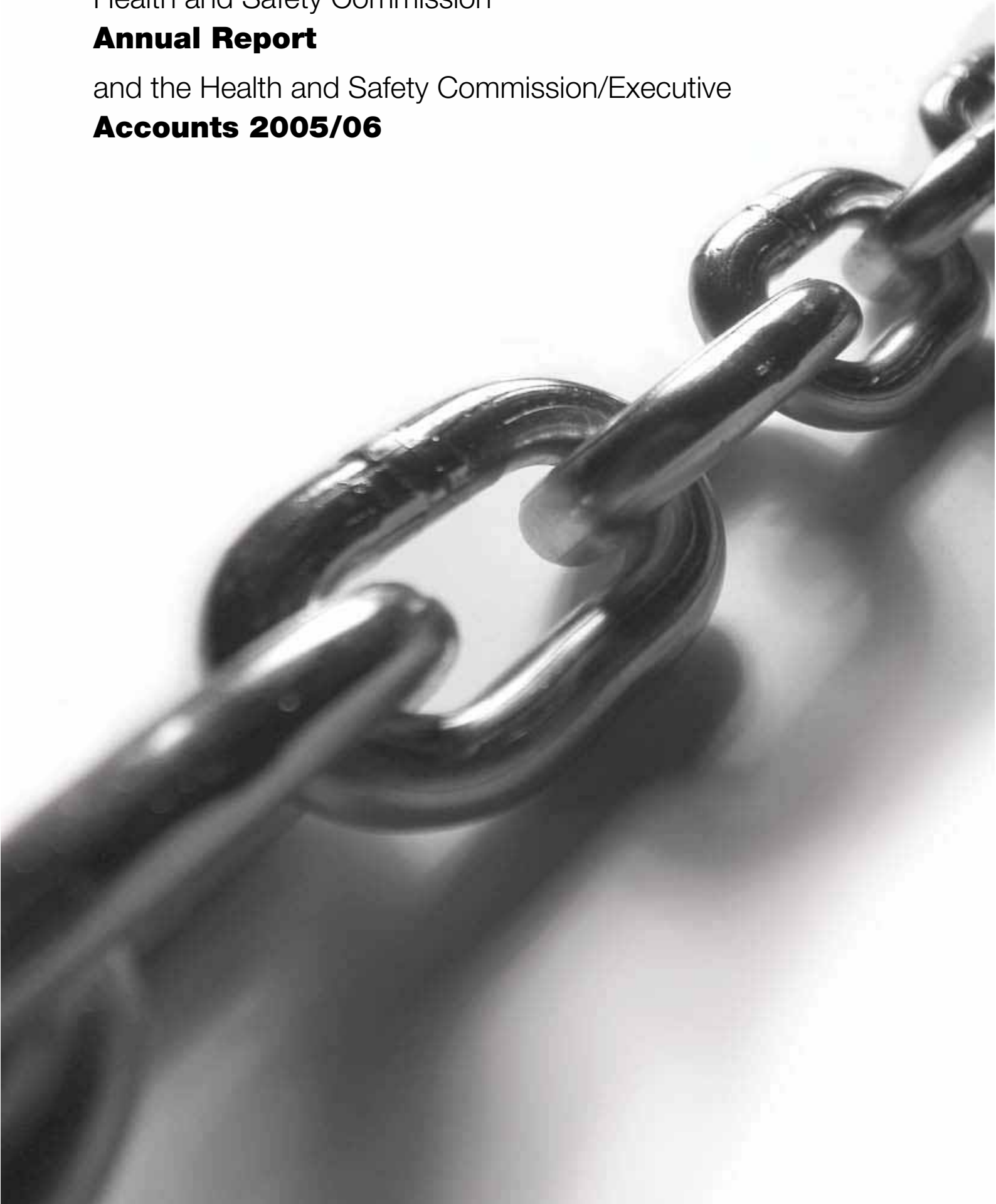


Health and Safety Commission

**Annual Report**

and the Health and Safety Commission/Executive

**Accounts 2005/06**



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ISBN 0 10 293814 8

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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 29 June 2006.

London: The Stationery Office

HC 1115

This report can be downloaded free from the HSE website at [www.hse.gov.uk/aboutus/reports/0506](http://www.hse.gov.uk/aboutus/reports/0506)



**Part 1** Health and Safety Commission  
Annual Report 2005/06





## 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 chemicals, the safety of the gas grid, railway safety and many other aspects of the protection both of workers and the public. (Her Majesty's Railway Inspectorate and Railways Policy transferred from HSE to the Office of Rail Regulation (ORR) on 1 April 2006.) 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 became Secretary of State for Work and Pensions in November 2005, the post previously held by the Rt Hon David Blunkett MP. Lord Philip Hunt of Kings Heath OBE is DWP's Parliamentary Under Secretary (Lords) with responsibility for occupational health and safety.

For further information, please refer to the *Management commentary* (pages 20-28) or visit our website at: [www.hse.gov.uk](http://www.hse.gov.uk)

### The Health and Safety Commission



**Bill Callaghan** (Chair)



**Margaret Burns** CBE



**Danny Carrigan**



**Judith Donovan** CBE



**Dr Sayeed Khan**



**John Longworth**



**Hugh Robertson**



**Elizabeth Snape**

### New commissioners:



**Sandy Blair** CBE  
(appointment commenced 1 April 2006)



**John Spanswick**  
(appointment commenced 1 May 2006)

### Past commissioners:



**Judith Hackitt**  
(appointment ended 28 February 2006)



**Cllr Joyce Edmond-Smith**  
(appointment ended 31 March 2006)

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

### The Health and Safety Executive



**Geoffrey Podger**  
Chief Executive  
(appointed 28 November 2005, following the retirement of Timothy Walker on 30 September 2005)



**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

This report summarises the invaluable work undertaken by colleagues in HSE and local authorities to improve health and safety in Great Britain.

The Commission are proud to have played their part in this process and were pleased to discuss the welcome progress towards meeting the Revitalising Health and Safety targets with stakeholders in November 2005. Further details are in the report but the latest figures show over four million fewer working days lost because of injury and ill health in 2004/05 compared with the position at the beginning of the decade.

We aim to be a modern regulator, committed to protecting people at work, but committed also to meeting the Better Regulation challenge.

The HSC/E's draft simplification plan for regulation, published in November 2005, which was commended by the Chair of the Government's Better Regulation Task Force,\* is founded upon our risk-based targeted approach to the enforcement of legislation that is comprehensible and easy to comply with.

The Government, Commission and HSE have been actively campaigning over the course of the year to promote a debate around 'sensible risk' and tackling 'risk aversion'. We have engaged to good effect with a number of key stakeholders including politicians, employer organisations, trade unions, insurers, lawyers and professional bodies.

The Buncefield Oil Depot explosion and fire is a salutary reminder that risks to workers and the public still have to be properly controlled. In December 2005 the Commission, exercising its powers under Section 14(2)(a) of the Health and Safety at Work etc Act 1974, formally asked HSE and the Environment Agency (EA) to investigate. The Commission appointed an Investigation Board comprising an independent chair, Lord Newton of Braintree, two independent members and HSE and EA staff. We have made clear that the investigation should be thorough and impartial and that, subject to legal considerations, there should be no delay in sharing with industry and communities close to major hazard sites the lessons learnt from this incident.

The transfer of HSE's rail safety functions to the Office of the Rail Regulator (ORR) took place at 1 April 2006. HSC/E can look back with pride over 16 years during which it had stewardship for rail safety. I wish HSE staff who transferred to ORR well in continuing to meet the challenges of improving the health and safety of rail workers and passengers.

It was with great sadness that the Commission learnt of George Brumwell's death in November 2005. George, General Secretary of the Union of Construction and Allied Trades and a member of the Commission from 1998–2004, made an immense contribution to driving health and safety improvements in the construction industry.

The year also marked the departure of two Commissioners: Judith Hackitt, who had served from 2002, and Joyce Edmond-Smith, who had served from 1997. Their work in promoting health and safety is greatly appreciated.

Timothy Walker retired in September 2005 after five years as HSE's Director General. The Commission thanks Timothy for his contribution, welcomes the new Chief Executive, Geoffrey Podger, and looks forward to working with him and all HSE colleagues in the coming year.



**Bill Callaghan** Chairman  
Health and Safety Commission

\* The Better Regulation Task Force became the Better Regulation Commission in January 2006.



## Chief Executive's foreword

This is the first Annual Report to which I have the pleasure of contributing a foreword following my appointment as HSE Chief Executive in November 2005. Within that short space of time I have been deeply impressed by the commitment and professionalism of all my HSE colleagues and by the paramount need to continue to be vigilant in protecting the health and safety of those at work, co-operating closely with other enforcers, responsible employers and employees themselves.

HSE can, in my view, take considerable satisfaction in the achievements of the past year. Much has been done to strengthen our relationship with local authority colleagues, business and community leaders and with trade unions. The *Backs! 2005* campaign was, for example, a major communications success and gives us a sound basis to continue the work with stakeholders. A lot of work has been done to ensure both that we remain a responsible and balanced regulator and to combat excesses of risk complacency and risk aversion. Neither have a place in our thinking or actions. It is also important to stress that during the year, not only new innovative approaches, but also the more traditional inspection and enforcement roles of HSE were key to maintaining and enhancing workplace safety and well-being.

Finally, I should put on record HSE's appreciation of the Health and Safety Commission's key role in taking forward the health and safety agenda. Bill Callaghan, as Chair, and all the Commissioners have not only worked tirelessly for our joint agenda, but have also given up much of their time to supporting and encouraging the staff of the Executive at many different levels in a myriad of activities. This is much appreciated.



**Geoffrey Podger** CB Chief Executive  
Health and Safety Executive



# How we work

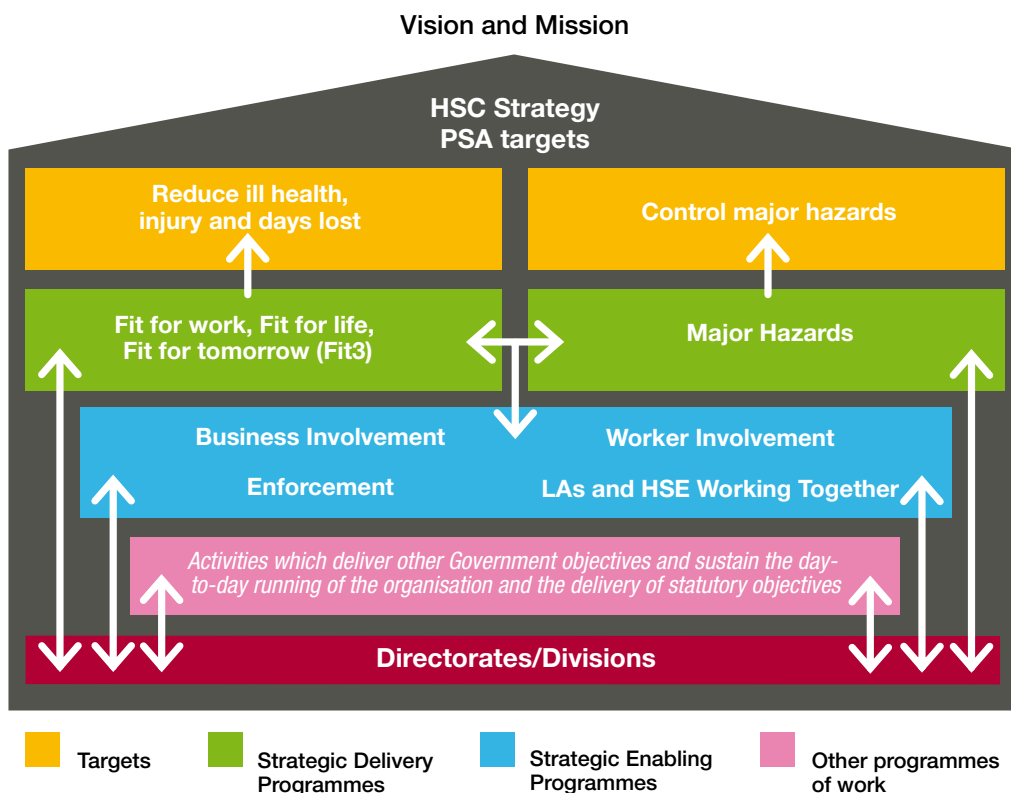


Figure 1 Links between our workstreams, Strategy, PSA targets, vision and mission

## Our vision and mission

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/E's **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

HSC's *Strategy for workplace health and safety to 2010 and beyond* ([www.hse.gov.uk/aboutus/hsc/strategy.htm](http://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.
- 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.

## The Public Service Agreement (PSA)

The workplace health and safety PSA is:

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

We will measure progress towards the PSA against six sub-targets, grouped under the two main areas of HSC's work: **conventional health and safety** (workers' injury, ill health, and resulting working days lost) and **major hazards** (precursor incidents in the nuclear, offshore and onshore sectors).

