigation, we worked closely with the British Drilling Association when it became apparent that guarding standards within the industry were in need of improvement in many cases. The outcome of the case

was highly publicised and featured in many trade journals.

On the back of this, HSE decided that it would be a good time to launch a large-scale intervention. The prosecuting inspector, with the assistance of colleagues, produced specific guidance for the drilling industry on guarding requirements under the Provision and Use of Work Equipment Regulations 1998. This was sent via mailshot to members of other trade associations requesting that they review their risk assessments on this issue and respond accordingly.

The drilling industry's biannual trade show took place shortly after the mailshot was issued. HSE secured exhibition space at the event at short notice and was asked to present at a seminar on guarding at the show. For two days, HSE personnel with specialist knowledge staffed the stand, which was particularly busy. Despite it being the last seminar of the day, over 150 people attended, with standing room only. The fact that several companies exhibiting had been asked to stop their practical demonstrations due to lack of guards caused a definite stir.

We assessed responses to the mailshot and, where appropriate, contacted companies to advise that their responses were not acceptable. The data has been passed to HSE's construction sector staff, who will target higher risk companies during 2007/08.

So far, we have been informed that 56 drilling rigs have been fitted with guards and eight have been taken out of use, either voluntarily or following Prohibition Notices. HSE is currently working on raising standards of imported rigs and interest in the guidance has been shown in Europe.

Policy

The central objective of the Policy Programme is to maintain HSE's position as an exemplar of modern regulation, while supporting implementation of HSC's Strategy and PSA delivery. The Policy Programme:

- promotes effective regulation in HSE, ensuring the organisation always regulates for results;
- leads on key areas of health and safety policy, including enforcement, public safety, the energy sector (including the nuclear industry) and the manufacture and use of chemicals; and
- engages with business and worker representatives, with government in the UK and internationally.

An important example of policy work this year was HSE's involvement in the Energy Review.

The Department of Trade and Industry (DTI) launched its Energy Review in January 2006, to assess progress towards the goals set out in the government's 2003 White Paper *Our energy future – creating a low carbon economy*. In making policy decisions in this area, the government needed to take account of the health and safety risks of each option, several of which would use new technology.



The then Energy Minister, Malcolm Wicks, asked HSE to produce an independent expert report on the health and safety implications of

various energy developments and the steps taken by HSE to ensure that the risks in those areas are managed sensibly by industry. In the event of a new generation of nuclear power stations being ordered, the Minister sought HSE's views on the potential role of pre-licensing assessments for candidate reactor designs.

This was an unexpected piece of work with a short deadline and required a concerted response from staff across HSE. The report is based on:

- HSE's knowledge and expertise;
- the informed views of relevant stakeholders gained through a public consultation (including a workshop) on HSE's regulatory strategy for licensing nuclear installations; and
- a separate workshop on non-nuclear matters.

HSE's report covers a wide range of energy developments such as gas storage, carbon capture and storage, nuclear energy, renewable energy and cleaner coal. It describes the health and safety risks and explains the regulatory strategy for controlling those risks. The report concludes that our health and safety system is mature, well established and able to deal with new energy-related risks and hazards.

HSE's report *The health and safety risks and regulatory strategy related to energy developments* was published on 28 June 2006 (meeting the deadline) and was well received by government. See www.hse.gov.uk/consult/condocs/energyreview/energyreport.pdf.

Science, engineering and technology

The HSC Science Strategy 2005–2008 (www.hse.gov.uk/research/content/strategy0508.pdf) sets out how we will apply high-quality science to support delivery of our vision, mission and PSA and to look ahead, identify and meet future challenges. We have identified improving understanding of organisational/human behaviour and how to influence this as a key research area. One example of this is our work on the *Trojan Horse Health and Safety Messaging Project*.

Trojan Horse is an example of successful partnership working between HSE and industry to improve safety on construction sites. The Steel Construction Institute led the project, with Loughborough University and a number of trade associations working as partners under the Co-Construct umbrella. Several construction companies provided significant technical and logistical support.



Time can reduce the impact of the safety information routinely displayed at construction sites. This project aimed to remind site operatives of key safety messages (eg to lift loads correctly) just before they embark on that activity. The messages were carefully designed in collaboration with relevant trade associations, and displayed on building materials and tools so that they would be visible at point of use. These safety signs rely mainly on pictures, with little or no text – so are suitable for a growing non-

English-speaking workforce.

The first phase of the study showed that the *Trojan Horse* messaging technique:

- generated minimal interference with construction site works;
- elicited positive responses from operatives working on site and using materials on which the *Trojan Horse* safety messages were displayed; and
- resulted in high levels of awareness and recall of content of the safety recommendations, despite significant ‘background noise’ from other site safety notices.

The second phase of the study, which aimed to assess the long-term and behavioural impact of the safety messages, showed that:

- awareness of the messages increased after repeated exposure;
- observations of behaviour after implementation of the *Trojan Horse* message suggested a positive impact on workers’ behaviour; and
- the social environment played a central role in shaping the behaviour observed in this study.

The positive outcomes of the study have led HSE to recommend the use of *Trojan Horse* messaging as part of companies’ overall health and safety strategies. These outcomes were presented at a high-profile seminar in September 2006, attended by key health and safety personnel from major contractors, construction clients and trade associations.

Managing our business

The Resources and Planning Directorate (RPD) provides the business infrastructure, corporate services and governance that enable HSE to deliver its objectives and targets. An important example of its work this year was the transformation of HSE's human resource (HR) service.

HSE's Board challenged its senior HR managers to transform and improve the way they deliver their services across HSE and HSL. During 2006/07, the HR Service Transformation Programme (HRST) achieved its objectives on time and to budget, producing early business benefits, for example by reducing HR staff costs.



▼ David Longworth (HR Service Centre), Trish Mercer, Alison McKenzie-Folan and Maria Finch. HRST transforming the way HSE delivers HR

Key to the success of HRST was early work:

- with the Chartered Institute of Personnel and Development;
- with other organisations (from the private and public sectors) that had gone through a similar transformation;
- with HSE colleagues, via various business user groups and workshops; and
- on lessons learned from other HSE programmes.

This enabled the team to produce and implement a realistic plan, along with a clear requirement for an IT system to support the transformation.

HRST comprised four key elements:

- **recruiting HR professionals to work within business areas:** this brought an external perspective to HR delivery and strengthened support to business areas;
- **focusing on streamlining HR policies and procedures:** an early success was the revised discipline and grievance policy, which gives managers much more say in the process;
- **establishing a Service Centre concentrating on quality support, advice and guidance.** The new Service Centre represents a big change for HR and for the rest of the organisation. Everyone is working hard to ensure we continue to improve;
- **introducing a computerised 'e-HR' system that enables managers and staff to be responsible for aspects of HR through 'self service' and direct access to management information.** HSE chose an industry standard 'off-the-shelf' HR package for this – the brief was not to change it unless there was a real business risk. The team was able to stick to these principles, supported by the willingness of the HSE user groups to challenge and change how we do things. This enabled the team to deliver both the main system and self-service elements on time.

We will continue to transform how we deliver HR services and realise the benefits from these new ways of working. There is still work to do, but progress so far has been impressive.

Remuneration Report

(audited)

Management

Appointment of the Commission and members of the Executive

The Chairman was appointed for a period of five years in October 1999. His appointment was renewed for a further three years in 2004. Commission members are appointed for a fixed term of three years, which may be renewed. The Chairman is part-time, working four days a week. If the Chairman or a member leaves the Commission other than on the expiry of their term of office, and it appears to the Secretary of State that there are special circumstances that justify the payment of compensation, a payment can be made as determined by the Secretary of State, with Treasury approval.

The Chief Executive is appointed for a fixed term of up to five years. All members of the Executive are

established members of the Senior Civil Service and subject to standard Cabinet Office terms and conditions. None of the members of the Executive receive any predetermined compensation on termination of office.

The Secretary of State appoints the Chairman and Commissioners. Members of the Executive are civil servants and appointments are made in accordance with the Civil Service Commissioner's Recruitment code.

Further work on the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Commission

- i) The Secretary of State determines remuneration for Commissioners.
- ii) Performance management and reward for Commissioners is managed in line with principles set out for Civil Servants by Cabinet

Office and agreed by the Secretary of State.

- iii) The proportion of remuneration subject to performance conditions is broadly in line with the recommendation by the Senior Salaries Review Body and agreed by the Secretary of State.
- iv) Terms and conditions are set out in the Health and Safety at Work etc. Act 1974. A person may at any time resign their office as a member or as a chairman or deputy chairman by giving the Secretary of State a notice in writing signed by that person and stating that he resigns that office.
- v) Details of the service contract for each Commissioner who has served during the year are as shown in Table 5.
- vi) There were no non-cash elements of the remuneration package during the year.

Table 5 Commissioners' service contracts

Name	Date of contract	Unexpired term	Notice period
Bill Callaghan	1 October 1999	6 months	N/A
Sandy Blair CBE	1 April 2006	2 years	N/A
Margaret Burns CBE	1 April 2004	Contract expired	N/A
Daniel Carrigan	1 October 2004	6 months	N/A
Judith Donovan CBE	1 October 2006	1 year	N/A
Prof Sayeed Khan	1 April 2005	1 year	N/A
John Longworth	1 April 2005	1 year	N/A
Hugh Robertson	1 April 2004	Contract expired*	N/A
Elizabeth Snape MBE	1 October 2006	2 years 6 months	N/A
John Spanswick CBE	1 May 2006	2 years 1 month	N/A

* Although Hugh Robertson's current contract expired on 31 March 2007, a further three year contract commenced on 1 April 2007

Executive

- i) The remuneration of senior managers is in line with the recommendations for members of the Senior Civil Service by Cabinet Office and the Senior Salaries Review Body. A remuneration committee exists to agree the remuneration of the Executive. This committee consists of the Permanent Secretary, the Chairman of HSC and an independent member.
- ii) Performance management and reward is managed in HSE in line with the principles set out by Cabinet Office.
- iii) The proportion of remuneration subject to performance conditions is in line with the recommendation by the Senior Salaries Review Body.
- iv) The standard terms and conditions defined by Cabinet Office for members of the Senior Civil Service apply in HSE.
- v) Details of the service contract for each senior manager who has served during the year are shown in Table 6.
- vi) There were no non-cash elements of the remuneration package during the year.

Table 6 Senior managers' service contracts

Name	Date of contract	Unexpired term	Notice period
Geoffrey Podger CB	28 November 2005	3 years 8 months	13 weeks
Justin McCracken	1 April 2002	Open-ended	13 weeks
Jonathan Rees	13 September 2004	Open-ended	13 weeks

The standard terms and conditions defined by Cabinet Office for members of the Senior Civil Service apply in HSE to the provision of compensation for early retirement

Remuneration of Commissioners and members of the Executive**Commissioners**

The following held office during the year with responsibilities as shown:

Bill Callaghan	Chairman	John Longworth	Commissioner
Sandy Blair CBE	Commissioner	Hugh Robertson	Commissioner
Margaret Burns CBE	Commissioner	Elizabeth Snape MBE	Commissioner
Daniel Carrigan	Commissioner	John Spanswick CBE	Commissioner from 1 May 2006
Judith Donovan CBE	Commissioner	Joyce Edmond-Smith	Commissioner to 31 March 2006*
Prof Sayeed Khan	Commissioner	Judith Hackitt	Commissioner to 28 February 2006*

* Although Joyce Edmond-Smith and Judith Hackitt did not hold office during the year, they are included here for comparative purposes

Robin Dahlberg has been appointed to the Commission since 31 March 2007.

Executive

The composition of the Executive during the year was as follows:

Timothy Walker CB	Director General to 30 September 2005
Geoffrey Podger CB	Chief Executive from 28 November 2005
Justin McCracken	Deputy Chief Executive (Operations)
Jonathan Rees	Deputy Chief Executive (Policy)

* Although Timothy Walker did not hold office during the year, he is included here for comparative purposes. Nomenclature was amended from Director General to Chief Executive with effect from 1 October 2005

Company directorships

Geoffrey Podger is a member of the Council/Board of the Institute of Employment Studies.
Justin McCracken is a trustee of the British Safety Council.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Commissioners and Executive.

Table 7 Remuneration – Commissioners

	2006/07		2005/06	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Commissioners				
Bill Callaghan	115-120	-	115-120	-
Sandy Blair CBE	15-20	1 700		
Margaret Burns CBE	15-20	5 300	15-20	5 000
Daniel Carrigan	15-20	5 500	15-20	4 200
Judith Donovan CBE	15-20	6 300	15-20	3 600
Prof Sayeed Khan	15-20	6 800	15-20	5 100
John Longworth	15-20	1 400	15-20	1 400
Hugh Robertson	15-20	-	15-20	-
Elizabeth Snape MBE	15-20	-	15-20	-
John Spanswick CBE	-	-	-	-
Joyce Edmond-Smith	-	-	15-20	700
Judith Hackitt	-	-	10-15	-

Table 8 Remuneration – Executive

	2006/07		2005/06	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Executive				
Timothy Walker CB	-	-	80-85	-
Geoffrey Podger CB	155-160	-	50-55	-
Justin McCracken	135-140	-	135-140*	-
Jonathan Rees	120-125	-	105-110	-

* Justin McCracken was Acting Chief Executive from 1 September to 27 November 2005

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that they are subject to UK taxation.

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. These benefits for Commission members include travel and subsistence payments associated with home to office travel, as appropriate. Any ensuing tax liability is met by HSC.

Pension benefits

Table 9 Pension benefits – Commissioners

	Accrued pension and lump sum at age 60	Real increase in pension and related lump sum at age 60	CETV at 31/03/07	CETV at 31/03/06	Real increase in CETV
Commissioners	£'000	£'000	£'000	£'000	£'000
Bill Callaghan	37.5-40 pension and 112.5-115 lump sum	0-2.5 pension and 2.5-5 lump sum	697	640	44

Table 10 Pension benefits – Executive

	Accrued pension and lump sum at age 60	Real increase in pension and related lump sum at age 60	CETV at 31/03/07	CETV at 31/03/06	Real increase in CETV
Executive	£'000	£'000	£'000	£'000	£'000
Timothy Walker CB	-	-	-	1 415	-
Geoffrey Podger CB*	55-60 pension and 170-175 lump sum	7.5-10 pension and 25-27.5 lump sum	1806	885	170
Justin McCracken	10-15 pension and 40-45 lump sum	0-2.5 pension and 7.5-10 lump sum	203	176	21
Jonathan Rees	50-55 pension	2.5-5 pension	837	780	33

* These figures take account of Mr Podger's pension rights from a previous employment

As the current Chairman is not a member of the Principal Civil Service Pension Scheme (PCSPS), a pension provision has been set up, in line with FRS17, on a 'by analogy to the PCSPS' basis to account for the value of an equivalent fund for the Chairman. An actuarial valuation of the fund was carried out as at 31 March 2007. The valuation has been undertaken using the following assumptions:

- an investment return in excess of price increases of 1.8% pa;
- an investment return in excess of general salary increases of 1.8% (as Mr Callaghan's pensionable pay is capped at 31 March 2007 and the earnings cap increases approximately in line with price increases);
- the gross rate of return is assumed to be 4.6% pa, although this assumption has a minor impact on the calculation of the liability;
- in nominal terms, these assumptions are then equivalent to an allowance for increases in pensionable salaries of 2.75% pa and an allowance for price inflation of 2.75% pa; and
- Mr Callaghan is not reappointed at the end of his term, and his pension will be preserved until age 60 when it will come into payment.

No Commission members, other than the Chairman, have pensions. Further details can be found in Note 1(c) to HSC's accounts.

Civil Service Pensions (CSP)

Pension benefits are provided through the CSP 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 Price Index. New entrants after 1 October 2002 may choose between membership of the 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. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on

ceasing to be an active member of the scheme if they already reached 60.

Further details about the CSP arrangements can be found at the website: www.civilservice-pensions.gov.uk

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' 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 pension benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003/04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2006 on the advice of the Scheme Actuary. The CETV figure for March 2006 has been restated using the new factors so that it is calculated on the same basis as the CETV figures for 31 March 2007.

The real increase in the value of the CETV

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

pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

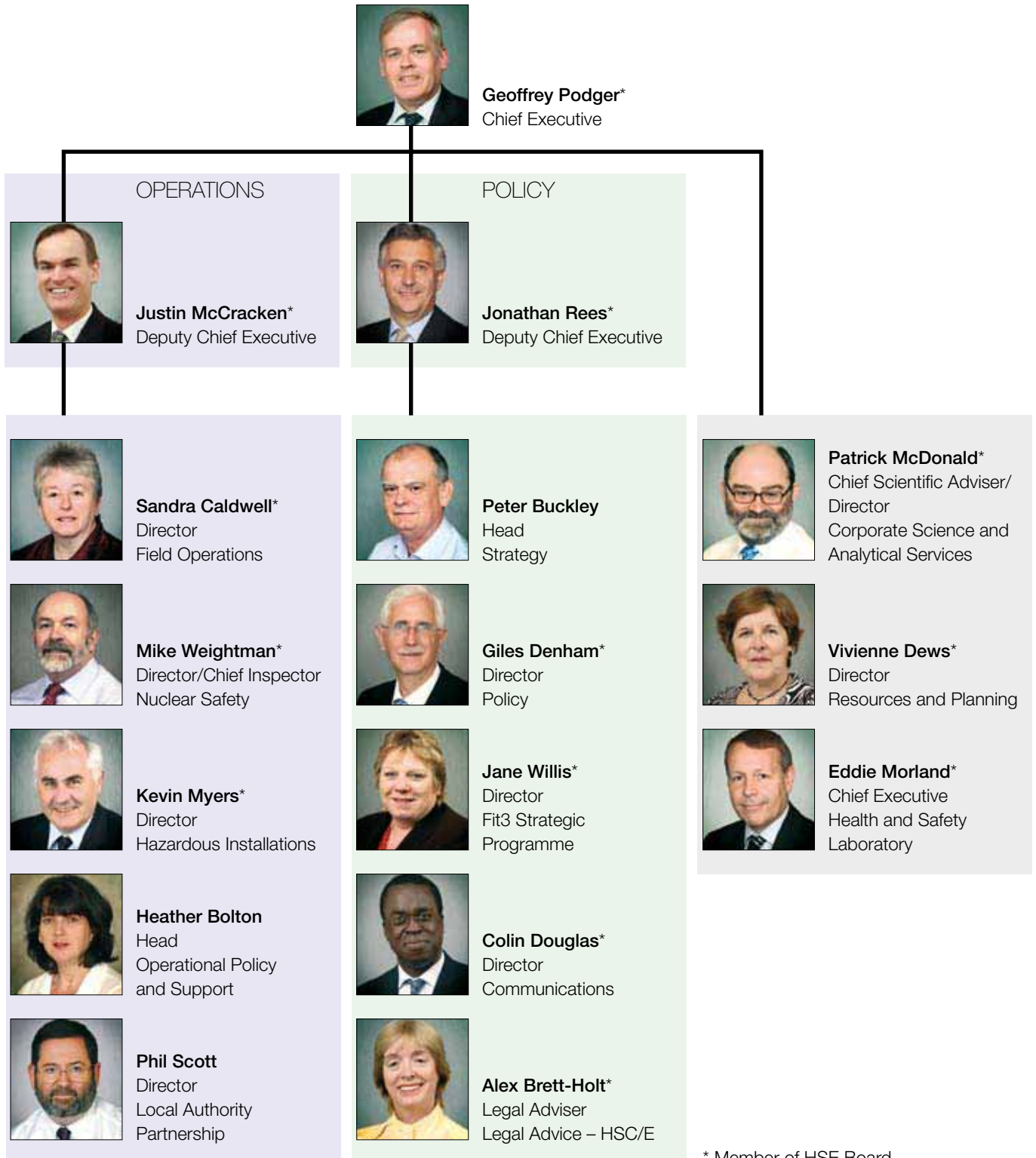


Bill Callaghan Chairman
Health and Safety Commission
Accounting Officer
13 June 2007



Geoffrey Podger CB Chief Executive
Health and Safety Executive
Accounting Officer
14 June 2007

Annex 1: HSE's structure



* Member of HSE Board

Annex 2: Health and safety in HSE

Health and safety in HSE is driven by an annual corporate plan – determined by a three-year framework for health and safety, which the HSE Board agreed in 2005. The framework sets out where we want to be by 2009 in terms of health and safety performance. The HSE Board monitors progress regularly against the plan and the framework.

During 2006/07, HSE continued to address the main hazard areas that staff encounter – slips and trips, musculoskeletal disorders, display screen equipment, stress-related ill health, road risk and lone working.