Further information on the PSA targets and our performance towards them is included in the *Management commentary* (pages 20-28). You can also find PSA performance data in DWP's Departmental ([www.dwp.gov.uk/publications/dwp/2006/dr06](http://www.dwp.gov.uk/publications/dwp/2006/dr06)) and Autumn Performance ([www.dwp.gov.uk/publications/dwp/2005/autumnreport](http://www.dwp.gov.uk/publications/dwp/2005/autumnreport)) Reports.

## The Strategic Programmes

There are many different areas of work that contribute to delivering our vision, mission and the PSA. We have grouped the main workstreams within our six Strategic Programmes.

There are:

- two Strategic Delivery Programmes (SDPs):
  - **Fit for work, Fit for life, Fit for tomorrow (Fit3)** is designed to deliver the conventional health and safety sub-targets; and
  - **Major Hazards** regulates and assures safe management of those industries where failure to manage risks can have catastrophic effects;
- four Strategic Enabling Programmes (STEPs) support the work of the SDPs. They focus on key elements of HSC's Strategy, which are important to successful delivery by the SDPs:
  - **Local Authorities and HSE Working Together:** building a partnership with LAs, which will make the best use of HSE's and LA's 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 formal enforcement activity supports delivery of the PSA.

HSE undertakes a range of activities that underpin and support the Strategic Programmes' work, including:

- developing policy;
- enforcing the law;
- using science and communications to deliver health and safety improvements; and
- providing corporate services and systems.

To find out how HSE is structured to deliver this work, refer to Annex 1 (page 34).

## Achievements during the year

HSC's Strategy sets the direction for HSE, LAs and others to improve workplace health and safety in Great Britain. The Strategy's four themes point us in the right direction to deliver the vision, the mission and the PSA.

This section lists some of the many things that HSE has achieved during 2005/06, implementing HSC's Business Plan 2005/06–2007/08 ([www.hse.gov.uk/aboutus/plans/hscplans/0506/index.htm](http://www.hse.gov.uk/aboutus/plans/hscplans/0506/index.htm)). We have categorised these examples under the themes to show how the Strategy influences everything we do. In many cases, these achievements included aspects of more than one theme.

### 1 We have been developing closer partnerships by:

- **Launching Health Work and Well-being**, a new joint strategy with DWP and the Department of Health, focused on improving the health and well-being of working age people.
- **Working closely with vaccine manufacturers and other government departments to facilitate safe manufacture of pandemic 'flu vaccine**, including working with the World Health Organisation to draw up guidelines for safe large-scale manufacture.
- **Contributing to the UK response to the bioterrorism threat**. We have worked closely with the Home Office to ensure biosafety and biosecurity function as seamlessly as possible and keep hazardous biological materials safe and secure inside the laboratory.
- **Setting up the Ministerial Taskforce on health, safety and productivity**, which has helped build and maintain high-level commitment across government to reduce public sector sickness absence levels.
- **Engaging the support of West Midlands business and community leaders** resulted in unprecedented attendance by ethnic minority businesses (a traditionally hard-to-reach sector) at a safety and health awareness day.
- **Acting on information provided at a Gangmasters' Forum meeting covering the East and South-East of England**. As a result, inspectors identified unreported incidents involving migrant workers at an unregistered food factory. Subsequent visits resulted in six enforcement notices being issued and prosecution proposed.
- **Establishing the key elements of a productive and long-lasting partnership with our local authority colleagues**. This work has included:
  - launching an IT-based tool (an extranet) to share information efficiently and encourage communication between HSE and LAs;
  - revising the governance arrangements for joint work;
  - making arrangements to provide science support for LAs' health and safety activities using HSE's agency, the Health and Safety Laboratory (HSL) and a first instalment of £1 million during 2005/06 from a £5 million fund;
  - agreeing the contribution that LAs will make to HSC's strategic priorities and the PSA targets; and
  - engaging elected members – including a handbook designed to raise the profile of health and safety with them and aid discussion with their Council colleagues.
- **Developing detailed plans for the mergers recommended in the Hampton Report** on regulatory inspection and enforcement (published in March 2005), which we expect to complete ahead of schedule. We have also provided a number of practical examples of joint work and collaboration between local authorities and HSE, offering a model of how central and local government can work together effectively.
- **Strengthening our relationship with industries and trade unions in the onshore major hazards sector**. We are working together to develop performance indicators on the effectiveness of activity to control major hazard risks. We have also held joint industry workshops on loss of containment and on the continued development of voluntary reporting of uncontrolled releases of flammable and toxic gases.
- **Handing over responsibility for rail safety successfully to the Office of Rail Regulation (ORR)**. We have worked with the Department for Transport and ORR to ensure health and safety continues to be regulated effectively and consistently, by developing:
  - regulations that clarify HSE's and ORR's future enforcement role;
  - a Memorandum of Understanding to ensure continued effective co-operation;
  - a Health and Safety Enforcement Policy Statement, setting out the general principles and approach to enforcement that ORR staff will follow; and
  - arrangements to transfer the people who work in Her Majesty's Railway Inspectorate (HMRI) and our rail policy function.
- **Working with the nuclear industry, the Nuclear Decommissioning Authority and the Environment Agency** to accelerate and complete clean-up work and key enabling activities for retrieval of legacy waste.
- **Signing a new partnership agreement with EEF, the manufacturers' organisation, to improve communication between HSE and manufacturing**

**companies.** The partnership will allow manufacturers to receive HSE's latest information and guidance, provide feedback and attend joint seminar and training events covering issues relevant to the industry. It will stimulate best practice, contribute to better regulation and, in particular, allow for joint working on shared agendas.

- **Hosting the Noise and Vibration Roadshow jointly with EEF.** Seminars took place across the country towards the end of 2005 and included talks from specialists as well as an interactive dramatic presentation performed by actors. Around 1200 people attended and over 95% of delegates indicated they would try to apply the advice about controlling noise and vibration at work.
- **Using our growing Small Business Trade Association Forum to build the small business perspective into HSE work.** The Forum was externally evaluated after 12 months in operation and the results are very positive. Members see the existence of the Forum as a positive step forward in HSE's approach.

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

- **Visiting 1000 construction sites as part of the *Fit Out Phase* campaign in October.** Targeting the final stages of construction projects across the country contributed to the wider *Watch Your Step* campaign and *Ladders Week*.
- **Rolling out our stress management standards to tackle the problem of five million people suffering from work-related stress.** We have completed the first phase by supporting a sample of willing organisations to change their culture, develop good practice and reduce this major cause of absence from work.
- **Launching practical online tools to help businesses manage their health and safety effectively:** the Corporate Health and Safety Performance Indicator (CHaSPI) and the Small and Medium-sized Enterprise (SME) indicator.
- **Launching a website to support worker involvement in improving health and safety outcomes,** accompanied by complementary guidance and case studies for employers ([www.hse.gov.uk/workers](http://www.hse.gov.uk/workers)).
- **Embracing the spirit of the Better Regulation agenda** and setting a leading example by implementing reforms across HSE's regulatory regime. We have:
  - prepared a challenging simplification plan, underpinning a commitment to make significant and progressive reduction in regulatory burdens; and
  - published a simple two-page guide for business (especially SMEs) on why they might be visited by HSE and what they can expect.
- **Running a successful UK presidency health and safety conference** in Liverpool, to influence and build support for key themes in the European Union (EU) Occupational Safety and Health Strategy.
- **Ensuring (through safety case assessment) that the demerger of the national gas distribution network into new business units was carried out without compromising safety,** and thus maintaining public and industry confidence.
- **Developing revised arrangements to support joint**

**working with the Ministry of Defence's (MoD's) new Defence Nuclear Safety Regulator** and agreeing a forward work programme to support MoD's major investment at Aldermaston and Burghfield.

- **Carrying out a targeted programme of work to address drilling and deck operations,** in support of a joint HSE-industry initiative to reduce accidents offshore.
- ## 3 We have been prioritising to achieve maximum impact on work-related injury and ill health by:
- **Running ten safety and health awareness days (SHADs) aimed at the motor vehicle repair sector.** Of the 560 delegates who attended, 92% gave an initial commitment to improve controls in their workplace to reduce the risk of occupational asthma and work-related skin disease. Around 250 delegates are expected to attend the five remaining SHADs during 2005/06.
  - **Pursuing several significant and successful prosecutions:**
    - Larkhall (Transco) – four fatalities following a gas leak from the gas distribution network. £15 million fine.
    - Humber Refinery (Conoco Philips) – significant fire and explosion following a leak at the refinery. £895 000 fine.
    - Cavendish Mill (Transco) – fatality following gas explosion after a leak from the distribution network. £1 million fine.
  - **Working with British Energy,** as part of its relicensing and restructuring into a single nuclear licensee, to ensure that changes and proposed improvement programmes maintained or enhanced safety.
  - **Regulating a major nuclear safety issue** relating to boiler closure units at some of British Energy's nuclear reactor sites, with improved interactions and focus on nuclear safety.
  - **Replacing the 1875 Explosives Act with a modern regulatory framework** – the Manufacturing and Storage of Explosives Regulations 2005. HSE ran a series of workshops jointly with the industry to discuss the philosophy and content of the new Regulations. An inspection programme supported this process.
  - **Improving installation integrity and reducing uncontrolled hydrocarbon releases in the offshore oil and gas industry** via a structured intervention programme informing a joint HSE/industry working group.
  - **Engaging national and international experts to update the estimate of the occupational cancer burden in Great Britain.** This work will inform HSE's priorities for tackling carcinogens.
  - **Successfully delivering our statutory responsibilities under EU chemicals legislation.** Through HSE, the UK became the first EU Member State to complete a full assessment under EU-wide biocides legislation.
  - **Producing a guidance document on developing exposure standards** for different scenarios of potential exposure following a chemical contamination incident.
  - **Implementing the Rail Delivery Programme (RDP)** to improve HSE Rail's effectiveness, efficiency and ability to discharge its functions with greater consistency and timeliness.

- **Producing well-targeted delivery plans (inspection programme and assignments) with Network Rail, London Underground and train and freight operating companies**, which focus on priority areas to ensure compliance with the law and reduce the risk of a catastrophic event.
- **Developing the new Railways and Other Guided Transport Systems (Safety) Regulations (ROGS)**. These implement European requirements and replace separate regulations on safety cases, safety-critical work and approval of works, plant and equipment. ROGS came into effect in April 2006.
- **Establishing a formal panel to test regulatory proposals**, with a particular eye to scope for non-regulatory alternatives and impact on SMEs.

#### 4 We have been communicating effectively by:

- **Running a successful UK-wide publicity campaign to increase awareness and use of sensible precautions to reduce back injuries: *Backs! 2005***. The campaign raised spontaneous awareness among employers (by 6%) and employees (by 8%), and around half said they would take action as a result. *Backs! 2005* also increased awareness of HSE as a source of information, with a 13% increase among employers and a 25% increase for supervisors.
- **Attracting nearly 12 million visits to our website since April 2005**. Research confirmed its popularity and provided valuable information for continuous improvement. Our site is one of the most accessible in government.
- **Tackling excessive risk aversion through promotion of sensible risk management**. In July 2005, Lord Hunt and Bill Callaghan launched a national campaign on sensible risk management. By early summer 2006, we plan to produce widely agreed principles of sensible risk management and launch revised key guidance on risk assessment.
- **Using specific media to highlight relevant health and safety issues directly to those at risk**. This includes local press and radio advertising to encourage safer practice by people who drive at work and targeted marketing information for refuse collection workers at landfill, other disposal and recycling sites.
- **Engaging MPs to explain what HSE does and what sensible health and safety means**, including an MPs' handbook and HSC addresses at party conferences. We have seen an encouraging rise in the proportion of MPs rating HSE as an effective organisation (a 17% increase over two years).
- **Producing an enforcement communications strategy to position HSE as a 'firm but fair' regulator**, and developing proposals to maximise the use of publicity arising from formal enforcement to spread health and safety messages.
- **Establishing the Partnership on Health and Safety in Scotland**, supported by HSC and Ministers. Leading players within the Scottish health and safety system are working to address priorities across devolved and reserved government interests.

#### 5 In addition, we have applied public sector best practice in managing our resources throughout the year by:

- **Working through a vigorous efficiency programme, which is set to yield £50 million savings over three years**. The Commission and Executive's accounts were successfully completed over a very short timetable. A review by HM Treasury confirmed that HSE had strong financial management.
- **Agreeing and implementing a new workforce strategy** to ensure HSE has people with the right skills to deliver its objectives and targets. We have agreed a three-year pay deal, which will be the basis of improved employee relations, increased financial certainty and more efficient administration.
- **Moving into a new Merseyside Centre**, which was constructed and will be run under a major Private Finance Initiative. This, and other changes to HSE's estate across the country, provides good-quality, smaller open-plan offices, enabling us to improve our effectiveness, communication and team working, while reducing or containing inflation-related costs across our estate. Further details can be found on page 19.
- **Reducing corporate support costs**, particularly through making changes to communications delivery and human resource services, so that HSE's resources can be directed to front-line activity.
- **Transforming our human resource services** to streamline the way we provide HR support, with new information technology planned for 2006, which will enable us to make it even more efficient and effective.
- **Improving the management of sickness absence in HSE** through more proactive management and improved occupational health support. HSE lost an average of 7.82 working days per staff year, a fall of 0.70 days compared to 2004/05. Instances of sickness absence have continued to fall.
- **Valuing our staff**. HSE successfully completed the review of Investors in People under the 2005 standard.
- **Developing an electronic documents and records management system** (for introduction in 2006/07) to improve management of corporate information, replacing various paper and electronic systems.
- **Embedding Freedom of Information (FoI) arrangements to implement new legislation**, which included handling high volumes of enquiries to a high standard. In comparison with other central government organisations, HSE receives the highest number of FoI enquiries. Initial analysis shows that this work accounts for 0.5% of HSE's administration budget, though a significant proportion of these enquiries were already answered under Open Government Code of Practice.