HSE's trade unions are closely involved in all health and safety matters. An example of this was the development of new procedures for dealing with those occasions that carry the risk of violence. A joint management/trade union task group worked to canvass staff views and incorporate them into the new policy. The review included looking at abuse over the telephone, and at the training provided to staff to help them assess and deal with potentially difficult situations. Other areas where new guidance was produced included the occupational health policy and the use of personal protective equipment.

During the year, we re-tendered for HSE's occupational health provision. Our aim was to agree a contract that reflected best practice in occupational health and made best use of modern technology. We chose Capita Health Solutions Limited and look forward to a productive working relationship with them, beginning in 2007/08.

HSE participated in the *Better Backs 2006* campaign (page 18). We wanted to ensure that those staff promoting the campaign to the public would also benefit from it themselves. With trade

union support, staff around the country attended workshops and seminars on back care. Our occupational health provider helped us produce internal publicity literature to support the campaign.

The HSE Board agreed a stress action plan during the year. This arose from a risk assessment process that took place in 2005. The plan commits HSE to improve its management training, produce better guidance on managing change, and identify and deal with unacceptable behaviour. We also incorporated the stress risk assessment survey, previously used in 2005, into the 2007 staff survey and used the results to update HSE's stress action plan.

Accident and ill-health statistics

This year we have seen encouraging declines in both cases of ill health and incidents resulting in injury. We have bettered our targets for reductions in slip and trip injuries and display screen equipment (DSE) related ill health. The numbers of incidents reportable under RIDDOR remained at a low level. HSE's RIDDOR rates are markedly better than those of comparable organisations.

Table 1 HSE accident and ill-health statistics

	Apr-Mar 2005	Apr-Mar 2006	Apr-Mar 2007
RIDDOR			
Fatal injuries	0	0	0
Major injuries	1	3 (1)	1
Dangerous occurrences	0	0	1
Over-3-day injuries	20 (5)	9 (2)	9 (2)
Ill health	4	0	1
Other ¹	0	1	0
RIDDOR total	25 (5)	13 (3)	12 (2)
Other health and safety incidents			
Other over-3-day injuries, eg road traffic accidents	1	5	0
Ill health other	123	105	93
Minor injuries ²	153 (20)	127 (19)	97 (15)
Near misses, including verbal abuse and possible accidental asbestos exposure	130 (4)	274 (6)	264 (6)
Total	432 (29)	524 (28)	474 (23)

¹ RIDDOR (other) = injury to employee not at work who was taken to hospital after an injury sustained on premises operated by HSE facilities management contractor

² Minor injury – hospital treatment required

The figures for non-HSE staff (ie contractors) are included and shown in brackets

Annex 3: Better Regulation

In developing its focus as a modern regulator, HSC/E is committed to ensuring its approach to regulation is more effective and efficient, for both those regulated and the regulators. Better regulation, which is easier to understand and apply, helps secure stronger commitment to compliance from business and so improves health and safety results.

Simplification Plan

In October 2006, HSC/E published its Simplification Plan. The plan is rooted in HSC's Strategy. The key elements within the plan, aiming to maintain or improve health and safety outcomes while reducing costs to dutyholders, include:

- sensible risk management: developing a culture of health and safety at work by simplifying our guidance and encouraging effective risk management through proportionate risk assessment;
- Gas Safety (Installation and Use) Regulations 1998: a review of the gas safety regulatory regime, including the landlords' gas safety check, in line with risk-based principles;
- forms projects: reducing the amount and burden of HSE forms;
- Lifting Operations and Lifting Equipment Regulations 1998 and Provision and Use of Work Equipment Regulations 1998: producing new guidance to clarify inspection requirements and research to support a review of the Regulations;
- Health and Safety Information for Employees Regulations: reviewing the effectiveness of the HSE-approved health and safety poster (which dutyholders are

obliged to buy and display) and considering alternative means of delivering this information;

- Construction regulations: simplifying the process for checking dutyholders' competence and consolidating four pieces of legislation into one;
- Control of Substances Hazardous to Health Regulations 2002: rationalising guidance to make it more accessible and focus on key 'how to' information for employers.

Risk-based regulation

HSC/E follows the principles of good regulation: proportionality, accountability, consistency, transparency and targeting, which are integral to all policy development throughout HSE. The principles underpin our Enforcement Policy Statement and regulatory impact assessments, ensuring that any intervention activity is based on a balanced approach to risk.

Measures already delivered

In the last 12 months, HSE has:

- continued to reinforce senior leadership on regulatory challenge by its formal panel to test regulatory proposals, with a particular eye to the scope for non-regulatory alternatives, impact on small and medium-sized enterprises (SMEs) and – where regulation is justified – best practice for implementation;
- enhanced the Small Business Trade Association Forum helping it to make significant input to sharpen HSE's approach to dealing with SMEs;
- published a simple two-page guide for businesses (especially SMEs) on

why they might be visited by HSE and what they can expect;

- introduced the new Control of Asbestos at Work Regulations 2006. These repealed three sets of regulations and removed the requirement for businesses working with low-risk asbestos-containing materials to hold a licence;
- launched a debate on sensible risk management leading to the development of the Principles of Sensible Risk Management formally launched in August with significant investment resulting in widespread media coverage;
- completed a zero-based forms review, which lead us to remove some 54% of our forms and look at ways to make all remaining forms available electronically;
- invested considerably in embedding partnership working with local authorities, showing significant results in governance arrangements and local joint working;
- developed a new approach to dealing with large multi-site organisations;
- revised our inspection regime in co-operation with other regulators, to reduce the burdens of duplicated and un-coordinated inspection on the public services;
- finalised detailed implementation plans for the mergers recommended in the Hampton report; and
- developed proposals to deliver enforcement activity that is better targeted and more efficient.

Regulatory impact assessment (RIA)

A cost-benefit analysis approach has been embedded in HSC/E policy

development since the early 1980s and forms a key part of the government's regulatory impact assessment (RIA) process. During 2006/07, HSE has used the process to shape its policies, including exploring alternatives to legislation and demonstrating the benefits of simplification and consolidation.

HSE has continued to advocate effective impact assessments at European level, ensuring that Better Regulation considerations are fed in during the proposal, negotiation and implementation stages. Building upon this, HSE introduced a new strengthened mechanism to challenge and support policy teams dealing with EC proposals.

HSE has continued to achieve 100% compliance with the RIA process. A RIA was produced for all policy proposals that had an impact on business, charities or voluntary bodies, in compliance with Cabinet Office guidance.

formats. In addition, HSE published a summary document outlining the issues involved, and organised a series of regional discussion workshops, which generated lively debate.

New internal consultation guidance has been issued which focuses on the need to consult early and in innovative ways to ensure that we reach a wide range of stakeholders.

Other Better Regulation initiatives

HSE has set up a Better Regulation Oversight Group to take a strategic overview of the activity in HSE that broadly falls under the heading of our work to be a modern regulator. The direct interests of this group include risk, targets, transparency and joining up with other regulators.

Common commencement dates

HSE implemented common commencement dates at the start of 2005. This means that regulatory changes arising within the UK will be implemented on only 6 April or 1 October each year. HSE has now extended this to include regulations originating from Europe where possible.

Consultation best practice

During the 2006 calendar year, HSC/E opened seven formal consultations on policy proposals, all of which lasted 12 weeks or more. This included consultation on strategies to promote worker involvement in health and safety risk management. We published the consultation online and in hard copy. It remained open for over 19 weeks, and responses were invited in a variety of



Part two

Health and Safety Commission Accounts
and Health and Safety Executive
Accounts 2006/07

Statement

of the Commission's, the Executive's, the Chairman's and the Chief Executive's responsibilities

Under paragraphs 14(1) and 20(1) of Schedule 2 of the Health and Safety at Work etc. Act 1974 the Health and Safety Commission and the Health and Safety Executive are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Commission's and the Executive's state of affairs at the year-end and of their net operating cost, recognised gains and losses and cash flows for the financial year.

In preparing their accounts, the Commission and Executive are required to:

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

The Accounting Officer for the Department for Work and Pensions has designated the Chairman of the Health and Safety Commission and the Chief Executive of the Health and Safety Executive as Accounting Officers for the Commission and Executive respectively. Their relevant responsibilities as Accounting Officers, including their responsibilities for the propriety and regularity of the public finances for which they are answerable and for the keeping of proper records are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

Statement on Internal Control

1 Scope of responsibility

As Accounting Officers (for the Health and Safety Commission, the Chair, and for the Health and Safety Executive, the Chief Executive), we have responsibility for maintaining a sound system of internal control that supports the achievement of the Health and Safety Commission's (HSC's) and the Health and Safety Executive's (HSE's) policies, aims and objectives, agreed with the Department's Ministers. We are also responsible for safeguarding the public funds and assets for which we are personally responsible, in accordance with the responsibilities assigned to us in Government Accounting.

HSC and HSE are Non-Departmental Public Bodies with Crown status established under the Health and Safety at Work etc. Act 1974. The sponsoring department is the Department for Work and Pensions (DWP). DWP ministers have responsibility for health and safety issues in government. HSC/E also report to other Ministers on different aspects of health and safety. The Health and Safety Laboratory (HSL) was established as an in-house agency of HSE on 1 April 1995 and operates on 'Next Steps Agency' principles. HSL provides health and safety science and research services. It has its own Accounting Officer and arrangements to manage risk.

HSC/E's vision is to gain recognition of health and safety as a cornerstone of a civilised society, and with that, to achieve a record of workplace health and safety that leads the world. HSC sets the strategy for securing health and safety in relation to work activities with input and support from HSE.

2 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, provide only 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 HSC/E's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It has been in place and progressively developed in HSC/E over the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3 Capacity to handle risk

HSC/E's mission is to ensure that risks to health and safety from work activity are properly controlled. Effective management of risk (including reducing risk to members of the public) so far as is reasonably practicable is a core part of that mission. HSC consults formally on all regulatory changes.

New internal consultation guidance has been issued which focuses on the need to consult early and in innovative ways to ensure that a wide range of stakeholders is reached. For example, during 2006, the Worker Involvement Consultation arranged a number of regional workshops to explain the proposals and obtain direct feedback.

HSC's Annual Business Plan for 2006/07 set out how HSC/E intended to take forward HSC's Strategy, deliver the work-related health and safety Public Service Agreement (PSA) targets and meet its statutory obligations. The 2007/08 plan continues these objectives and positions HSE to manage the impending Spending Review settlement for the next three years and sets out forthcoming challenges. It focuses on what HSE will deliver and how it will manage performance under HSE's four key business areas (Outcomes, Enabling Justice, Public Accountability and Support to Government) as well as how it will support itself corporately.

Arrangements for managing business risk are in place and continue to be developed by HSE's directorates, divisions, key programmes and a range of projects. An internal audit review of HSE's business risk management

arrangements offered substantial assurance to the Accounting Officers that the business risk management system provides an adequate basis for effective control and is properly operated in practice.

HSE's Risk Management Improvement Plan for 2006/07 was designed to further embed risk management processes across the organisation by sharing best practice, reviewing whether HSE's exposure to risk is right and raising the risk profile through a reconstituted Audit Committee. A short practical guide on business risk is available to all HSE staff, with a more comprehensive version (updated and now including good practice examples) to be released soon. HSE's central strategic planning team provides ad hoc support and advice on business risk issues. A series of business risk workshops are taking place to help HSE staff create risk registers, review existing arrangements and share experiences. Risk management has also been built into HSE training modules and guidance on programme management. The Director of Resources and Planning (HSE's business risk champion) gave a detailed presentation to the HSE Board in August 2006 to help clarify its risk appetite.

HSE monitors its performance on risk handling against Treasury's Risk Management Assessment Framework and has reported annually to the Civil Service Management Board's sub-group on risk. The HSC Audit Committee also receives regular updates on progress with business risk management.

4 The risk and control framework

HSE's Risk Management Framework codifies its overall strategy for managing business risks. It emphasises the need for business risk management to be integrated with the organisation's management system to ensure that risks are managed effectively and proportionately. It has been updated this year to redefine and clarify key roles and responsibilities in the process.

HSC comprises a Chair and nine members (Commissioners). It is the principal body in relation to the regulation of health and safety at work in Great Britain. HSC's role is to protect the workforce against health and safety risks. It is supported in this by HSE and the local authorities, and provides them with strategic direction. HSC takes policy decisions and advises Ministers, including those from other Departments. HSC discusses performance reports quarterly, in parallel to the HSE Board. This involves reviewing key performance indicators and information presented in the balanced scorecard and the PSA performance report. The Audit Committee, on HSC's behalf, also reviews the corporate risk management plan.

The HSE Board comprises senior managers in operations, policy and corporate support, together with the Chief Scientific Adviser, the Legal Adviser, and the Chief Executive of HSL. Its role is to manage HSE's performance and any risks that threaten achievement of HSE's objectives. This includes taking coordinated decisions to ensure HSE remains in a sound financial position, directing improved business efficiency and ensuring that HSE progresses toward the PSA targets. The Board meets formally monthly to make decisions about health and safety issues, policy and strategic finance and personnel matters. Since the third quarter of 2006/07, the Board has received an integrated performance and risk report. This draws the links between HSE's corporate level risks and their current (and potential) effect on performance as shown in the balanced scorecard and performance reports on the PSA targets. HSC and the minister responsible for work-related health and safety (DWP's Parliamentary Under Secretary in the Lords) also receive and consider the report. The HSC Chair and HSE's Chief Executive meet the Minister monthly to discuss a range of key issues, including progress on performance, in more depth.

The corporate risk management plan (CRMP) sets out HSE's strategic risks and is the focus for business risk management at corporate level. Board-level risk owners are responsible for ensuring adequate measures are in place to manage each risk, and monitoring the adequacy of these measures. If needed, further control measures are added. Risks are reviewed regularly (quarterly at HSE Board level) to test whether they should remain in the CRMP and that mitigation measures are appropriate. Board members have supplied the HSC and HSE Accounting Officers with letters of assurance that include an assessment of internal controls within their commands.

The balanced scorecard translates HSC/E's mission and strategy into a balanced set of performance measures covering the key aspects of the organisation's performance (as set out in HSC's Business Plan). During 2005/06, HSE carried out an extensive review of the balanced scorecard so that it aligns more closely with HSC/E's priorities and to maximise its effectiveness as a performance management tool. The result was a refreshed scorecard, with its measures grouped under three business perspectives (delivery, resource management and learning and growth) and tied directly to any residual red risks on the CRMP. HSE started making quarterly reports based on the new balanced scorecard to the Board and HSC during 2006/07.

The resource management element of the balanced scorecard is complemented by a monthly Finance and Staffing paper, which is a standing item at the HSE Board. It provides a more detailed review of current financial outturn and outlook information and an assessment of financial risk to support strategic resource decisions.

Established corporate policies continue to operate covering a wide range of issues. They provide part of an effective control framework across a range of risks including the health and safety of HSE's own staff and contractors, human resource matters, workforce strategy, planning, finance, accounting, procurement, information technology and regularity, propriety and authorisation of expenditure. Guidance on related arrangements is set out in codes and other instructions.

The use of resources is delegated and agreed in writing, from HSE's Accounting Officer to those individual senior managers who are the main budget holders (MBHs). HSE's and HSL's budgets are monitored as a whole and monthly reports provided to MBHs, the Finance Director, the Accounting Officer and Commissioners (and in turn to the Department and Treasury) based on the latest resource outturn information provided by HSE's Directorates.

HSE delivers a proportion of its work through programmes and projects. Further work has continued in 2006/07 to develop the project and programme management skills to ensure successful delivery of targets. Formal programme and project management techniques are used for the planning and delivery of all programme activity. Quarterly reports on progress on strategic programmes include a report on the main risks to the programmes and how they are being managed.

The following functions were transferred out of and in to HSE:

- responsibility for rail safety transferred from HSC/E to the Office of Rail Regulation with effect from 1 April 2006. HSE transferred its rail related resource to the Department for Transport;
- from 1 October 2006, regulatory functions around public safety aspects of the electricity distribution network transferred from DTI's Engineering Inspectorate to HSE;
- in October 2006, DEFRA announced that HSE had agreed to undertake the UK Competent Authority function for REACH (Registration, Evaluation and Authorisation of Chemicals) on behalf of the Secretary of State for England and the relevant Ministers or departments in Scotland, Wales and Northern Ireland. HSE set up a REACH Project Board to ensure that the necessary arrangements were in place before the legislation entered into force on 1 June 2007;
- from 1 April 2007, HSE became the Licensing Authority (AALA) under the Activity Centres (Young Persons' Safety) Act 1995; and
- on 1 April 2007, the Office for Civil Nuclear Safety transferred from DTI together with the UK Safeguards Office.

5 Review of effectiveness

As Accounting Officers, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of this is informed by the work of the internal auditors and executive managers within HSE 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. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board, the Audit Committee and the risk owners; a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit Committee, chaired by a Commissioner, met four times in 2006/07. The Health and Safety Commission agreed revised terms of reference for the Audit Committee in March 2006 so that its membership is composed entirely of non-executives. These revised terms of reference and constitution bring the Audit Committee into line with HM Treasury guidance on audit committees. One independent non-executive member was appointed during 2006/07 and a second one has been appointed since 31 March 2007.

HSE's Internal Audit and Assurance Unit has direct access to the HSC and HSE Accounting Officers and operates to government Internal Audit Standards. HSL has an internal audit function supplied by a private sector auditor that also works to government Internal Audit Standards. Annual audit plans, which are risk based, are approved by the relevant Audit Committees, to whom Internal Audit make regular reports. All work undertaken is subject to internal quality assurance processes.

For each assignment, internal audit provide an opinion on the adequacy and effectiveness of the system of internal control and make recommendations for improvement. Recommendations arising

from audits are followed up promptly to ensure that appropriate action is taken and improvements in the risk management, governance and internal control processes are achieved where necessary.

During 2006/07 a new Head of Internal Audit and Assurance (HIAA) was appointed, and the internal audit team are currently implementing a number of actions to ensure the highest quality of service. A number of changes were made to the internal audit programme following the HIAA's arrival to ensure that the audit programme was responsive to the risks facing the organisation. Such changes were approved by HSC's Audit Committee.

Following completion of the annual plan, the HIAA produces an annual report which is presented to the Audit Committee. This report summarises the work completed during the year and identifies any significant issues which may impact upon the effectiveness of HSE's control environment and which should be incorporated into this statement. An opinion on the adequacy and effectiveness of HSE's systems of internal control is also provided.

The overall risk management arrangements have been developed in consultation with HSE's Internal Audit Unit and will be subject to regular review by it. The Internal Audit work programmes will continue to focus on testing the adequacy and effectiveness of the systems of internal control in HSE and HSL.

In light of the audits undertaken in 2006/07, the overall opinion of the interim Head of Internal Audit is that HSC/E has a satisfactory system of control, governance and risk management in place which provide reasonable assurance regarding the effective and efficient achievements of its objectives.

6 Significant internal control problems (if applicable)

There were no significant internal control problems.



Bill Callaghan Chairman
Health and Safety Commission
Accounting Officer
13 June 2007



Geoffrey Podger CB Chief Executive
Health and Safety Executive
Accounting Officer
14 June 2007

HSC Health and Safety Commission

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

I certify that I have audited the financial statements of the Health and Safety Commission for the year ended 31 March 2007 under the Health and Safety at Work etc. Act 1974. These comprise the Operating Cost 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 Commission, Chairman, and Auditor

The Commission and Chairman as Accounting Officers are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Health and Safety at Work etc. Act 1974 and the Department for Work and Pensions' directions made thereunder and for ensuring the regularity of financial transactions. The Chairman and the Chief Executive of the Health and Safety Executive are jointly responsible for the preparation of the Remuneration Report and the other contents of the Annual Report. These responsibilities are set out in the Statement of the Commission's, the Executive's, the Chairman's and the Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health and Safety at Work etc. Act 1974 and the Department for Work and Pensions' directions made thereunder. I also report whether, in my opinion, certain information given in the Annual Report, which comprises the Foreword, Achievements during the year, background information on key activities, Policy, Science, engineering and technology and Managing Our Business 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 Commission 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 Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this Statement on Internal Control covers all risks and controls, or form an opinion on the effectiveness of the Commission'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 Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission'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 Health and Safety at Work etc. Act 1974 and directions made thereunder by the Department for Work and Pensions, of the state of the Commission's affairs as at 31 March 2007 and of its net operating cost for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health and Safety at Work etc. Act 1974 and the Department for Work and Pensions' directions made thereunder; and
- information given within the Annual Report, which comprises the Foreword, Achievements during the year, background information on key activities, Policy, Science, engineering and technology and Managing Our Business is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.



John Bourn

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

HSC Health and Safety Commission

Operating Cost Statement for the year ended 31 March 2007

		2006/07	2005/06
	Notes	£'000	£'000
Administration costs			
Staff costs	3	507	503
Other administration costs	4	383	345
Gross administration costs		890	848
<hr/>			
Operating income		-	-
<hr/>			
Net operating costs		890	848
<hr/>			

All income and expenditure is derived from continuing operations.