Further examples of our work this year are illustrated in greater detail on pages 12-19.



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

*The Fit3 SDP is focused on delivering the conventional health and safety element of the Public Service Agreement. During 2005/06, Fit3 has enjoyed a number of successes, with the launch of the Health, Work and Well-being Strategy, the Ministerial Taskforce's work and high-profile publicity and inspection campaigns targeting back pain and falls. One of Fit3's most notable achievements over the last year was launching Workplace Health Connect in February 2006.*

Workplace Health Connect is a new advisory service for smaller businesses that provides free and impartial advice on workplace health, safety and return-to-work issues. The service helps employers and workers who want their workplaces to be healthy, pleasant places to work, but do not have the knowledge or confidence to create this sort of environment.

Set up in partnership with HSE, Workplace Health Connect consists of an Adviceline for England and Wales (Tel: 0845 609 6006), a website ([www.workplacehealthconnect.co.uk](http://www.workplacehealthconnect.co.uk)) and workplace visits from qualified advisers in the North East, North West, West Midlands, Greater London and South Wales. Healthy Working Lives (formerly Safe and Healthy Working) is available to smaller businesses in Scotland, offering a similar service to Workplace Health Connect.

The Adviceline provides callers with practical, tailored advice and support. Where appropriate, employers are encouraged to make use of free workplace visits by professionally qualified advisers who take time to understand the business and help identify any workplace health issues. Working with employers and workers, they find the best ways of tackling these issues and help draw up plans for improvements. Further visits and phone support are provided if required. All this is available free of charge. Advisers can also suggest using specialists if appropriate.



*“I genuinely believe that the Workplace Health Connect service will make a significant difference for small businesses.”*

**Louise Bisdee**, one of the Workplace Health Connect Advisers

The overriding aim of Workplace Health Connect is to transfer knowledge to the employers and workers, and provide them with the skills to tackle and solve any future workplace health challenges themselves.

The Health and Safety Minister, Lord Hunt of Kings Heath OBE, chairs the Workplace Health Connect National Stakeholder Council, a group of key stakeholders who have agreed to champion the service within their fields. At a local level, Regional Stakeholder Councils are providing valuable support to our partner providers.



## Major Hazards



*HSE's Major Hazards SDP 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, railways and 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 this area.*

### Nuclear industry

At the end of 2005, HSE completed its Periodic Safety Review (PSR) assessment for the Sizewell B nuclear power station. This was a significant regulatory milestone for the continued operation of the only pressurised water reactor in the UK. Sizewell B generates 3% of the UK's electricity requirements.

PSRs are a regulatory requirement that contribute to HSE's major hazards PSA targets and are undertaken every ten years. The aim is to identify any emerging significant issues or major improvements and ensure swift implementation. PSRs complement day-to-day regulatory controls and represent a comprehensive study of the safety of the plant, taking into account aspects such as its operational history, ageing factors, and the advances in safety standards since start of operations.

HSE's early engagement with the licensee (British Energy) was essential to success. Dick Howard, from HSE's Nuclear Safety Directorate, co-ordinated a team of 20 specialist inspectors who used HSE's safety assessment principles and international guidance to assess the continued safety of the plant. The total effort was substantial, with over 400 staff days in a three-year frame. This formed an important part of HSE's regulatory intervention strategy with the nuclear industry.

The HSE team concluded that British Energy had completed a detailed scrutiny of the safety of Sizewell B and improvements had enhanced its safety, bringing the design closer to current standards. This provides confidence in the ability of this station to continue to operate safely. Additionally, the working approach forms a model to be applied to future PSRs of other reactors.

### Offshore oil and gas industry

In June 2004, HSC issued a Consultative Document (CD) on proposals to replace the Offshore Installation (Safety Case) Regulations 1992 (SCR92). Independent scrutiny and operational experience had shown SCR92 had a positive impact on safety, but there were criticisms of excessive bureaucracy and concerns about regulatory complexity. Earlier stakeholder meetings (involving company safety case practitioners, workforce representatives and trade unions) had identified a number of potential areas for improvement, which were considered in the CD's development.

Thanks to active stakeholder engagement during the formal consultation period, HSE was able to develop the Offshore Installation (Safety Case) Regulations 2005 (SCR05) quickly. SCR05 came into force on 6 April 2006. We also consulted widely on the development of interpretative guidance, and on revised assessment guidance. SCR05 will mean that there are fewer safety case assessments each year. This will free inspector resource (previously tied up with office-based safety case assessment) for redeployment into front-line inspection work to test and verify conformity with the duty holder's case for safety. The revised Regulations have also addressed the concern over regulatory complexity (a situation that came about as a result of having to develop the regulatory requirement for offshore safety cases before the supporting regulatory framework was in place).

## Working with local authorities



*The Local Authorities and HSE Working Together STEP aims to make the 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 to the Programme. In 2005/06, these teams have engaged with LAs to agree work that contributes to HSC's strategic priorities. The following examples show the diverse range of activities, addressing serious risks, which should ultimately improve health and safety.*

During the year, many individual LAs signed 'local' Statements of Intent with their regional HSE counterpart, confirming their commitment to tackling health and safety issues. There was a strong focus on engaging elected members and LA managers, raising awareness of the links between health and safety enforcement activities and the wider strategic objectives of LAs.

In **England**, a project involving the Department of Trade and Industry, the Trades Union Congress, call centres, LAs and HSE tackled stress in call centres. In another, Manchester City Council, the Civil Aviation Authority and Manchester Airport Group targeted higher-risk manual handling activities at airports.

Cheshire LAs worked on falls from height in warehousing/storage facilities and falls from vehicles. A 'flexible warrants' pilot has been implemented in Hampshire and the Isle of Wight to increase the flexibility and responsiveness of health and safety regulators to significant risks.

Joint working in the North East tackled care homes, retail delivery and safer working towns. A builders' merchants project undertaken in the Midlands aims to provide consistent information on priority topics to the trade and achieve greater alignment of inspection standards between HSE and LAs.

In London, a *Moving Goods Safely* project addressed hazards associated with delivery of goods across sectors. A 'buddy' system in the South West between HSE and LAs has established joint, targeted visits, seminars for local small and medium-sized enterprises (SMEs), training for LA officers and liaison/support from HSE specialists.

In **Scotland**, all 32 LAs were involved in partnership work, which has included safety and health awareness days aimed at construction workers, care home providers and outdoor leisure venue maintenance workers. Other joint work targeted musculoskeletal disorders, workplace transport and manual handling. Some projects, underpinned by joint training and support, have targeted companies and industries that cross current enforcement boundaries, including supermarket home deliveries, care homes, transport and warehousing.

In **Wales**, an innovative project between LAs and HSE involved a training event for transport undertakings, followed by inspection of both attendees and non-attendees, to compare standards and the training's impact. Additionally, HSE/LAs ran an awareness campaign, involving the Welsh Assembly, to target outdoor workers on occupational and personal health matters such as manual handling, emergency first aid and the control of hazardous substances.



## Enforcement



*HSE and local authority inspectors are at the front line, working with duty holders 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 British Sugar Plc shows how our inspectors work and the benefits that result.*

During the investigation of three fatal accidents at several sugar factories (over a six-month period), together with the destruction of a sugar storage facility following a dust explosion, HSE inspectors decided that better health and safety outcomes would be achieved through working closely with the duty holder, British Sugar Plc. The duty holder's Board and trade union representatives supported the intervention.

The accidents involved transport, working at height and a boiler explosion. The duty holder was formerly seen as a practitioner of good health and safety management standards. There was a willingness on both sides to enter into a frank discussion, to try and understand why the company's safety systems had failed to deliver the required level of compliance.

During a series of visits to all six sites, HSE inspectors addressed specific topics including manual handling, transport, confined spaces, contractor management and electrical safety. They gathered evidence to assess the quality of the safety management systems in a high-hazard environment. There was full engagement with managers, employees and their representatives, with regular reviews and milestones to feed back the emerging findings to the company's senior managers. This allowed them to identify how health and safety management arrangements had failed to address areas of poor practice, despite the apparent positive picture from external audit accreditation.

This open approach continued, even while the company was prosecuted and fined £400 000 for the transport fatality and £250 000 following the dust explosion (the Crown Prosecution Service are still considering the remaining two fatal accident investigations).

This partnership project led to development of a specific action plan, which adopted the Du Pont principles of safety management – namely that 'all accidents are preventable'. British Sugar's Board accepted the recommendations and, in particular, its responsibility to demonstrate visible commitment to delivering the company's health and safety priorities. The outcome has been a significant drop in British Sugar's accident rate.

# 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 the launch of the Large Organisation Partnership Pilot (LOPP).*

HSE and LAs launched LOPP in October 2005. The aim is to improve health and safety while reducing unnecessary burdens on business, in line with recommendations from the Hampton Review and the Better Regulation Taskforce.

We have appointed an 'account manager' (a senior HSE or LA inspector) to each organisation taking part in the pilot, to act as a national focal point for all enforcing authority contact with them. Account managers act as an intelligent gateway, and provide a view of the whole organisation. This enables HSE and LAs to adopt a cohesive and targeted approach to the organisation.

Steve Smith, account manager for BAE Systems, has developed an engagement and improvement plan in partnership with the company. The same process is taking place between other account managers and participating organisations.

BAE Systems and experts from HSE have developed standards for key subjects. Future activities will allow HSE to support the company in solving the health and safety challenges that sophisticated manufacturing presents, and to measure progress.

Deborah Allen, BAE Systems' Director for Corporate Responsibility, commented: 'Maintaining high standards of safety performance is a key priority for our business. We welcome this opportunity to work more closely with HSE to drive further improvements. We look forward to the challenge their expertise will bring and we view this as a catalyst for accelerating change.'

The partnership includes BAE Systems' workers. Eddie Burke, Chair of BAE Systems Trade Unions' safety, communication and involvement forum said: 'We fully support the initiative launched today. Our tripartite partnership with the company and with HSE will promote a common approach to health, safety and welfare across BAE Systems' businesses. We are confident it will reduce accidents and ill health to the employees we represent.'

Between them the 14 participating organisations employ around one million people. The participants are Asda, AstraZeneca, BAA plc, BAE Systems, BOC Group, General Electric, Grampian Foods, Greggs, HBOS plc, Northern Foods, Rolls Royce plc, Royal Mail, Shell and Tesco.



**LOPP launch** Bud Hudspith (AMICUS), John Doidge (Rolls Royce), Justin McCracken (HSE Deputy Chief Executive), Deborah Allen (BAE Systems), Geraint Day (Institute of Directors)

## Communication

*HSC's Strategy recognises the importance of communicating effectively. In championing the case for sensible health and safety, we must use a wide range of communication tools and approaches. HSE's Communications Directorate and Delivery Service work with other parts of the organisation to provide media relations, stakeholder management, campaigns, events, online goods and services, paper publications and effective internal communications. The Watch Your Step campaign is one example of HSE's use of communication to deliver health and safety improvements.*

HSE designed the *Watch Your Step* campaign to raise awareness of the causes of slip and trip accidents – the single most common cause of injuries in UK workplaces – and of simple sensible precautions to prevent them. We supported the publicity and promotional events with educational and inspection activity to promote action.

The campaign targeted employers and employees in construction, manufacturing, retail, transport and cleaning with messages to employers that ignoring potential accidents could trip up their business, and to employees that they could make a difference to someone getting injured or not. It used national and trade press, radio, online and ambient media and ran through October 2005.

Following the campaign, the percentage of employers who ranked falling and tripping as being among their three main safety risks increased from 13% (third most common safety hazard out of 23) to 22% (top of their list of safety hazards). A significant proportion of employers claimed to have taken action on slips and trips before the campaign; post campaign this proportion increased (from 38%) to 55%.

Two in five employees recognised a press or radio advert and 5% spontaneously recalled the message 'It's everyone's responsibility – if you see it, sort it'.

The campaign launch received good press coverage, including 13 live interviews with HSE's Deputy Chief Executive Justin McCracken and a syndicated interview used by 40 radio stations. Stakeholder promotion and coverage of a local visit by Lord Hunt provided further opportunities.

Early results from phase one of the campaign indicate that:

- over 49 000 visited the campaign website and downloaded 15 000 posters;
- HSE's Infoline received 1300 inquiries;
- 3056 targeted inspections were undertaken by HSE and LA inspectors; and
- HSE and LAs issued 86 enforcement notices.