The Notes on pages 47 to 49 form part of these accounts.



Bill Callaghan Chairman
 Health and Safety Commission
 Accounting Officer
 13 June 2007

HSC Health and Safety Commission

Notes to the Accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2006/07 Financial Reporting Manual (FRoM) (www.financial-reporting.gov.uk) issued by HM Treasury. The particular accounting policies adopted by HSC are described below. They have been applied consistently in dealing with the items considered material in relation to the accounts.

(a) Accounts Directions

In accordance with Accounts Directions issued by the Secretary of State with the approval of the Treasury, the Health and Safety Commission and Health and Safety Executive have prepared a joint Statement of Responsibilities and Statement on Internal Control and separate Operating Cost Statements. HSC has not produced a Balance Sheet as any assets and liabilities of HSC are included in the HSE Balance Sheet and are not material in value in the context of HSE balances (see Note 2 Request for Resources). HSC has no bank account and all direct and indirect expenditure is paid for by HSE, so the production of a Cash Flow Statement is deemed inappropriate. HSC has no need to produce Parliamentary Control Schedules and the relevant information is contained in those schedules within DWP's accounts (refer Note 2 with regard to Request for Resources).

(b) Accounting convention

Consolidated accounts have not been prepared, with the agreement of HM Treasury and National Audit Office, on the basis that there is a statutory requirement to produce separate accounts for HSC and HSE and it would be administratively burdensome and provide no additional information for the reader of the accounts.

(c) Pension costs

The current Chairman is not a member of the Principal Civil Service Pension Scheme (PCSPS) but arrangements exist whereby the Health and Safety Executive make pension payments analogous to those that would have been made if he had been a member of the PCSPS and are payable out of the current year's funds that are made available. A notional pension cost of 25.5%, (2005/06 – 24.6%), is added to the Chairman's emoluments.

The provision is included in the HSE accounts.

The appointment of Commission members is non-pensionable.

The employees of the Health and Safety Commission, other than the Chairman and Commission members, are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. For details of the schemes please refer to HSE accounts, accounting policy Note 1(i).

2 Request for Resources

Pursuant to Section 43 of the Health and Safety at Work etc. Act 1974, the Commission is financed by Request for Resources from the Department for Work and Pensions (Request for Resources 2).

The total Request for Resources received by the Health and Safety Commission from DWP for the financial year 2006/07 was £232 512 000 and after deducting £506 725 for staff costs and £383 586 for other operating charges, the sum of £231 621 689 was allocated to the Health and Safety Executive. These transactions pass through Reserves in the Balance Sheet but produce a nil value in HSC's accounts.

	£'000
Opening general fund 1 April 2006	NIL
Net parliamentary cash funding	232 512
Net operating cost	890
Cash transfer to HSE (refer to HSE Cash Flow Statement)	231 622
Closing general fund 31 March 2007	NIL

Expenditure of the Health and Safety Commission

3 Staff numbers and costs

(a) Staff costs of the Health and Safety Commission

	2006/07		2005/06
	£'000		£'000
	Staff with a permanent UK contract	Other staff engaged on the objectives of HSE	Total
Wages and salaries	425	-	425
Social security costs	43	-	43
Pension costs	39	-	39
Subtotal	507	-	507
Less recoveries in respect of outward secondments	-	-	-
Total net costs	507	-	503

(b) The average number of employees during the year of the accounts, other than the Chairman and Commission members

	2006/07 Nos.		2005/06 Nos.
	Permanently employed staff	Others	Total
Non-specialist staff	5.5	-	5.5
			Total

Note: For further details on pension arrangements for non-specialist staff, please refer to HSE accounts (accounting policy Note 1(l) and Note 3).

4 Non-staff administration costs of the Health and Safety Commission

	2006/07	2005/06
	£'000	£'000
General administrative expenses	228	151
Travel, subsistence and hospitality for: Chairman, Commission members and support staff (see note below)	85	141
Rent, rates, maintenance and other premises costs	70	53
	383	345

Note: Travel, subsistence and hospitality expenses for the Chairman and Commission members was £71 748 (2005/06 – £129 522), while the total for the support staff was £13 476 (2005/06 – £11 873).

5 Related party transactions

The Health and Safety Commission is an Executive Non-Departmental Public Body with Crown status and is sponsored by the Department for Work and Pensions (DWP).

DWP is regarded as a related party. During the year, HSC did not have any material transactions with DWP or other entities for which DWP is regarded as the parent Department.

None of the Commission members or any persons connected with them have any interest in any material transactions with HSC/HSE or received benefits from their suppliers during the year.

HSE Health and Safety Executive

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

I certify that I have audited the financial statements of the Health and Safety Executive for the year ended 31 March 2007 under the Health and Safety at Work etc. Act 1974. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Executive, Chief Executive and Auditor

The Executive and Chief Executive as Accounting Officers are responsible for preparing the financial statements in accordance with the Health and Safety at Work etc. Act 1974 and the Department for Work and Pensions' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission's, the Executive's, the Chairman's and the Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health and Safety at Work etc. Act 1974 and the Department for Work and Pensions' directions made thereunder. I also report whether, in my opinion, certain information given in the Annual Report, which comprises the Foreword, Achievements during the year, background information on key activities, Policy, Science, engineering and technology and Managing Our Business 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 Executive 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 Executive's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Executive'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 Executive and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Executive'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 Health and Safety at Work etc. Act 1974 and directions made thereunder by the Department for Work and Pensions, of the state of the Executive's affairs as at 31 March 2007 and of its net operating cost for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health and Safety at Work etc. Act 1974 and the Department for Work and Pensions directions made thereunder; and
- information given within the Annual Report, which comprises the Foreword, Achievements during the year, background information on key activities, Policy, Science, engineering and technology and Managing Our Business is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.



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

HSE Health and Safety Executive

Operating Cost Statement for the year ended 31 March 2007

	Notes	2006/07 £'000	Restated 2005/06 £'000
Administration costs			
Staff costs	3	155 913	151 877
Other administration costs	4	99 071	97 708
Gross administration costs		254 984	249 585
Operating income	6	(50 545)	(45 256)
EU income	6	(308)	(567)
Net administration costs		204 131	203 762
Programme costs			
Expenditure	5	37 930	42 267
Less income	5 and 6	(9 215)	(7 872)
Net programme costs		28 715	34 395
Net operating cost		232 846	238 157

Note: All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2007

	2006/07 £'000	2005/06 £'000
Net gain/(loss) on revaluation of tangible fixed assets (refer Note 14)	1 437	1 316
Actuarial loss on pensions by analogy	(157)	(504)
Total recognised gains and losses for the financial year	1 280	812

The Notes on pages 55 to 77 form part of these accounts.

HSE Health and Safety Executive

Balance Sheet as at 31 March 2007

		31 March 2007		Restated 31 March 2006	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7a		84 777		83 440
Intangible assets	7b		79		-
Debtors:					
falling due after more than one year	10		4 212		4 464
Current assets					
Stocks	9	1 525		1 249	
Debtors	10	25 825		23 220	
Cash at bank and in hand	11	101		542	
			27 451		25 011
Creditors (amounts falling due within one year)	12	(19 559)		(19 462)	
Net current assets			7 892		5 549
Total assets less current liabilities			96 960		93 453
Creditors (amounts falling due after more than one year)	12		(63 428)		(62 649)
Provisions for liabilities and charges	13		(5 936)		(4 400)
			27 596		26 404
Taxpayers' equity					
General fund	20		18 473		18 381
Revaluation reserve	14		9 123		8 023
			27 596		26 404

The Notes on pages 55 to 77 form part of these accounts.



Geoffrey Podger CB Chief Executive
Health and Safety Executive
Accounting Officer
14 June 2007

HSE Health and Safety Executive

Cash Flow Statement for the year ended 31 March 2007

	2006/07	Restated 2005/06
	£'000	£'000
Net cash outflow from operating activities	(227 676)	(217 524)
Capital expenditure and financial investment	(7 273)	(5 353)
Receipts due to DWP which are outside the scope of HSE's activities	304	1
Payments of amounts due to DWP	(2)	(1)
Financing	231 622	223 745
(Decrease)/increase in cash in the period	(3 025)	868

(See Note 15 for Notes to the Cash Flow Statement)

The Notes on pages 55 to 77 form part of these accounts.

HSE Health and Safety Executive

Notes to the Accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2006/07 Financial Reporting Manual (FReM) (www.financial-reporting.gov.uk) issued by HM Treasury. The particular accounting policies adopted by HSE are described below. They have been applied consistently in dealing with the items considered material in relation to the accounts. The financial statements consolidate the figures for the Health and Safety Laboratory (HSL).

The accounting policies contained in the FReM follow generally accepted accounting practice for companies (UK GAAP) to the extent that is meaningful and appropriate to the public sector.

(a) Accounts Direction

In accordance with Accounts Directions issued by the Secretary of State with the approval of the Treasury, the Health and Safety Commission and Health and Safety Executive have prepared a joint Statement of Responsibilities and Statement on Internal Control. HSE has no need to produce Parliamentary Control Schedules (the Statement of Parliamentary Supply and the Statement of Resources by Departmental Aims and Objectives) and the relevant information is contained in those schedules within DWP's accounts (refer HSC Accounts Note 2 with regard to Request for Resources).

(b) Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets (including the depreciated replacement cost of the specialist laboratory site at Buxton) and stocks, where material, at their value to the business by reference to their current costs.

(c) Government grants

Grants receivable

Pursuant to Section 43 of the Health and Safety at Work etc. Act 1974, the Commission has been financed by Request for Resources from DWP.

The Commission pays to the Executive such sums as the Commission considers appropriate for the purpose of enabling the Executive to perform its functions. The Request for Resources is credited to the General Fund in the year in which it is received.

Grants payable

Grants payable are recorded as expenditure in the period when the underlying event or activity giving entitlement to the grant has been completed.

(d) Tangible fixed assets

All assets are held by the Health and Safety Executive on behalf of the Health and Safety Commission.

Items of equipment costing less than £2000 are charged to expenditure in the year of purchase, except for computer equipment costing over £500 but less than £2000 and items of furniture costing less than £2000 which are grouped for capitalisation by year of acquisition.

Items of equipment purchased under research contracts and held by outside bodies are charged to expenditure in the year of purchase.

Fixed assets are capitalised at cost of acquisition and installation.

The respective values of all freehold properties and only those leasehold properties that qualify as finance leases (refer accounting policy Note m) are included in the Balance Sheet. Land and buildings are valued on an existing use basis except for the specialist laboratory site at Buxton which has been included at depreciated replacement cost.

Expenditure in respect of major capital refurbishment and improvement of properties occupied but not owned by HSE is capitalised because the expenditure provides a long-term continuing benefit to the organisation.

All land and building assets are assessed each year for the likelihood of a material change in value as at 31 March. Where the directors consider that it is likely that there has been a material change in value, assets are revalued using a professional valuation or appropriate indices. All other assets are subject to revaluation each year at 31 March, using a professional valuation or appropriate indices. Professional valuations, where appropriate, are undertaken at least every five years, in accordance with the FrEM and FRS15.

Jones Lang LaSalle professionally revalued all land and building assets on the Buxton site as at 31 March 2005. Additionally, the freehold property at Carlisle was independently valued at 31 March 2006 by Donaldsons, Chartered Surveyors. In each case, the valuations were in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors (RICS).

(e) Depreciation

Freehold land is not depreciated.

Depreciation is provided on all other tangible fixed assets from the date of acquisition.

Depreciation is calculated to write off the replacement cost or valuation of an asset evenly over its expected useful life, except for vehicles acquired for the car leasing scheme, where 60% of the original cost is depreciated over the three year life of the contract. Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to HSE respectively.

Tangible fixed assets are depreciated at the following rates to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

Buildings	Freehold	over 50 years or remaining life assessed by the valuers
	Leasehold	over period of lease or to next rent review except for HSL PFI building which is 60 years designed life
Specialist plant		over remaining life
Furniture		up to 15 years except for furniture under the HSL PFI contract which is 30 years
Office machinery, publicity and major scientific equipment		up to 10 years
IT equipment		up to 7 years
Printing/typesetting and telecommunications equipment		up to 7 years
Vehicles		up to 7 years
Motor vehicles leased to staff		up to 3 years

(f) Intangible assets

Software licences that exceed the capitalisation limit of £500, and which can be separately identified and used independently of a particular asset, are capitalised at cost as intangible fixed assets. Licences are amortised, on a straight-line basis, over the shorter of the licence period or five years. Amortisation is provided from the month of acquisition.

(g) Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. Surpluses arising on the revaluation of fixed assets are credited to the revaluation reserve. Deficits are charged to the reserve in respect of amounts previously credited; the balance of any deficit is charged to the Operating Cost Statement.

(h) Stocks and work in progress

Stocks and work in progress are valued as follows:

- finished goods and priced goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used. The cost of free publications is written off in the year in which it is incurred;
- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value;
- consumable stores items are charged to the Operating Cost Statement on receipt.

(i) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at the year-end.

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction and translation differences are dealt with through the Operating Cost Statement.

(j) Research

Expenditure on research is written off in the year in which it is incurred.

(k) Capital charge

A charge, reflecting the cost of capital utilised by HSE, is included in operating costs. The charge is calculated at the government's standard rate of 3.5% in real terms on the average of all assets less liabilities, except for donated assets and cash balances with Office of HM Paymaster General, where the charge is nil.

(l) Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in Note 3. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. HSE recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (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, HSE recognises the contributions payable for the year.

(m) Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by HSE, the asset is recorded as a tangible asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

(n) Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the organisation as defined under the administration cost-control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Executive.

In 2006/07, expenditure in respect of travel and subsistence, staff development and training and legal costs were accounted for on an accruals basis for the first time.

(o) Private Finance Initiative (PFI) transactions

PFI transactions (refer Note 22) have been accounted for in accordance with Treasury Technical Note No. 1 (Revised), entitled How to Account for PFI transactions as required by the Financial Reporting Manual. Where the balance of risk and rewards of ownership of the PFI asset are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where HSE has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to HSE, the difference between the expected fair value of the residual assets on reversion

and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI asset is borne by HSE, the asset is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

(p) Provisions

HSE provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2% (2005/06 – 2.2%) in real terms.

(q) Contingent liabilities

Disclosure conforms to FRS 12, including discounting where the time value of money is material.

(r) Value Added Tax

Most of HSE's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

(s) Operating income

Operating income is income which relates directly to the operating activities of HSE. It principally comprises fees and charges for services provided on a full cost basis to external customers. Operating income is stated net of VAT.

2 Transfer of functions and restatements

Restatement of Balance Sheet and Operating Cost Statement at 31 March 2006

	Published accounts at 31 March 2006	Function transferred to Office of Rail Regulation	Restatements due to change of accounting policy	Restated at 31 March 2006
	£'000	£'000	£'000	£'000
Balance Sheet				
Fixed assets				
Tangible fixed assets	83 482	(42)	-	83 440
Debtors falling due after more than one year	4 468	(4)	-	4 464
Current assets				
Stocks	1 249	-	-	1 249
Debtors	25 084	(1 864)	-	23 220
Cash in bank and in hand	542	-	-	542
Creditors (amounts falling due within one year)	(18 964)	581	(1 079)	(19 462)
Creditors (amounts falling due after more than one year)	(62 649)	-	-	(62 649)
Provisions for liabilities and charges	(4 400)	-	-	(4 400)
Net assets	28 812	(1 329)	(1 079)	26 404
Taxpayers equity				
General fund	20 789	(1 329)	(1 079)	18 381
Revaluation reserve	8 023	-	-	8 023
	28 812	(1 329)	(1 079)	26 404
Operating Cost Statement				
Staff costs	161 036	(9 159)	-	151 877
Other administration costs	100 518	(3 889)	1 079	97 708
Gross administration costs	261 554	(13 048)	1 079	249 585
Operating income	(51 119)	5 863	-	(45 256)
EU Income	(567)	-	-	(567)
Net administration costs	209 868	(7 185)	1 079	203 762
Programme costs				
Expenditure	42 280	(13)	-	42 267
Income	(7 872)	-	-	(7 872)
Net programme costs	34 408	(13)	-	34 395
Net operating cost	244 276	(7 198)	1 079	238 157

Reported figures at 31 March 2006 have been restated as a result of the following:

- Responsibility for rail safety functions was transferred to the Office of Rail Regulation at 1 April 2006.
- Adjustments in respect of expenditure (travel and subsistence, staff development and training and legal costs) that were accounted for on an accruals basis for the first time in 2006/07.

3 Staff numbers and costs of the Health and Safety Executive

(a) Staff costs

	2006/07			Restated 2005/06
	£'000	£'000	£'000	£'000
	Staff with a permanent UK contract	Other staff engaged on the objectives of HSE	Total	Total
Wages and salaries	119 058	2 976	122 034	119 345
Social security costs	9 886	43	9 929	9 904
Other pension costs	24 680	94	24 774	23 251
Total	153 624	3 113	156 737	152 500
Less recoveries in respect of outward secondments	(824)	-	(824)	(623)
Total net costs	152 800	3 113	155 913	151 877

Note: The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but HSE is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006/07 employer contributions of £24.7 million were payable to the PCSPS (2005/06 – £24.5 million) at one of the four rates in the range 17.1 to 25.5% of pensionable pay (2005/06 – 16.2 to 24.6%), based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007/08, the salary bands will be revised but the rates will stay the same. The contribution rates are set to meet the costs 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.

Outstanding contributions amounting to £2.3 million were payable to the Civil Superannuation Vote at 31 March 2007 and are included in creditors (see Note 12).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £26 746 (2005/06 – £17 736) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1745, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum payments on death in service and ill health of these employees.

Six people retired early on ill-health grounds (2005/06 – five people); the total additional accrued pension liabilities in the year amounted to £10 225 (2005/06 – £7233). These liabilities are not the responsibility of HSE but are to be paid by the Civil Superannuation Vote.

(b) The average number of whole time equivalent persons employed during the year

2006/07			Restated 2005/06
Permanently employed staff	Other staff engaged on the objectives of HSE	Total	Total
3 604	71	3 675	3 857

4 Non-staff administration costs of the Health and Safety Executive

	2006/07	Restated 2005/06
	£'000	£'000
Rentals under operating leases:		
Hire of plant and machines	6	41
Operating leases	8 637	9 247
PFI service charges:		
Off-balance sheet contracts	27 773	24 761
On-balance sheet PFI contracts	3 323	3 216
Interest charges - On-balance sheet PFI contracts	5 588	5 442
Auditor's remuneration	94	83
Non-cash items:		
Depreciation and amortisation of fixed assets	6 291	6 281
Cost of capital charge	1 007	1 161
Loss on revaluation of fixed assets	159	151
Loss on disposal of fixed assets arising from Redgrave Court relocation	-	527
Other (profit)/loss on disposal of fixed assets	241	159
Provisions: Provided in year	2 576	1 604
Unwinding of discount on provisions	30	22
Other non-cash items	5	97
Other expenditure	43 341	44 916
	99 071	97 708

Note: Travel, subsistence and hospitality expenses for the Executive members were £36 529 (2005/06 – £34 977), while the total for all other staff was £11 039 873 (2005/06 – £11 435 269 (restated)).

There were no payments made to the National Audit Office (NAO) for non-audit work carried out in the year.

Analysis of other expenditure

	2006/07	Restated 2005/06
	£'000	£'000
Accommodation	13 968	13 593
Travel and subsistence	11 076	11 470
Other	18 297	19 853
	43 341	44 916

5 Net programme costs

	2006/07	Restated 2005/06
	£'000	£'000
Research	15 522	19 904
Publicity, marketing and distribution	12 621	14 916
Current grants and other current expenditure	9 787	7 447
Subtotal	37 930	42 267
Less programme income	(9 215)	(7 872)
Net total	28 715	34 395

6 Income

The activities of the Executive include certain chargeable services, each of which is subject to a financial objective of full cost recovery. Memorandum Trading Accounts are prepared where the cost of a particular service exceeds £100 000. The charges for these activities, which are exclusive of VAT, include provision for the recovery of notional interest, apart from the licensing of nuclear installations where the notional charge is not an expense that can be recovered under the Nuclear Installations Act 1965.