**Watch Your Step campaign team** Steve Wood (Leeds Council), Paul Beaumont, Anne Quinn, Keith King, Kevin Hallas (HSL), Andrew Wetters, John Worth, Kelly Griffiths



## Science, engineering and technology



*The HSC Science Strategy 2005–2008 ([www.hse.gov.uk/research/content/strategy0508.pdf](http://www.hse.gov.uk/research/content/strategy0508.pdf)) sets out how we will apply high-quality science to develop a solid evidence base for our work to deliver the vision, mission and PSA. Science also allows us to look ahead, identify and meet future challenges. One example of this is HSE's work to identify the substantial impact that nanotechnology could have on health and safety in workplaces of the future.*

Over the past three years, HSE has been considering the impact of nanotechnology on workplace health and safety. We reviewed the available information on physicochemical and toxicological hazards of nanomaterials relevant to the workplace and the occupational exposure situation. This research identified a number of gaps in our knowledge resulting in our recommending a cautious approach to risk management in an information note published in 2004. We submitted the reviews for inclusion in the Royal Society and Royal Academy of Engineering report on nanotechnology.

During 2005/06, HSE has played a prominent part in developing the Government response to this report. Implementation of this response has included:

- A review of the adequacy of the regulatory framework in relation to health and safety issues in the workplace arising from nanomaterials (led by HSE's Industrial Chemicals Unit). As other government departments complete their reviews, a comprehensive UK regulatory review will be compiled that will inform our future approach.
- Development of nanotechnology research: Brian Fullam, Head of HSE's Corporate Science and Knowledge Unit, steers the HSE and HSL multidisciplinary team which is taking the lead on research efforts on exposure control and the fire and explosion potential of nanoparticles. We also contribute to discussions on the strategic direction of other nanotechnology research areas such as environmental issues, human health issues, metrology and societal issues, as well as maintaining an oversight on further developments in nanotechnology relevant to the workplace.

Research on nanotechnology involves significant external UK stakeholder and international collaboration. For example, the fire and explosion research programme development is using stakeholder meetings and HSE is part of a multinational research project based in the USA. HSL is engaged in a number of European projects, including one on occupational health sponsored by HSE and the EU. In the regulatory forum, HSE is represented on an EU nano working group and in the standards arena.

## Managing our business



*The Resources and Planning Directorate (RPD) provides the business infrastructure, corporate services and governance which enable HSE to deliver its objectives and targets. An important example of its work this year was completing a major project to relocate staff on Merseyside (our largest centre) into a new building – much improving the facilities and working environment.*

In October 2003, following close consultation with DWP and Sefton Council, HSE agreed a contract to design, build, finance and operate its new Merseyside Centre, Redgrave Court, with a consortium led by Kajima Developments Ltd. The strikingly modern building was designed by architects Cartwright Pickard, commended by the Commission for Architecture and Built Environment, and built by Kajima Construction in the heart of South Sefton's regeneration area.

By December 2005, the construction of Redgrave Court was completed under a Private Finance Initiative (PFI) contract. Approximately 1600 people from HSE and its private sector service providers were moved into the building during January and February 2006. The building is now fully operational.

Redgrave Court is entirely open plan and has been designed to achieve the highest environmental standards. It will provide excellent long-term value for money over the life of the contract. By housing all of HSE's functions in Merseyside under one roof, it will enable us to increase the effectiveness of our services to our stakeholders and provide superb working conditions for our employees.

Redgrave Court has been built, occupied and brought into operation within the financial authority agreed by DWP. The transfer of risk inherent with a PFI protected HSE financially from the consequences of the delay in construction. Completion of this phase successfully concludes a major project to improve effectiveness, secure long-term value for money from HSE's estate and provide modern, flexible working conditions for its staff.



**Merseyside Headquarters team** Steve Bailey (Merseyside Centre Relocation Manager), Joanne Webb (Business Efficiency Unit), Dave Murphy (IT Contact for Policy Group's Corporate Support Team), Barbara Proctor (Information Management Unit).

# 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, whose existence and functions derive from the 1974 Act, is to protect the health, safety and welfare of employees and to safeguard others (principally the public) 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.

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 a 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](http://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.
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.

## Workplace 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](http://www.hse.gov.uk/revitalising/strategy.htm)). This included three national targets to improve conventional health and safety outcomes by 2010. The targets are to:

- reduce the incidence rate of fatal and major injury by 10%;
- reduce the incidence rate of cases of work-related ill health by 20%; and
- reduce the number of working days lost per worker from work-related injury and ill health by 30%.

The *Revitalising* mid-point target, to achieve half the improvement under each target by 2004, was also adopted as the workplace health and safety PSA for Spending Review 2000. We published our assessment on progress towards these targets in November 2005 ([www.hse.gov.uk/statistics/pdf/prog2005.pdf](http://www.hse.gov.uk/statistics/pdf/prog2005.pdf)).



**Table 1** Revitalising mid-point targets/SR2000 PSA

Indicator	Baselines	2004/05 targets	Outturn	Assessment
The incidence rate of fatal and major injury accidents per 100 000 workers	117.3 (1999/2000)	5% reduction	118.4	Not met
The incidence rate of work-related ill health per 100 000 workers	2200 per 100 000 employed in the last 12 months (ie 2.2%) (2001/02)	10% reduction	1800 per 100 000 (1.8%)*	Probably met
The number of working days lost from work-related injury and ill health per worker	1.8 days lost per worker (2000-02)	15% reduction	1.5 days lost per worker**	Possibly met

\* The range of possibilities (95% confidence interval) for this reduction is from 8% to 23%.

\*\* The range of possibilities (95% confidence interval) for this reduction is from 3% to 23%.

As part of Spending Review 2004, DWP agreed a new workplace health and safety 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 will measure progress against six targets, grouped under the two main areas of HSC/E's work – conventional health and safety and major hazards.

**Table 2** Conventional health and safety

Indicator	Baselines (2004/05)	Outturn	Targets
The incidence rate of fatal and major injury per 100 000 workers	118.4	HSC will publish the 2005/06 outturns for these indicators in its Annual Statistics in Autumn 2006	3% reduction
The incidence rate of work-related ill health per 100 000 workers	1800*		6% reduction
The number of working days lost from work-related injury and ill health per worker	1.5		9% reduction

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

**Table 3** Major hazards

Indicator	Baselines (2001/02)	Outturn (2005/06)	Target (2007/08)
The number of events reported by licence holders that HSE's Nuclear Installations Inspectorate judges as having the potential to challenge a nuclear safety system	143	118	7.5% reduction
The number of major and significant hydrocarbon releases in the offshore oil and gas sector	113	73	45% reduction
The number of relevant RIDDOR-reportable* dangerous occurrences in the onshore sector	179	130	15% reduction

\* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Full details on the targets are available in the PSA Technical Note ([www.hse.gov.uk/about-us/plans/sr2004.htm](http://www.hse.gov.uk/about-us/plans/sr2004.htm)). DWP publishes performance data against its PSAs in its Departmental and Autumn Performance Reports.

During 2005/06, HSE has also been working to deliver a reduction in precursor incidents in the rail industry. This target is based upon the Rail Safety and Standards Board's Precursor Indicator Model (PIM). PIM is made up of 26 groups of recorded events that could lead to a catastrophic event.

Table 4 Rail

Indicator	Baselines (2001/02)	Outturn (Quarter 3, 2005/06)*	Target (2005/06)**
Rail Safety and Standards Board's Precursor Indicator Model	100	78.8	85

\* RSSB reports one quarter in arrears

\*\* Targets for 2006/07 and beyond will be taken forward with Office of Rail Regulation (ORR)

### Key activities

HSE has set up the Strategic Programmes as its main agents to implement HSC's Strategy and deliver its vision, mission and targets:

- The two **Strategic Delivery Programmes (SDPs)** encompass all HSE's operational and policy work that contributes directly to the PSA. The *Fit for work, Fit for life, Fit for tomorrow* SDP (Fit3) focuses on key hazards and industry sectors to deliver the conventional health and safety PSA targets. The *Major Hazards* SDP regulates key major hazard industries to reduce the likelihood of catastrophic incidents.
- The four **Strategic Enabling Programmes (STEPs)** support the work of the SDPs, putting key elements of HSC's Strategy into practice. Their work includes developing our partnership with the local authorities, making sure that enforcement activity supports PSA delivery and getting workers and businesses more involved in health and safety management.

HSE also carries out a number of **other essential activities** that underpin the Strategic Programmes and HSE's long-term capability. These include:

- **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);
- **enforcing the law**, which remains one of HSE's key interventions. Our inspectors play a vital role in the work of the SDPs, inspecting workplaces, offering advice and guidance, and delivering major hazard assurance regimes. They also have an important reactive role, to investigate accidents and complaints and, where appropriate, take formal enforcement action. Details of prosecutions taken and notices served by HSE are published annually (data for 2005/06 will be published during autumn 2006);
- **communicating effectively**. The Communications Directorate and 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 its 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.

### Performance in 2005/06

The HSC Business Plan 2005/06–2007/08 ([www.hse.gov.uk/aboutus/plans/hscplans/0506/index.htm](http://www.hse.gov.uk/aboutus/plans/hscplans/0506/index.htm)) sets out how we intend to:

- take forward HSC's Strategy;
- deliver the PSA targets; and
- meet our statutory obligations.

The following is a summary of HSE's performance during 2005/06. More detail is provided on pages 7-19.

### The Strategic Programmes

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

The Fit3 SDP has continued to make good progress during 2005/06. The 2004/05 health and safety statistics (published in November 2005) were good news in terms of our conventional health and safety targets, with the 10% ill health target 'probably met' and the 15% days lost target 'possibly met'. The statistics indicate that HSE's approach to delivering improved conventional health and safety outcomes is beginning to make real progress in terms of delivering the PSA. The Fit3 team hopes that its work, such as the Stress Management Standards rollout, Workplace Health Connect and the *Backs! 2005* campaign, will continue this positive trend.

The picture for injuries reduction (5% RHS mid-point target 'not met') was less positive. There has been significant improvement in specific sectors, which HSE has targeted and engaged such as glass/ceramics, paper and board and quarrying, and a 25% reduction in injury incidence in construction over the last five years. However, a challenge remains in the service sector, where major injury rates continue to increase. Part of this sector is LA enforced. Fit3 and LA colleagues have worked hard to increase their collective capacity to deliver. This process culminated in March 2006 with a series of 14 roadshows across the country to communicate and secure support for Fit3's plans for 2006/07. The response was positive, with a number of LAs taking up this challenge enthusiastically and realigning their service plans to Fit3's priorities.

## Major Hazards

The Major Hazards SDP had to respond to the major incident at Buncefield oil storage depot during 2005/06. The investigation continues, seeking to identify the underlying causes of the incident and ensure that all relevant lessons are learnt and applied. Inspectors also visited similar facilities to follow up the Safety Alert issued by HSE in February 2006. However, the Strategic Programme continues to make good progress. Catastrophic incidents such as Buncefield remain rare events and the number of precursor incidents (such as leakage of highly radioactive liquid from primary containment inside the Thorp plant at Sellafield) continues to decline. All three indicators are on course to deliver the PSA targets. This year, Major Hazards has also added the Cross-Cutting Programme to its portfolio, which aims to identify, engender and communicate good risk management practice across the major hazard industries.

HSE has continued to ensure that safety standards on Britain's railways are maintained throughout 2005/06, while working closely with the Department for Transport and the Office of Rail Regulation to ensure a smooth handover. The transfer took place on 1 April 2006. Further information can be found in ORR's *Annual Report on Railway Safety in 2005* ([www.rail-reg.gov.uk/server/show/category.1239](http://www.rail-reg.gov.uk/server/show/category.1239)).

## Local Authorities and HSE Working Together

The Local Authorities and HSE Working Together STEP has made good progress, in line with its plans, and expects to have met its objectives by summer 2006. During the year, many individual LAs signed local Statements of Intent with their regional HSE counterparts confirming their commitment to tackling health and safety issues. The STEP has focused on engaging elected members and LA managers, raising awareness of the links between health and safety enforcement activities and the wider strategic objectives of LAs. It has also improved communication with LAs through the Field Operations Directorate partnership teams and by launching an IT-based tool (an extranet) to share information.

Revised liaison and governance arrangements are now in place to support an enduring HSE/LA partnership. The reconstituted Health and Safety Executive/Local Authority Enforcement Liaison Committee (HELA) held its first meeting in March and the new Local Government Panel (of elected LA members) is due to meet HSC for the first time in May.

## Enforcement

The Enforcement STEP has made good progress on its three central workstreams. Following research, the programme has developed a package of continuous improvement measures and performance management arrangements to encourage long-term sustainable efficient and effective delivery of reactive work. The enforcement team has worked closely with Fit3 colleagues to clarify the contribution that enforcement can make to delivery and ensure that its role is set out in enforcement strategies. The STEP has also been implementing its new communication strategy, addressing the mixed messages about enforcement's role as an intervention, to ensure that it is given appropriate prominence.