	Cost	Income	Surplus/ (deficit)	Restated surplus/ (deficit)
	2006/07			2005/06
	£'000	£'000	£'000	£'000
(i) HSE fees and charges				
Licensing of nuclear installations	24 211	24 211	-	-
Safety-related research in the nuclear industry	586	586	-	-
Genetically modified organisms	78	121	43	(2)
First-aid approvals	279	168	(111)	(124)
Asbestos Licensing Unit	367	376	9	7
FEPA fees and levy	561	561	-	-
Authorisation of biocides and pesticides	674	911	237	49
Notification of new substances	320	444	124	65
Control of major accident hazards	6 678	6 690	12	(164)
Enforcement of offshore safety legislation	8 526	8 047	(479)	641
Enforcement of gas safety management regulations	447	434	(13)	(48)
Total HSE fees and charges	42 727	42 549	(178)	424
Health and Safety Laboratory external customers	5 653	5 653		
Health and Safety Laboratory EU income	204	204		
Other fees and agency charges	-	121		
Total HSL income	5 857	5 978		
Total fees and charges at 31 March 2007	48 584	48 527		
Total fees and charges at 31 March 2006 (restated)	44 159	44 663		
(ii) HSE sales and other income				
Sale of publications	2 460	3 852	1 392	1 360
Other sales/income		7 585		
EU income	104	104		
Total sales and other income at 31 March 2007	2 564	11 541		
Total sales and other income at 31 March 2006 (restated)	2 961	9 032		

This analysis conforms to the HM Treasury's *The Fees and Charges Guide* and is not intended to comply with SSAP 25 Segmental Reporting.

Breakdown of 2006/07 income per the Operating Cost Statement

	HSE fees and charges	HSL income	HSE sales and other income	Total per Operating Cost Statement
	£'000	£'000	£'000	£'000
Operating income	42 549	121	7 875	50 545
EU income		204	104	308
Programme income		5 653	3 562	9 215
Total per note 6	42 549	5 978	11 541	60 068

7a Tangible fixed assets

	Land and Buildings	Information Technology	Motor Vehicles	Plant and Machinery	Furniture and Fittings	Payments on Account and Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2006 (restated)	78 578	3 528	3 239	13 303	10 815	1 845	111 308
Reclassifications (cost)	844	-	-	146	-	(990)	-
Additions in year	2 420	325	791	710	896	1 756	6 898
Revaluations in year	1 250	(93)	35	(95)	205	-	1 302
Disposals during year	(245)	(185)	(753)	(363)	(248)	-	(1 794)
Balance at 31 March 2007	82 847	3 575	3 312	13 701	11 668	2 611	117 714
Depreciation at 1 April 2006 (restated)	11 354	2 752	1 068	9 186	3 508	-	27 868
Charge in year	3 598	360	567	853	907	-	6 285
Revaluations in year	57	(46)	12	(64)	65	-	24
Disposals during year	(66)	(185)	(435)	(326)	(228)	-	(1 240)
Accumulated depreciation at 31 March 2007	14 943	2 881	1 212	9 649	4 252	-	32 937
Net book value at 31 March 2007	67 904	694	2 100	4 052	7 416	2 611	84 777
Net book value at 31 March 2006 (restated)	67 224	776	2 171	4 117	7 307	1 845	83 440
Asset financing							
Owned	11 125	694	2 100	4 052	4 890	1 896	24 757
Finance leased	-	-	-	-	-	-	-
On-balance sheet PFI contracts	56 779	-	-	-	2 526	-	59 305
PFI residual interests	-	-	-	-	-	715	715
Net book value at 31 March 2007	67 904	694	2 100	4 052	7 416	2 611	84 777

Depreciation charged in the year on assets under the PFI contract was £1.055 million (2005/06 – £1.036 million).

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

The net book value of land and buildings at 31 March 2007 comprises:	Freeholds	Short leaseholds	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2006	5 360	58 127	15 091	78 578
Reclassifications	-	-	844	844
Additions in year	30	-	2 390	2 420
Revaluations in year	(1)	1 251	-	1 250
Disposals during year	(20)	(225)	-	(245)
Balance at 31 March 2007	5 369	59 153	18 325	82 847
Depreciation at 1 April 2006	146	1 411	9 797	11 354
Charge in year	161	977	2 460	3 598
Revaluations in year	7	50	-	57
Disposals during year	(2)	(64)	-	(66)
Accumulated depreciation at 31 March 2007	312	2 374	12 257	14 943
Net book value at 31 March 2007	5 057	56 779	6 068	67 904
Net book value at 31 March 2006	5 214	56 716	5 294	67 224

7b Intangible assets

	Software licences
	£'000
Cost or valuation at 1 April 2006	0
Additions in year	85
Revaluations in year	0
Disposals during year	0
Balance at 31 March 2007	85
Amortisation at 1 April 2006	0
Charge in year	6
Revaluations in year	0
Disposals during year	0
Accumulated depreciation at 31 March 2007	6
Net book value at 31 March 2007	79
Net book value at 31 March 2006	0

With effect from 1 April 2006, software assets, being those over the capitalisation limit of £500, which can be separately identified and used independently of a particular tangible fixed asset, are capitalised as intangible fixed assets.

8 Movements in working capital other than cash

	2006/07	Restated 2005/06
	£'000	£'000
Increase)/decrease in stocks/work-in-progress	(276)	371
(Increase) in debtors	(2 352)	(593)
(Decrease)/increase in creditors falling due within one year	(2 497)	7 645
Net (increase)/decrease in working capital other than cash	(5 125)	7 423
Less decrease/(increase) in capital creditor	603	(502)
	(4 522)	6 921

9 Stocks and work in progress

	2006/07	2005/06
	£'000	£'000
Consumables	0	48
Work-in-progress	721	446
Finished stock for sale	804	755
	1 525	1 249

10 Debtors

10(a) Analysis by type

	2006/07	Restated 2005/06
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	6 504	6 461
Imprest/advances	494	447
Prepayments	3 087	1 726
Current part of PFI prepayment	153	153
Taxation: VAT debtor	2 116	3 913
Other debtors	42	3
Accrued income	13 429	10 517
	25 825	23 220
Amounts falling due after more than one year:		
PFI prepayment	4 076	4 230
Other prepayments	2	56
Imprests/advances	134	178
	4 212	4 464
Total	30 037	27 684

Note: The imprests/advances total of £627 122 (2005/06 – £625 270) includes £185 897 (2005/06 – £243 063) advances of salary for house purchase, £157 112 (2005/06 – £157 064) advances of salary for season ticket purchase, £134 257 (2005/06 – £144 097) imprests and £149 856 (2005/06 – £81 046) other advances. There were 32 officers who had £2500 or more outstanding at 31 March 2007 which totalled £181 957 (2005/06 – £224 037, relating to 38 officers). (All 2005/06 balances are restated.)

10(b) Intra-government balances

	Amounts falling due within one year		Amounts falling due after one year	
	£'000	£'000	£'000	£'000
	2006/07	Restated 2005/06	2006/07	Restated 2005/06
Balances with other central government bodies	3 517	5 013	-	-
Balances with local authorities	380	53	-	-
Balances with NHS Trusts	17	15	-	-
Balances with public corporations and trading funds	2 367	2 035	-	-
Subtotal: intra-government balances	6 281	7 116	-	-
Balances with bodies external to government	19 544	16 104	4 212	4 464
Total debtors at 31 March	25 825	23 220	4 212	4 464

11 Cash at bank and in hand

	2006/07	2005/06
	£'000	£'000
Balance at 1 April	542	(326)
Net change in cash balances	(441)	868
Balance at 31 March	101	542
Add Office of HM Paymaster General balance in creditors	(2 584)	-
	(2 483)	542
The following balances at 31 March are held at:		
Office of HM Paymaster General	(2 584)	276
Commercial banks and cash in hand	101	266
	(2 483)	542

12 Creditors**12(a) Analysis by type**

	2006/07	Restated 2005/06
	£'000	£'000
Amounts falling due within one year:		
Trade creditors: non capital	632	1 897
Trade creditors: capital	231	834
Other creditors	5 723	7 201
Accruals and deferred income	10 086	9 529
Balance with Office of HM Paymaster General	2 584	-
Receipts payable to DWP	303	1
	19 559	19 462
Amounts falling due after more than one year:		
Imputed finance lease element of on-balance sheet PFI contracts	60 055	59 139
Other creditors	3 373	3 510
	63 428	62 649
Total	82 987	82 111

12(b) Intra-government balances

	Amounts falling due within one year		Amounts falling due after one year	
	2006/07	2005/06	2006/07	2005/06
	£'000	£'000	£'000	£'000
Balances with other central government bodies	5 626	7 306	-	-
Balances with local authorities	33	297	-	-
Balances with NHS Trusts	28	29	-	-
Balances with public corporations and trading funds	152	710	-	-
Subtotal: intra-government balances	5 839	8 342	-	-
Balances with bodies external to government	13 720	11 120	63 428	62 649
Total creditors at 31 March	19 559	19 462	63 428	62 649

13 Provisions for liabilities and charges

	Early departure costs	Dilapidations	Chair's Pension by analogy	Other	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2006	2 277	755	1 052	316	4 400
Increase in provision	1 678	1 008	244	21	2 951
Provisions not required written back	(37)	(94)	-	-	(131)
Amounts utilised	(1 211)	-	(26)	(77)	(1 314)
Unwinding of discount	30	-	-	-	30
Balance at 31 March 2007	2 737	1 669	1 270	260	5 936

Early departure costs

HSE meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to PCSPS over the period between early departure and normal retirement date. HSE provides for this in full when the early retirement programme becomes binding on HSE by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms. In past years HSE paid some of its liability for early retirement in advance and the balance remaining is treated as a prepayment.

Legal claims

Provision has been made for various legal claims against HSE. The provision (which is included in 'other') reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. No reimbursement will be received in respect of any of these claims.

Legal claims which may succeed but are less likely to do so or cannot be reliably estimated are disclosed as contingent liabilities in Note 23.

Provision for Chairman of HSC

Provision has been made for the Chairman's pension in HSE's accounts as if he were a member of the PCSPS. The provision (detailed above) reflects the valuation made by the Government Actuaries Department (GAD) at 31 March 2007 and includes both provision for the pension of the current Chairman, and also for retired Chairmen currently in receipt of a pension. This amounts to £1 270 000 and a breakdown of the GAD calculation is as follows:

	2006/07
	£'000
Present value of scheme liabilities at start of year	1 052
Current service cost (net of employee contributions)	28
Employee contributions	2
Interest cost	57
Actuarial losses	157
Less benefits paid	(26)
Present value of scheme liabilities at end of year	1 270

The current service and interest cost elements are a charge to HSC's operating costs.