## Business Involvement

The Business Involvement STEP enjoyed some notable successes during 2005/06. These included piloting more coherent, customer-focused arrangements for dealing with large organisations – the Large Organisations Partnership Pilot (LOPP), launching practical online tools to help businesses manage health and safety effectively (such as the Corporate Health and Safety Performance Index (CHaSPI)) and using its growing Small Business Trade Association Forum to build the small business perspective into HSE's work. The STEP also launched its Better Business campaign ([www.hse.gov.uk/betterbusiness/index.htm](http://www.hse.gov.uk/betterbusiness/index.htm)) for small firms in January 2006. Some activity will continue into 2006/07. Evaluation of the campaign is already underway.

## Worker Involvement

The Worker Involvement STEP progressed well during 2005/06, creating two new websites. In September, the STEP launched a workers' website, which supports more effective involvement of workers in improving health and safety outcomes. In February, it launched complementary guidance and case studies for employers. The Worker Involvement team also worked closely with Fit3 to contribute to the *Watch your Step* awareness campaign in October. This emphasised the benefits of involving workers to reduce slips and trips in the workplace. The Programme is now exploring opportunities to work with Fit3 on noise and vibration, falls from height, construction, musculoskeletal disorder programmes and campaigns for 2006/07.

## Essential underpinning work

### Policy

HSE's Policy Programme has embraced the spirit of the Better Regulation agenda and set a leading example by implementing reforms across its regulatory regime. This philosophy is woven through many of the highlights featured in this report, but in particular, HSE has:

- prepared a challenging simplification plan underpinning a commitment to make significant and progressive reduction in regulatory burdens; and
- published a simple two-page guide for business (especially SMEs) on why they might be visited by HSE and what they can expect.

The Policy team also ran a successful UK Presidency health and safety event.

### Communications

HSE continues to use communication activity as an intervention to deliver improved health and safety outcomes. 2005/06 saw two successful publicity campaigns, targeting bad backs and slipping/tripping accidents, plus a revamp of the HSE website (which is one of the most accessible in government).

## Science

HSE has continued to implement the HSC Science Strategy 2005–2008 ([www.hse.gov.uk/research/content/strategy0508.pdf](http://www.hse.gov.uk/research/content/strategy0508.pdf)) to apply high quality science to delivery of the PSA targets. During 2005/06, we have focused a great deal of effort on supporting the Strategic Programmes in developing their evidence bases, planning their use of science and managing their performance. This process will continue into 2006/07. We also expect the Office of Science and Technology's review of HSE science to report in the spring of 2006.

In 2005/06, HSE spent £44.5 million on commissioned science and technology (not including science funded through HSE by industry (£6.1 million, of which £0.3 million was spent with HSL)). Of this £44.5 million, £14.1 million was spent on research commissioned with external bodies, and £30.4 million was spent on research plus scientific and technical support with HSL. 167 research reports on newly completed projects, carried out both by HSL and extramural contractors, were published on the HSE website.

Science and Research Outlook (SRO) ([www.hsesro.com](http://www.hsesro.com)) has been running for over 18 months, and offers free access to science and research output to a worldwide audience. Registered users can also subscribe to a quarterly newsletter, which includes articles on science and research activities and have the opportunity to provide feedback. In this way HSE seeks to utilise 'trust networks' to disseminate information, and access the knowledge and experience of the wider science community directly.

The Research Projects Directory ([www.hseresearchprojects.com](http://www.hseresearchprojects.com)) has expanded to over 1600 current and completed projects. During the last year there have been over 17 000 searches of the Directory and more than 100 000 'hits' on individual project records.

## Efficiency

HSE has set an efficiency target of £50 million for 2005/06–2007/08. Progress in 2005/06 enabled us to achieve our first year target. Contributions included:

- sustaining improvements in front-line delivery;
- implementing our Estates Strategy;
- implementing our Science and Technology review; and
- reducing the cost of acquiring our assets and services.

## Performance management

HSE's prime tool for managing its corporate performance is **the Balanced Scorecard**. The HSE Board receives quarterly Balanced Scorecard reports, which provide oversight of the organisation's performance. You can find these reports at [www.hse.gov.uk/aboutus/hse/meetings/index.htm](http://www.hse.gov.uk/aboutus/hse/meetings/index.htm).

During 2005/06, HSE has carried out a project to revise its Balanced Scorecard, moving away from the traditional Kaplan and Norton model to a structure more suited to public sector organisations. HSE will start using the new Scorecard in 2006/07.

HSE also manages its performance specifically against the PSA. This system (which complements the Balanced Scorecard) collates performance data from each of the Strategic Programmes to produce an overall report on progress towards the targets (see page 21).

HSE manages business risk at a corporate level using its Risk Management Plan (RMP). The RMP sets out HSE's strategic risks and the Board-level risk owners with responsibility for ensuring that adequate measures are in place to manage their risks. The HSE Board considers the RMP quarterly. During 2005/06, reporting to the Board on the plan was integrated with quarterly reporting on the Balanced Scorecard to give the Board a more rounded picture on performance and prospects for the future.

## Key stakeholder relationships

HSC's *Strategy for workplace health and safety to 2010 and beyond* talks about the necessity of 'developing closer partnerships' in order to achieve its ambitious targets. Stakeholder engagement, including the building of partnerships, is therefore a key part of HSE's corporate communications activity.

Stakeholders are organisations or individuals outside of HSE who can have a significant influence on occupational health and safety.

We have identified three categories of stakeholders; corporate stakeholders, Strategic Programme stakeholders and regional stakeholders.

Engagement with our key corporate stakeholders, including politicians, Government departments, unions, business and safety organisations, is co-ordinated centrally through a network of lead contacts. These corporate stakeholders are relevant to many sections of HSE.

Our Strategic Delivery Programmes and Strategic Enabling Programmes analyse and plan engagement with their own stakeholders, which is co-ordinated at programme level.

HSE also engages with a wide range of stakeholders at a regional level.

We aim 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.

## Health and safety in HSE

Issues relating to the health and safety of our workforce can be found in Annex 2 (page 35).

**Table 5** Total HSE staff in post by occupational group<sup>1</sup>

Occupational group	01/04/2002 staff in post	01/04/2003 staff in post	01/04/2004 staff in post	01/04/2005 staff in post	01/04/2006 staff in post <sup>2</sup> (includes staff transferred to ORR on 1 April – for comparison only)	01/04/2006 staff in post (excluding staff transferred to ORR on 1 April)
Front-line staff <sup>3</sup> (of which the following are front line/operational inspectors)	1458 (1458)	1508 (1508)	1551 (1483) <sup>4</sup>	1517 (1404)	1543 (1421)	1442 (1328)
Inspectors working in functions other than front line/operational	167	143	122	126	122	116
Other professional or specialist staff	1461	1481	1359	1371 <sup>5</sup>	1470	1429
Other staff (of which are agency staff)	1196 (232)	1030 (94)	987 (115)	889 (100)	856 (88)	824 (88)
<b>Total staff</b>	<b>4282</b>	<b>4162</b>	<b>4019</b>	<b>3903</b>	<b>3991</b>	<b>3811</b>

1 All figures are for full-time equivalent (FTE) staff, rounded to the nearest whole number and include agency/temporary staff and inward secondees/loans.

2 'Staff in post' figures at 01/04/2006 include staff who transferred to 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 'Front-line staff' includes operational inspectors and, since 01/04/2004, other visiting staff who support delivery of key health and safety messages.

4 Early versions of the HSC Annual Report for 2004/05 contained incorrect figures for front-line operational inspectors, other professional or specialist staff and other staff for 2004/05. The table above contains the correct figures.

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 and 114 for 01/04/2006. These staff are already included in the 'front-line staff' line.

HSE publishes staff in post figures for each of its Directorates/Divisions at [www.hse.gov.uk/aboutus/plans/staff.htm](http://www.hse.gov.uk/aboutus/plans/staff.htm).

## Recruitment

During 2005/06, HSE:

- recruited 299 staff, including 90 trainee inspectors (this figure does not include casual appointments or HSL recruitment);
- commenced 78 UK and 9 overseas secondments and loans into/out of HSE;
- appointed 11 fixed-term and 10 casual members of staff; and
- reappointed 6 former civil servants.

## Staff training and development

During the year we:

- identified and started developing a senior leadership talent pool;
- finalised a major new repositioning strategy for learning and development. This will help us to meet future challenges and the changing expectations of stakeholders and staff; and
- provided training for 1500+ staff at over 200 events. Additionally, we managed *Interchange* programmes for 53 staff inwards and 48 outwards.

## Diversity

The Board gave HSE's diversity agenda a renewed impetus during 2005/06 by setting in place a vision, priorities for action and the Diversity Steering Group. The Steering Group comprises a cross section of senior managers and DWP's Diversity Director. The Group's mandate is to challenge and sustain HSE's drive for achievement of diversity targets. Progress towards the *Modernising Government* targets for staff in post by gender/race/disability is published on our website at [www.hse.gov.uk/aboutus/reports/diversity.htm](http://www.hse.gov.uk/aboutus/reports/diversity.htm).

We celebrated Black History Month and launched MAGNET, a network to promote equality of ethnic minorities within HSE.

The results of the 2005 Staff Survey showed an increase over the previous year in the percentage of staff from diversity groups who have a positive perception of HSE as an equal opportunities employer and a good organisation to work for. Survey participants from these groups were also more positive than other staff about change management in HSE.

In late 2005, HSE launched a foundation programme to alleviate increasing staff shortages in London and the South East. It was designed to attract a new cohort of recruits who would receive training and work experience in a range of HSE directorates over an 18-month period. On conclusion of this programme, they would then be appointed to permanent roles. Minority ethnic groups made up 30% of this intake.

The equal pay audit for 2006 will be completed over the period April–June 2006, however, HSE monitors pay progression on an ongoing basis.

## 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. This continues even during periods of tension, such as the protracted negotiations about annual pay awards over recent years (resulting in the three-year pay deal agreed by HSE and trade unions in January 2006).

## Public interest and other

### Openness

HSC believes that public access to health and safety information improves public understanding and strengthens public 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](http://www.hse.gov.uk/aboutus/hsc/openness.htm).

### Sustainability

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

- the new Merseyside Centre was built to BREEAM (Building Research Establishments Environmental Appraisal Method) Excellent standard. Features include ammonia chillers with least impact on global warming and ozone depletion, a heat recovery system, rainwater used to flush toilets plus solar shading and sensor-controlled low-energy lighting;
- the CO<sub>2</sub> emission threshold for scheme/pool cars was reduced from 219.5 CO<sub>2</sub> to 180 CO<sub>2</sub>; and
- the Environmental Management System standard accreditation (ISO14001) was achieved, with a recommendation for HSE to be awarded the new standard with minor changes to the current system.

## Corporate Governance

HSC and HSE are committed to supporting the Combined Code on Corporate Governance and the Turnbull Report to the extent that the Code can be applied to the Public Sector.

The HSE Board is made up of the members of the Executive and the directors of the operational, policy and research functions in HSE. It meets formally once a month, and by weekly videoconference. It decides on a range of issues



including strategy, personnel and resource issues and monitors progress against the PSA targets.

The Commission (the chair and members of which are appointed by the Secretary of State) also meets monthly. Members are drawn from a wide range of backgrounds. The Commission is the main source of independent advice to HSE.

A Commissioner also chairs the HSE Audit Committee. This has been reorganised as an HSC committee with two commissioners (one of whom will chair the committee), two independent members and the Head of Internal Audit at DWP.

The relationship between HSC and HSE and its sponsoring department is set out in a Framework of Accountabilities (agreed in 2001) and a Financial Memorandum (agreed in 2004).

Delegations on use of resources are made annually by the HSE Chief Executive to four senior managers (the Deputy Chief Executives for Operations and Policy, the Director of Resources and Planning, and the Chief Scientist). Further delegations are made by these managers to other Board members in writing.

Reports on progress towards the PSA targets are made quarterly to the Board, HSC and ministers (and to Treasury twice a year). In addition, the DWP Minister responsible for health and safety issues meets the HSE Chief Executive, and other senior HSE managers and the HSC Chair, monthly to discuss progress on PSA targets and other health and safety issues.

### Sponsorship

In 2005/06, HSE received sponsorship from commercial organisations in support of the Working Well Together (WWT) Roadshow and the White Van Roadshow, which visited construction sites around the country to promote health and safety and encourage workers to 'sign up' to health and safety best practice.

**Table 6** Roadshow sponsorship

Company	Amount
HSS Hire	£30 000
Berkeley Homes	£15 000
Bovis Lend Lease	£15 000
Taylor Woodrow	£15 000
Gleeson	£15 000
Persimmon Group	£15 000
Scafftag	£2 000
Makita	£1 000
<b>Total</b>	<b>£108 000</b>

The Roadshows were promoted by the Federation of Master Builders and supported by the Trades Union Congress and Construction Training Board.

### 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 2005/06 was 99.2% (2004/05 99.4%) 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 positive 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.

### Forward look

#### *Electronic Documents and Records Management (EDRM) and Microsoft (MS) Outlook Project*

The project aims to improve how we manage, find and share information within HSE, this new way of working will be used by all staff. To do this we are introducing a new way of saving, storing, retrieving and managing documents, records and emails.

We are making important changes to our systems and will be:

- introducing a new EDRM system called TRIM;
- replacing Lotus Notes email with Microsoft Outlook; and
- upgrading to newer versions of MS Office (Word, Excel and PowerPoint).

The implementation of EDRM will promote openness and enable improvements in information management as well as developing and sharing corporate intelligence. There will be greater efficiency in the way we manage our information as well as compliance with regulations and government requirements.

Comprehensive communications, change management and training programmes are planned to help staff make optimum use of the new systems and to realise the planned benefits.

The implementation will be delivered in a rolling programme with completion scheduled for summer 2007.

#### *Human Resources Staff Transformation (HRST)*

This programme aims to transform HR Service across HSE in order to realise service improvements, staff savings and financial benefits. To do this we are introducing a new HR service centre, HR business partners, a new E-HR system and streamlined HR policies and procedures.

The implementation of HRST will promote a more managerial culture within HSE with more user-friendly procedures, and

better online management information through the new e-HR system (SAP). The single point of access to all HR services will provide staff and managers with more professional advice, tools, training and support.

Comprehensive communications, change management and training programmes are planned to help staff make optimum use of the new services and systems, and to realise the planned benefits.

The implementation is underway with HR service centre, business partners and new HR guidance already in place. The new e-HR system will be delivered in a phased approach with completion scheduled for December 2006.

#### Post-balance sheet events

HSE's rail safety functions were transferred to the Office of Rail Regulation on 1 April 2006.

#### Pension liabilities

Details of pension costs etc are contained in Note 1(c) to HSC's accounts, Note 1(k) and Note 2 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 45-46.

The cost of audit work was £83 000, which related solely to audit services.

### Financial position and results for the year

Financial year 2005/06 was the first year of the SR2004 settlement and, as planned, HSE front-loaded expenditure into this year. The aim was to make additional investment quickly to support delivery of the PSA. Initial allocations were reviewed mid-year to ensure that resources continued to be directed towards strategic targets. HSE was successful in terms of carrying out planned activities in 2005/06 (see *Achievements during the year* page 9) and expenditure was accordingly very close to planned levels. It is too early to form a judgement of the ultimate results in terms of health and safety outcomes, as statistics for 2005/06 will not be available until Autumn 2006.

However, HSE's levels of expenditure in 2005/06 cannot be sustained. HSC/E faces a considerable challenge to adapt and deliver in efficient and flexible ways. A key part of the response to that challenge is the undertaking of a Fundamental Review aimed to improve HSC/E's ability to deliver its mission including meeting its targets and ensuring its resources are used to best effect. The Review was started in December 2005 and comprises two phases. First was an independent assessment and second is the development of draft proposals. This second phase is due to be concluded

in July 2006. The outcome will be used in consultations with DWP about HSC/E's future resource position (ie from 2008/09).

A review of charging schemes was completed in this year. No new schemes or extensions to existing ones were introduced.

#### 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 creditors of £82 million (which mainly consists of the long-term liability to pay finance lease charges on HSL's Buxton site).

Tangible fixed assets of £83 million are also a significant component of the balance sheet, of which £59 million relates to HSL's Buxton site.

#### Results for the year (operating cost statement)

The operating costs statement (for HSC and HSE) shows a net operating cost of £245 million.

#### Cash flow statement

The cash flow statement shows a net cash outflow from operating activities of £226 million, compared to £204 million in 2004/05. The main reason for this change is the increase in net operating costs from £216 million to £245 million. Cash outflow of £5 million from investing activities (net of £1 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 2005 and 31 March 2006 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) to take account of changes to the Financial Reporting Manual (FReM).

#### Director's 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.



# Remuneration report

## 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. Executive members 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](http://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 they resign that office.
- v. Details of the service contract for each Commissioner who has served during the year are as follows:

Name	Date of contract	Unexpired term	Notice period
Bill Callaghan	1 October 1999	1 year 6 months	N/A
Margaret Burns CBE	1 April 2004	12 months	N/A
Daniel Carrigan	1 October 2004	1 year 6 months	N/A
Judith Donovan CBE	1 October 2003	6 months	N/A
Joyce Edmond-Smith	1 April 2003	Contract expired	N/A
Judith Hackitt	1 April 2005	Contract expired	N/A
Sayeed Khan	1 April 2005	2 years	N/A
John Longworth	1 April 2005	2 years	N/A
Hugh Robertson	1 April 2004	12 months	N/A
Elizabeth Snape	1 October 2003	6 months	N/A

- vi There were no non-cash elements of the remuneration package during the year.

## 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 as follows:

Name	Date of contract	Unexpired term	Notice period
Timothy Walker CB	2 October 2000	Contract expired	13 weeks
Geoffrey Podger	28 November 2005	4 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.

- vi. There were no non-cash elements of the remuneration package during the year.

## Remuneration of Commissioners and members of the Executive

### Commissioners

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

Bill Callaghan	Chairman
Margaret Burns CBE	Commissioner
Daniel Carrigan	Commissioner
Judith Donovan CBE	Commissioner
Joyce Edmond-Smith	Commissioner to 31 March 2006
Judith Hackitt	Commissioner to 28 February 2006
Sayeed Khan	Commissioner from 1 April 2005
John Longworth	Commissioner
Hugh Robertson	Commissioner
Elizabeth Snape	Commissioner
George Brumwell	Commissioner to 30 September 2004*
Abdul Chowdry	Commissioner to 31 March 2005*

\*Although George Brumwell and Abdul Chowdry did not hold office during the year, they are included for comparative purposes.

Sandy Blair and John Spanswick have both been appointed to the Commission since 31 March 2006.

### Executive

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

Timothy Walker CB	Director General to 30 September 2005
Geoffrey Podger	Chief Executive from 28 November 2005
Justin McCracken	Deputy Director General (Operations) from 1 April to 31 August 2005
	Acting Chief Executive from 1 September to 27 November 2005
	Deputy Chief Executive (Operations) from 28 November 2005
Jonathan Rees	Deputy Director General/Chief Executive (Policy)
Kate Timms CB*	Retired 7 October 2004

\*Although Kate Timms did not hold office during the year, she is included here for comparative purposes.

Note: Nomenclature was amended from Director General to Chief Executive with effect from 1 October 2005

## Company directorships

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

	2005/06		2004/05	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
Commissioners	£000		£000	
Bill Callaghan	115-120	-	100-105	-
Margaret Burns CBE	15-20	5 000	10-15	6 700
Daniel Carrigan	15-20	4 200	5-10	3 800
Judith Donovan CBE	15-20	3 600	10-15	3 600
Joyce Edmond-Smith	15-20	700	10-15	700
Judith Hackitt	10-15	-	10-15	-
Sayeed Khan	15-20	5 100	-	-
John Longworth	15-20	1 400	-	1 000
Hugh Robertson	15-20	-	10-15	100
Elizabeth Snape	15-20	-	10-15	-
George Brumwell	-	-	5-10	-
Abdul Chowdry	-	-	10-15	5 600

Table 8 Remuneration – Executive

	2005/06		2004/05	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
Executive	£000		£000	
Timothy Walker CB	80-85	-	145-150	-
Geoffrey Podger	50-55	-	-	-
Justin McCracken	135-140	-	120-125	-
Jonathan Rees	105-110	-	55-60	-
Kate Timms CB	-	-	75-80	-

## 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.

**No significant awards were made to past senior managers.**

**No compensation was payable to former senior managers.**

**No amounts were payable to third parties for services of a senior manager.**

## Pension benefits

Table 9 Pension benefits – Commissioners

	Accrued pension pension at age 60	Real increase in pension and related lump sum at age 60	CETV at 31/03/06	CETV at 31/03/05	Real increase in CETV
Commissioners	£000	£000	£000	£000	£000
Bill Callaghan	35-37.5 pension and 105-107.5 lump sum	0-2.5 pension and 5-7.5 lump sum	640	584	54

Table 10 Pension benefits – Executive

	Accrued pension pension at age 60	Real increase in pension and related lump sum at age 60	CETV at 31/03/06	CETV at 31/03/05	Real increase in CETV
Executive	£000	£000	£000	£000	£000
Timothy Walker	55-60 pension and 175-180 lump sum	0-2.5 pension and 2.5-5 lump sum	1 415	1 255	8
Geoffrey Podger*	45-50 pension and 135-140 lump sum	2.5-5 pension and 10-12.5 lump sum	850	624	67
Justin McCracken	5-10 pension and 25-30 lump sum	0-2.5 pension and 2.5-5 lump sum	149	98	21
Jonathan Rees	45-50 pension	5-7.5 pension	780	523	99

\*These figures take no account of Mr Podger's pension rights from a previous employment that are in the process of being transferred.

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 2006. The valuation has been undertaken using the following assumptions:

- an investment return in excess of price increases of 2.8% pa;
- an investment return in excess of earnings increases of 1.3%;
- the gross rate of return is assumed to be 5.4% 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 4.0% pa and an allowance for price inflation of 2.5% 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 salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill-health retirement).

Further details about the CSP arrangements can be found at the website: [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

### The Cash Equivalent Transfer Value (CETV)

This 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 they have 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 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 costs. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

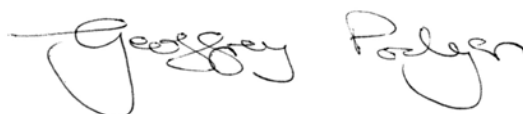
Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figures for 31 March 2006.

### 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.

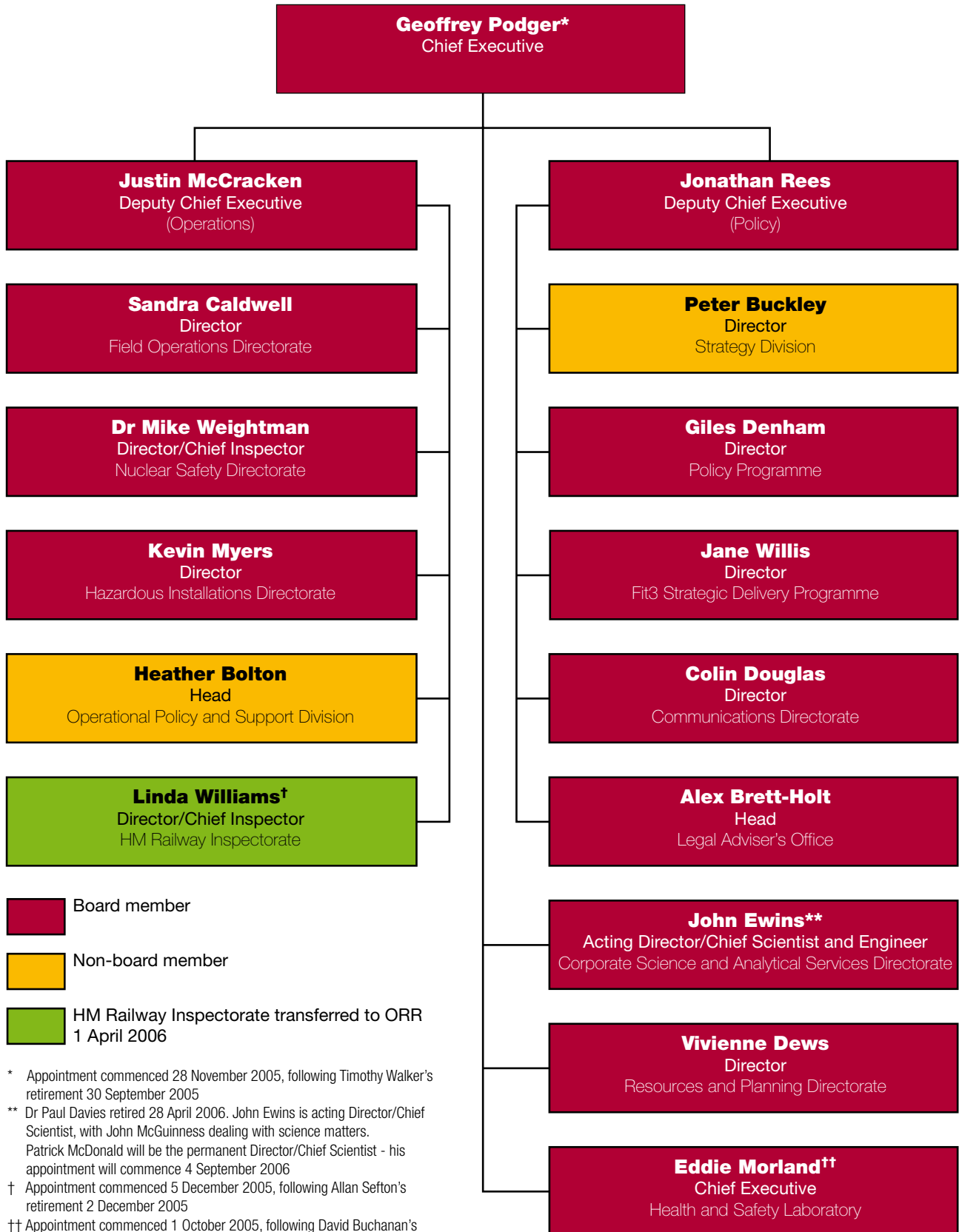


**Bill Callaghan**  
Chairman  
Health and Safety Commission  
Accounting Officer  
13 June 2006



**Geoffrey Podger CB**  
Chief Executive  
Health and Safety Executive  
Accounting Officer  
13 June 2006

## Annex 1: HSE's structure



## Annex 2: Health and safety in HSE

### Improved performance against targets

This year has seen an improved performance against our self-imposed targets. We achieved reductions in slip and trip injuries and, most substantially, in Display Screen Equipment (DSE) related ill health, reflecting the effort that has gone into producing good clear DSE guidance, effective use of our occupational health resources and the improvements from using electronic self-assessments. There was a sizeable reduction in the number of RIDDOR-reportable incidents from 25 to 13. Despite this, we did not meet our target for the year. However, HSE's RIDDOR rates are still markedly better than those of comparable organisations.