14 Reserves

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	2006/07	2005/06
	£'000	£'000
Revaluation reserve		
Balance at 1 April	8 023	7 325
Arising on revaluation during the year (net)	1 437	1 316
Transfer to general fund of realised element of revaluation reserve	(337)	(618)
Balance at 31 March	9 123	8 023

15 Notes to the Cash Flow Statement

15(a) Reconciliation of operating cost to operating cash flows	2006/07	Restated 2005/06
	£'000	£'000
Net operating cost	232 846	238 157
Adjust for non-cash transactions	(10 519)	(10 029)
Adjust for movements in working capital other than cash	8 4 522	(6 921)
Less movements in creditors not through Operating Cost Statement	301	-
Adjust for movement in creditors more than one year	137	(3 510)
Interest element of finance lease payment	(924)	(1 707)
Use of provisions	13 1 313	1 534
Net cash outflow from operating activities	227 676	217 524
15(b) Analysis of capital expenditure and financial investment		
Purchase of fixed assets	7 586	6 411
Proceeds of disposal of fixed assets	(313)	(1 058)
Net cash outflow from investing activities	7 273	5 353
15(c) Analysis of financing and reconciliation to the net cash requirement		
From DWP	231 622	223 745
Decrease/(increase) in cash	3 025	(868)
Adjustment for payments and receipts not related to supply		
Amounts due to DWP		
– received in a prior year and paid over	(1)	(1)
– received and not paid over	303	1
Net cash requirement	234 949	222 877

Reconciliation of net cash outflow as per Note 11 to movement in cash as per Cash Flow Statement

	2006/07
	£'000
Net Cash inflow (outflow) as per Note 11	(441)
Balance with Office of HM Paymaster General	(2 584)
(Decrease)/increase in cash in the period as per Cash Flow Statement	(3 025)

16 Capital commitments

	2006/07	2005/06
	£'000	£'000
Contracted commitments for which no provision has been made	533	288

17 Losses and special payments

	2006/07	2005/06	2006/07	2005/06
	No. of Cases	No. of Cases	£'000	£'000
Cash	4	12	2	5
Claims abandoned	240	180	354	193
Administrative losses	-	-	-	-
Fruitless payments	25	46	14	13
Stores	1	1	102	222
Special payments	36	36	24	20
	306	275	496	453

Note: Special payments made by HSE to staff and members of the public totalled 36 cases in 2006/07 to the value of £24 420.52.

18 Commitments under non-PFI operating leases

At 31 March 2007 HSE was committed to making the following payments during the next year, analysed according to the period in which the lease expires:

	2006/07		2005/06	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Leases expiring within:				
One year	82	-	92	3
After one year but not more than five years	1 681	2	1 179	2
More than five years	9 571	-	8 334	-
	11 334	2	9 605	5

19 Commitments under non-PFI finance leases

HSE does not currently have any obligations under non-PFI finance leases.

20 General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2006/07	Restated 2005/06
	£'000	£'000
Balance at 1 April	18 381	31 496
Net operating cost for the year (Operating Cost Statement)	(232 846)	(238 157)
Net parliamentary funding	231 622	223 745
Transferred to general fund in respect of realised element of revaluation reserve (Note 14)	337	618
Release from general fund (Chairman's pension)	(158)	(537)
Release from general fund (other)	130	-
Non-cash charges and receipts (DWP services)	-	97
Cost of capital	1007	1 161
Assets transferred to OGDs	-	(42)
Balance at 31 March (Balance Sheet)	18 473	18 381

21 Related party transactions

The Health and Safety Executive is an Executive Non-Departmental Public Body with Crown status and is sponsored by DWP.

DWP is regarded as a related party. During the year, HSE had several transactions with DWP that mainly related to the provision of pension services and premises costs. HSC and HSE did not have material transactions with other entities for which DWP is regarded as the parent Department.

In addition, HSE had a number of material transactions with other government departments and other central government bodies. The significant transactions have been with the Cabinet Office, Department for Environment, Food and Rural Affairs, Department of Health, Department for Transport, Department of Trade and Industry, Health Protection Agency, Treasury Solicitor, Ministry of Defence, Office for National Statistics, Office of the Rail Regulator, and UK Atomic Energy Authority (UKAEA) Fusion. Transactions mainly relate to premises, research, training, computer, legal services and administrative expenditure together with relevant income from the provision of health and safety advice and services. None of the Executive members, the Chief Executive or senior managers, or any person connected with these, had any interest in any material transactions with HSE or received benefits from HSE suppliers during the year.

22 Commitments under PFI contracts

Off-balance sheet

HSE has entered into two contracts let under the Private Finance Initiative (PFI) that have been assessed under Financial Reporting Standard (FRS) 5 as being off HSE's balance sheet. The intention of the contracts is that the majority of the risks are transferred to the party best able to manage them and in these cases this is the private sector supplier.

Merseyside Headquarters (Redgrave Court)

HSE has signed a 30-year 'design, build, finance and operate' contract with Kajima Development (Bootle Accommodation Partnerships) Ltd for the provision of fully serviced accommodation in Bootle, Merseyside. The contract runs from October 2003 to May 2035. The estimated capital value of the contract is £60 million.

IT Services

HSE have streamlined the management of its IT service by placing all of its IT services with a single strategic partner who will have responsibility for delivery and end to end service. In June 2001, HSE signed a ten-year contract with a partner (LogicaCMG with Computacenter as the key subcontractor) for the provision of information and communications technology and information strategy (IS) service across all HSE sites and to all HSE users. The estimated capital value of the contract is £26.5 million.

Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions was £27 772 714 (2005/06 – £25 436 403); and the payments to which HSE is committed during 2007/08, analysed by the period during which the commitment expires, are as follows:

	2007/08	2006/07
	£'000	£'000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	16 018	-
Expiry within 6 to 10 years	-	18 470
Expiry within 11 to 15 years	-	-
Expiry within 16 to 20 years	-	-
Expiry within 21 to 25 years	-	-
Expiry within 26 to 30 years	7 925	7 865

On-balance sheet

With effect from 28 October 2004, HSL took occupation of serviced accommodation for laboratory and support functions provided under a 32 years and 29 weeks term 'design, build, finance and operate' contract with Investors in the Community (Buxton) (ICB) Ltd.

The transactions arising out of this contract have been accounted for in accordance with Technical note no.1 (Revised), entitled How to Account for PFI Transactions as required by the FReM. As the balance of the risks and rewards of ownership of the PFI property, situated at Harpur Hill, Buxton, is borne by HSL, rather than the PFI provider, ICB Ltd, the buildings and furniture provided under the contract are included in HSL's balance sheet as fixed assets. The liability to pay for these assets is in substance a finance lease obligation. Contractual payments comprise an imputed finance lease charge and a service charge.

As part of the PFI contract, HSL handed over all of the land and buildings at the Sheffield site to ICB Ltd, and a prepayment for their fair value of £4.6 million, as determined by the contract, is recognised in the accounts and amortised evenly over the life of the PFI contract.

The Accounts are prepared on the basis that the economic effect of granting a lease at Buxton to ICB Ltd is not material because the difference between the existing use value of the freehold land at Buxton as at 31 March 2007 and the value of the reversionary interest in the freehold land as at October 2034, is not significant, given the location of, and potential uses for, the Buxton site.

Imputed finance lease obligations under on-balance sheet PFI contracts comprises:

	2007/08	2006/07
	£'000	£'000
Rentals due within 1 year	4 871	4 673
Rentals due after 1 but within 2 years	4 884	4 764
Rentals due after 2 years but within 5 years	15 806	15 263
Rentals due after 5 years but within 10 years	29 702	28 799
Rentals due after 10 years but within 15 years	34 228	33 311
Rentals due after 15 years but within 20 years	39 044	38 092
Rentals due after 20 years but within 25 years	44 411	43 279
Rentals due after 25 years but within 30 years	25 081	34 412
Subtotal	198 027	202 593
Less interest element	(137 973)	(143 454)
Total	60 054	59 139

Charge to the Operating Cost Statement and future commitments

The total amount charged to HSL's Income and Expenditure account in respect of the service element of on-balance sheet PFI transactions was £3 323 252, (2005/06 – £3 215 603), both figures adjusted to include release of prepayment of £153 400, and, subject to ICB Ltd achieving contracted levels of service and availability, the value of the payments to which HSL is committed in respect of the following financial year is:

	2006/07	2005/06
	£'000	£'000
Expiry within 26 to 30 years	3 304	3 170

23 Contingent liabilities

HSE is currently defending two equal-pay cases. In October 2003, HSE successfully appealed at an Employment Appeal Tribunal against an Employment Tribunal decision handed down in July 2002. That appeal was subject to cross appeal and in October 2004 the Court of Appeal referred a point of law to the European Court of Justice (ECJ). The ECJ judgment was handed down in October 2006, following which the Court of Appeal remitted the case back to the Employment Tribunal for a rehearing. No date has yet been fixed for this rehearing.

Towards the end of the 2005/06 financial year, both HSL and a main contractor engaged by HSL, received claims alleging that injuries had been incurred by an employee of a sub-contractor engaged by the main contractor to work on HSL's site at Buxton. The matter remains the subject of both a police investigation and a HSE investigation, the confidential nature of which means that HSL is still awaiting further information to enable it to assess its position with regard to any potential liability.

HSE is defending a claim for compensation brought by a small number of staff which alleges that HSE is in breach of contract and that those breaches are ongoing. The basis of their claim is that in 2004 HSE imposed a new pay system without their agreement, which financially disadvantaged them. HSE is defending the case which is due to be heard at an Employment Tribunal in June 2007.

24 Financial instruments

FRS 13 (Derivatives and Other Financial Instruments) requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of our activities and the way in which government bodies are financed, HSE is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in their ability to create or change risk than would be typical of the listed companies to which FRS 13 mainly applies. HSE has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing HSE in undertaking its activities.

Financial assets

These are non-interest-bearing imprests and advances to staff falling due after more than one year, as detailed in Note 10. As at 31 March 2007, the weighted average period to maturity was 4.4 years (2005/06 – 4.8 years).

Foreign currency risk

HSE's exposure to foreign currency risk is not significant. The foreign exchange loss for 2006/07 was £1 589 (£7 453 for 2005/06). Disclosure of debtors and creditors due and payable after one year is made in the respective Notes to the Accounts.

Fair values

The fair values of HSE's financial assets have been calculated as £126 202 at 31 March 2007 (£170 082 at 31 March 2006). The basis of fair valuation has been to discount cash flows by the real rate set by HM Treasury (currently 2.2%).

Liquidity risk

HSE's net revenue resource requirements are financed by resources voted annually by Parliament. HSE is not therefore exposed to significant liquidity risk.

Interest rate risk and profile

All of HSE's financial assets and liabilities carry nil rates of interest and hence are not exposed to significant interest rate risk.

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