### Production of a three year framework for health and safety

During 2005/06, management and trade unions agreed a three-year framework (aiming to instil continuous improvement) for managing and improving health and safety. It is based around three themes:

- culture: work to achieve a positive and vigorous health and safety culture in HSE;
- cohesion: ensure that our process and procedures are simple, clear and effective;
- compliance: make sure that when it comes to the health and safety of our own staff, we do what we should do.

### Stress risk assessment

HSE completed an assessment of the risks associated with stress in the organisation. A final paper to the HSE Board recommended the setting up of a stress working group to help the organisation address the problem. All Directorates have produced their own stress action plan designed to reduce the risk of ill health associated with stress.

Other examples of progress this year include:

- Board members received training on effective leadership in health and safety;
- a Governance review was commissioned to help identify and understand the barriers that prevent effective health and safety management in HSE;
- no manual handling injuries occurred during the relocation of approximately 1600 people to the new Merseyside Centre, Redgrave Court;
- a new lone worker protection policy was developed in consultation with HSE's trade unions and launched;
- all internal policies and procedures were reviewed and reformatted ahead of a relaunch of internal health and safety guidance material;
- our communication campaign on health and safety improved as a result of staff feedback; and
- we continued to provide well-being activities for our staff, including health screening for the over 50s, smoking cessation help groups and lifestyle seminars.

Table 1 Accident and ill-health statistics

RIDDOR	Apr-Mar 2006	Apr-Mar 2005	Apr-Mar 2004
Fatal injuries	0	0	0
Major injuries	3 (1)	1	3
Dangerous occurrences	0	0	0
Over-3-day injuries	9 (2)	20 (5)	8 (1)
Ill health	0	4	0
Other*	1*	0	0
	13 (3)	25 (5)	11 (1)
Other over 3-day injuries, eg road traffic accidents	5	1	1
Ill health other	105	123	101 (2)
Minor injuries	127 (19)	153 (20)	128 (17)
Near misses (including verbal abuse and possible accidental asbestos exposure)	274 (6)	130 (4)	90 (4)
Total	524 (28)	432 (29)	331 (24)

\* 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.

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

## Annex 3: Better Regulation

The Health and Safety Commission and Executive (HSC/E) are committed to protecting people's health and safety in the workplace. As part of this commitment, HSC/E continues to review what can be done better. Better, smarter legislation is easier to understand and apply. This helps secure stronger commitment to compliance from business and so improves health and safety results.

In developing its focus as a modern regulator, HSC/E intends to take a lead role in ensuring its approach to regulation is more effective and efficient, both for those regulated and the regulators.

Better regulation is rooted in HSC's *Strategy for workplace health and safety in Great Britain to 2010 and beyond*. This is reflected by many of the key achievements highlighted earlier in the report. Some additional indicators of progress are set out in the following paragraphs.

### Simplification plan

An initial simplification plan was published on the HSE website in November 2005 and comments invited from duty holders and other stakeholders. The plan was well received. A final version will be published in Autumn 2006, at the same time as other Government departments' plans.

The plan reflects HSC/E's determination to develop legislation that is easy to understand and comply with, to help secure stronger commitment from business. Work is underway on all items in the plan. Examples of progress made during 2005/06 include:

- an internal challenge panel, established in July 2005 to critically assess all new legislative proposals coming from both domestic and European sources. The panel aims to ensure better regulation principles are applied and that policy outcomes are delivered by non-legislative means wherever possible;
- working with other regulators, eg strengthening arrangements for joint planning and inspection approaches with the Environment Agency and the Scottish Environment Protection Agency;
- *Workplace Health Connect*, launched in February 2006 (see page 12 for further details);
- revision of the Offshore Installations (Safety Case) Regulations to relieve unnecessary burdens on duty holders and HSE (see page 13 for further details);
- as part of its work to reduce administrative burdens, HSE has undertaken a review of its forms used

by business. Taking a zero-based approach, HSE sought to remove unnecessary record keeping, notifications etc. As a result, over 50% of our forms will be withdrawn during 2006; and

- influencing development of the *EU Occupational Safety and Health Strategy for 2007–12* during the UK Presidency of the European Union (ie July–December 2005), to ensure a strong better regulation component.

### Risk-based regulation

HSC published an evidence-based intervention strategy *Sensible health and safety at work: The regulatory methods used in Great Britain*. This focuses on core activities and the right interventions where they are best placed to reduce workplace injury and ill health. A guide for regulators (ie HSE and local authority staff) is being developed to support the strategy.

An explanation of how risk is used to target HSC's regulatory regime was also published on the HSE website: *The health and safety people visit my business – Why?* ([www.hse.gov.uk/aboutus/inspections.htm](http://www.hse.gov.uk/aboutus/inspections.htm)). It explains how HSE focuses its work where the risk is greatest and is likely to have most impact.

HSE has continued to collect and analyse the evidence of risks arising from work activities, not only for where regulation is needed but what interventions make the most difference. Work has also begun to review how HSE targets its inspection activity to ensure that the inspection regime uses a risk-based approach following best practice.

### 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 RIA process. During 2005/06, HSE has used the process to shape its policies, including exploring alternatives to legislation (eg proposals to improve worker involvement in health and safety) and demonstrating the benefits of simplification and consolidation (eg proposals to revise regulations covering construction work). The RIA process also informed negotiations in Europe on proposals for a Directive covering the exposure of workers to risks arising from optical radiation. Negotiations were concluded successfully during the UK Presidency, including the removal of provisions on natural radiation (ie sunlight).



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

### Improving RIA quality

HSE has been closely involved in the development of the central RIA guidance published by the Cabinet Office. This includes the planned introduction of a standard cost model and the analysis of alternatives to regulation. HSE will reflect such developments in a review of its internal guidance on policy development.

### Commitments to review regulations

HSE has an integrated research programme, which addresses both generic and specific occupational health and safety issues across the complete spectrum of HSC/E's regulatory responsibilities. This includes research to assess the cumulative impact of all regulations.

### Common Commencement Dates

HSE implemented Common Commencement Dates at the start of 2005. This meant that regulatory changes arising from within the UK would be implemented on only two dates each year, ie 6 April and 1 October. HSE has now extended this to include regulations originating from Europe where possible. In January 2006, HSE issued its third biannual statement of what the expected changes would be.

### Consultation best practice

During the 2005 calendar year, HSC/E opened six formal consultations on policy proposals, all of which lasted 12 weeks or more. This included consultation on proposals to consolidate and revise regulations that cover construction work. The exercise was one of the most open, widespread and high profile undertaken by HSC/E. The formal consultation exercise was primarily Internet-based. In addition to the usual consultative document, an online discussion forum was established. This generated lively and passionate debate on a variety of issues. Online consultation allowed a large number of stakeholders, in a very diverse industry, easy access to the proposals. It facilitated discussion between participants and stimulated debate. It provided various means of responding and made post-consultation processing and analysis easier. The forum remains open for continued discussion of the developing proposals, and is a useful mechanism for updating the public. There was also considerable face-to-face consultation, both before and after the formal consultation period, with around 2500 people attending a series of 25 events in England, Wales and Scotland.

HSC has established a Small Business Trade Association Forum, chaired by Commissioner Judith Donovan CBE. It is made up of members from trade associations, in sectors

with a large number of small businesses, and organisations representing small business. The Forum, which meets four times a year, was set up to help HSC/E 'think small first' by:

- consulting small business on new initiatives and proposed changes in health and safety law;
- ensuring the concerns of small business are heard; and
- improving communication.



**Part 2** Health and Safety Commission Accounts  
and Health and Safety Executive Accounts 2005/06





## 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, while 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 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 2006 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 practical is a core part of that mission. HSC consults formally on all regulatory changes. It is also experimenting with new means of consultation in order to ensure as wide a range of stakeholders as possible is reached.

HSC's Business Plan for 2005/06–2007/08 sets out how HSC/E will take forward HSC's Strategy, deliver PSA targets and meet its statutory obligations. For 2006/07, HSC published a one-year plan to supplement the three-year document. The 2006/07 plan focuses on the work of the Strategic Programmes – HSE's main means for implementing the strategy and delivering the PSA. Risk registers are in place for each Strategic Delivery Programme (SDP) and for the four Strategic Enabling Programmes (STEPs). Lower-level registers have also been developed within SDPs. Effective risk management has been built into training modules and guidance. HSC/E submits quarterly performance reports on progress towards Public Service Agreement (PSA) targets to the DWP Minister responsible for workplace health and safety (the Parliamentary Under Secretary of State (Lords)). The Chair of the Commission and HSE's Chief Executive meet the Minister monthly to discuss a range of key issues, including progress on performance, in more depth.

HSE's Risk Management Improvement Plan for 2005/06 was designed to take forward embedding risk management processes across the organisation.

#### 4 The risk and control framework

HSE's Risk Management Framework codifies its overall strategy for risk management. It emphasises the need for business risk management to be integrated with the organisation's management system to ensure that risks to business are managed effectively and proportionately.

The HSE Board comprises senior managers in operations, policy and corporate support, together with the Chief Scientist, the Legal Adviser, and the Chief Executive of HSL. Governance arrangements were streamlined in 2006 with issues previously considered by a Resource and Delivery Group being integrated into Board business. This extended Board remit puts greater emphasis on the inclusive nature of leadership in HSE. Its remit was extended to include resource issues, business efficiency, and progress towards PSA targets. This consolidation strengthens the capacity of the Board to take strategic oversight of all corporate issues. The Board meets formally monthly to action health and safety issues, and policy, strategic and personnel matters. All boards in HSE (eg programme boards) have a focus on managing any risks to the programmes and projects within their remits where these could not be effectively addressed at a lower level.

The corporate risk management plan sets out HSE's strategic risks and is the focus for business risk management at corporate level. The plan (which the Board considers quarterly) was restructured in 2005/06 to point up more clearly risks that were considered to be imminent. Reporting to the Board on the register was integrated with reporting each quarter on the corporate Balanced Scorecard (HSE's prime tool for gauging performance) to give the Board a more rounded picture on performance and prospects for the future.

Board-level risk owners have responsibility for ensuring adequate measures are in place for managing each of the risks, and that their adequacy is regularly reviewed. Where appropriate, action is taken or in hand to add further controls if needed. Risk owners review the risks they own to test whether they should be in the corporate register and their mitigation is still appropriate. Board members have supplied the HSC/E Accounting Officers with letters of assurance to provide an assessment of internal control within their commands.

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

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, personnel matters, workforce strategy, planning, finance, accounting, procurement, information technology and regularity, propriety and authorisation of expenditure. Communicated throughout the organisation and available to all staff, all are set out in codes and other instructions.

HSE delivers a large proportion of its work through programmes and projects. Further work has continued in 2005/06 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.

Treasury formally reviewed HSE's financial management systems in 2005/06. The review concluded that HSE's financial management systems were robust and that the business plan showed good evidence of awareness of risks.

HSC/E has moved rapidly to develop the means by which it measures progress on its PSA performance and reduce the risk of not meeting these targets. It measures PSA performance against a number of targets, grouped under the two main areas of HSC/E's work: conventional health and safety, and major hazards. HSC/E is on course to deliver the major hazards targets. The baseline figures for the conventional health and safety targets (2004/05) were established in late 2005.



## 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 non-executive member, met twice in 2005/06. The meeting planned for March 2006 was deferred until May 2006. The committee has been reconstituted to increase the number of non-executives and increase its challenge function. Its terms of reference have been revised slightly, in line with Treasury guidance, and it has also been repositioned so that it provides formal assurance to the HSC and HSE Accounting Officers on corporate governance issues, including risk and internal control.

HSE's Internal Audit 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 which also works to Government Internal Audit Standards. Their work plans are approved by Audit Committees to whom they make regular reports. They include an opinion on the adequacy and effectiveness of the system of internal control and make recommendations for improvement. 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.

The overall opinion of the interim Head of Internal Audit is that HSC/E has a generally sound framework of control which provides reasonable assurance regarding the effective and efficient achievements of its objectives. This is based upon a much reduced audit programme due to the demands imposed by a major change programme and the reduced resources available within the unit. A new Head of Internal Audit will take up post later in the year.

## 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 2006



**Geoffrey Podger** CB  
Chief Executive  
Health and Safety Executive  
Accounting Officer  
13 June 2006

# 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 2006 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.

### Respective responsibilities of the Commission, Chairman and Auditor

The Commission and Chairman are responsible for preparing the financial statements in accordance with the Health and Safety at Work etc. Act 1974 and 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 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 directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 42 to 44 reflects the Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover 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. This other information comprises pages 1 to 19 of the Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit 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 Chairman 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

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, of the state of the Commission's affairs as at 31 March 2006 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 directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



**John Bourn**  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road, Victoria  
London SW1W 9SP  
21 June 2006

# Health and Safety Commission

## Operating Cost Statement for the year ended 31 March 2006

	Notes	2005/06 £'000	2004/05 £'000
<b>Administration costs</b>			
Staff costs	3	503	417
Other administration costs	4	345	277
Gross administration costs		848	694
Operating income		-	-
Net operating costs		848	694

All income and expenditure is derived from continuing operations.

The notes on pages 48 to 50 form part of these accounts.



**Bill Callaghan**  
Chairman  
Health and Safety Commission  
Accounting Officer  
13 June 2006

# Health and Safety Commission

## Notes to the Accounts

### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2005/06 Financial Reporting Manual (FRM) ([www.financial-reporting.gov.uk](http://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 24.6%, (2004/05 18.5%), 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(k).

### 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 2005/06 was £233 078 000 and after deducting £503 293 for staff costs and £345 125 for other operating charges, the sum of £232 229 582 was allocated to the Health and Safety Executive. These transactions pass through Reserves in the Balance Sheet but produce a nil value in HSC.

	£'000
Opening general fund 1 April 2005	NIL
Net parliamentary cash funding	233 078
Net operating cost	848
Cash transfer to HSE (refer to HSE Cash Flow Statement)	232 230
Closing general fund 31 March 2006	NIL

## Expenditure of the Health and Safety Commission

### 3 Staff numbers and costs

#### (a) Staff costs of the Health and Safety Commission

	2005/06 £'000		Total	2004/05 £'000
	Staff with a permanent UK contract	Other staff engaged on the objectives of HSE		
Wages and salaries	422	8	430	365
Social security costs	39	-	39	33
Pension costs	34	-	34	19
<b>Subtotal</b>	<b>495</b>	<b>8</b>	<b>503</b>	<b>417</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs</b>	<b>495</b>	<b>8</b>	<b>503</b>	<b>417</b>

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

	2005/06 Numbers			2004/05 Numbers
	Permanently employed staff	Others	Total	Total
Non-specialist staff	5.5	-	5.5	5.5

Note: For further details on pension arrangements for non-specialist staff, please refer to HSE accounts (accounting policy Note 1(k) and Note 2).

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

	2005/06 £'000	2004/05 £'000
General administrative expenses	151	147
Travel, subsistence and hospitality for:		
Chairman, Commission members and support staff (see note below)	141	66
Rent, rates, maintenance and other premises costs	53	64
	345	277

Note: Travel, subsistence and hospitality expenses for the Chairman and Commission members was £129 522 (2004/05 – £53 943), while the total for the support staff was £11 873 (2004/05 – £11 815).

#### 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.



# 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 2006 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.

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

The Executive and Chief Executive are responsible for preparing the financial statements in accordance with the Health and Safety at Work etc. Act 1974 and directions made thereunder and for ensuring the regularity of financial transactions. The Chief Executive and Chairman of the Health and Safety Commission 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 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 directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 42 to 44 reflects the Executive's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover 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. This other information comprises pages 1 to 19 of the Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit 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 Chief Executive 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

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, of the state of the Executive's affairs as at 31 March 2006 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 directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



**John Bourn**  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road, Victoria  
London SW1W 9SP  
21 June 2006

# Health and Safety Executive

## Operating Cost Statement for the year ended 31 March 2006

	Notes	2005/06 £'000	2004/05 £'000
<b>Administration costs</b>			
Staff costs	2	161 036	147 773
Other administration costs	3	100 518	94 653
<b>Gross administration costs</b>		<b>261 554</b>	<b>242 426</b>
Operating income	5	(51 119)	(49 313)
EU income	5	(567)	(701)
<b>Net administration costs</b>		<b>209 868</b>	<b>192 412</b>
<b>Programme costs</b>			
Expenditure	4	42 280	29 850
Less income	4 and 5	(7 872)	(7 412)
<b>Net programme costs</b>		<b>34 408</b>	<b>22 438</b>
<b>Net operating cost</b>		<b>244 276</b>	<b>214 850</b>

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

### Statement of Recognised Gains and Losses for the year ended 31 March 2006

	2005/06 £'000	2004/05 £'000
Net gain/(loss) on revaluation of tangible fixed assets (refer Note 13)	1 316	6 224
Actuarial loss on pensions by analogy	(504)	-
<b>Total recognised gains and losses for the financial year</b>	<b>812</b>	<b>6 224</b>


The notes on pages 56 to 73 form part of these accounts.

# Health and Safety Executive

## Balance Sheet as at 31 March 2006

	Notes	31 March 2006 £'000	£'000	31 March 2005 £'000	£'000
<b>Fixed assets</b>					
Tangible assets	6		83 482		83 429
<b>Debtors:</b> falling due after more than one year	9		4 468		4 778
<b>Current assets</b>					
Stocks	8	1 249		1 620	
Debtors	9	25 084		22 314	
Cash at bank and in hand	10	542		224	
		26 875		24 158	
Creditors (amounts falling due within one year)	11	(18 964)		(12 193)	
<b>Net current assets</b>			7 911		11 965
<b>Total assets less current liabilities</b>					
			95 861		100 172
Creditors (amounts falling due after more than one year)	11		(62 649)		(57 607)
Provisions for liabilities and charges	12		(4 400)		(3 744)
			28 812		38 821
<b>Taxpayers' equity</b>					
General fund	19		20 789		31 496
Revaluation reserve	13		8 023		7 325
			28 812		38 821

The notes on pages 56 to 73 form part of these accounts.



**Geoffrey Podger** CB  
Chief Executive  
Health and Safety Executive  
Accounting Officer  
13 June 2006

## Health and Safety Executive

### Cash Flow Statement for the year ended 31 March 2006

	2005/06 £'000	2004/05 £'000
Net cash outflow from operating activities	(226 009)	(204 282)
Capital expenditure and financial investment	(5 353)	(3 985)
Receipts due to DWP which are outside the scope of HSE's activities	1	1
Payments of amounts due to DWP	(1)	(787)
Financing	232 230	209 025
<u>(Decrease)/increase in cash in the period</u>	<u>868</u>	<u>(28)</u>

(See note 14 for notes to the Cash Flow Statement)

The notes on pages 56 to 73 form part of these accounts.

# Health and Safety Executive

## Notes to the Accounts

### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2005/06 Financial Reporting Manual (FRoM) ([www.financial-reporting.gov.uk](http://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 FRoM 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 I) 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) 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.

**(g) 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 (with the exception of HSL, who expense all consumable items on receipt). 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.

**(h) 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.

**(i) Research**

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

**(j) 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.

**(k) Pension costs**

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in Note 2. 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.

**(l) 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.

**(m) 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.

**(n) Private Finance Initiative (PFI) transactions**

PFI transactions (refer Note 21) 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.

**(o) 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% (2004/05 – 3.5%) in real terms.

**(p) Contingent liabilities**

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

**(q) 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.

**(r) 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 Staff numbers and costs of the Health and Safety Executive****(a) Staff costs**

	2005/06 £'000	£'000	£'000	2004/05 £'000
	Staff with a permanent UK contract	Other staff engaged on the objectives of HSE	Total	Total
Wages and salaries	121 455	5 099	126 554	121 283
Social security costs	10 487	30	10 517	9 600
Other pension costs	24 578	62	24 640	17 289
<b>Total</b>	<b>156 520</b>	<b>5 191</b>	<b>161 711</b>	<b>148 172</b>
Less recoveries in respect of outward secondments	(675)	-	(675)	(399)
<b>Total net costs</b>	<b>155 845</b>	<b>5 191</b>	<b>161 036</b>	<b>147 773</b>

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. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005/06 employer contributions of £24 543 876 were payable to the PCSPS (2004/05 – £17 078 346) at one of the four rates in the range 16.2 to 24.6% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised in 2005/06 and will remain unchanged until 2008/09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Outstanding contributions amounting to £2.9 million were payable to the Civil Annuation Vote at 31 March 2006 and are included in creditors (see note 11).

Employees joining after 1 October 2002 could opt to join a partnership pension account – a stakeholder pension with an employer contribution. For 2005/06 employer contributions of £17 736.60 (2004/05 – £16 706.01) were paid to three appointed stakeholder pension providers. Five people retired early on ill-health grounds (2004/05 – 10 people); the total additional accrued pension liabilities in the year amounted to £7 233 (2004/05 – £15 039).

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

2005/06			2004/05	
Permanently employed staff	Other staff engaged on the objectives of HSE	Total		Total
3 818	124	3 942		3 961

**3 Non-staff administration costs of the Health and Safety Executive**

	2005/06 £'000	2004/05 £'000
<b>Rentals under operating leases:</b>		
Hire of plant and machines	41	144
Operating leases	9 860	9 998
<b>PFI service charges:</b>		
Off-balance sheet contracts	25 436	23 987
On-balance sheet PFI contracts	3 216	1 325
Interest charges – on-balance sheet PFI contracts	5 442	2 263
<b>Auditor's remuneration</b>	<b>83</b>	<b>83</b>
<b>Non-cash items:</b>		
Depreciation and amortisation of fixed assets	6 281	5 997
Cost of capital charge	1 161	1 329
Loss on revaluation of fixed assets	151	67
Loss on disposal of fixed assets arising from Redgrave Court relocation	527	-
Other (profit)/loss on disposal of fixed assets	159	(61)
Provisions: Provided in year	1 604	1 092
Unwinding of discount on provisions	22	25
Other non-cash items	97	93
<b>Other expenditure</b>	<b>46 438</b>	<b>48 311</b>
	<b>100 518</b>	<b>94 653</b>

Notes: Travel, subsistence and hospitality expenses for the Executive members were £34 977 (2004/05 – £37 226), while the total for all other staff was £12 078 059 (2004/05 – £11 003 298). There were no payments made to the National Audit Office (NAO) for non-audit work carried out in the year.

#### Analysis of other expenditure

	2005/06 £'000	2004/05 £'000
Accommodation	14 493	15 400
Travel and subsistence	12 078	11 041
Other	19 867	21 870
	46 438	48 311

#### 4 Net programme costs

	2005/06 £'000	2004/05 £'000
Research	19 904	16 566
Publicity, marketing and distribution	14 916	8 980
Current grants and other current expenditure	7 460	4 304
Subtotal	42 280	29 850
Less programme income	(7 872)	(7 412)
<b>Net total</b>	<b>34 408</b>	<b>22 438</b>

## 5 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)	Surplus/ (deficit)
	£'000	£'000	2005/06 £'000	2004/05 £'000
<b>(i) HSE fees and charges</b>				
Licensing of nuclear installations	23 096	23 096	-	-
Safety-related research in the nuclear industry	1 001	1 001	-	-
Genetically modified organisms	110	108	(2)	(28)
First-aid approvals	256	132	(124)	(87)
Asbestos Licensing Unit	357	364	7	(4)
FEPA fees and levy	735	735	-	-
Authorisation of biocides and pesticides	459	508	49	(255)
Notification of new substances	261	326	65	35
Control of major accident hazards	4 646	4 482	(164)	(40)
Enforcement of railway safety legislation	6 075	5 643	(432)	(53)
Enforcement of offshore safety legislation	8 255	8 896	641	274
Enforcement of gas safety management regulations	369	321	(48)	(12)
<b>Total HSE fees and charges</b>	<b>45 620</b>	<b>45 612</b>	<b>(8)</b>	<b>(170)</b>
Health and Safety Laboratory external customers	4 336	4 336		
Health and Safety Laboratory EU income	278	278		
Other fees and agency charges	-	80		
<b>Total HSL income</b>	<b>4 614</b>	<b>4 694</b>		
<b>Total fees and charges at 31 March 2006</b>	<b>50 234</b>	<b>50 306</b>		
Total fees and charges at 31 March 2005	47 042	47 045		
<b>(ii) HSE sales and other income</b>				
Sale of publications	2 672	4 032	1 360	965
Other sales/income	-	4 931		
EU income	289	289		
<b>Total sales and other income at 31 March 2006</b>	<b>2 961</b>	<b>9 252</b>		
Total sales and other income at 31 March 2005	3 675	10 381		

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 2005/06 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	45 612	80	5 427	51 119
EU income	-	278	289	567
Programme income	-	4 336	3 536	7 872
<b>Total per note 5</b>	<b>45 612</b>	<b>4 694</b>	<b>9 252</b>	<b>59 558</b>

## 6 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 2005	76 073	3 412	3 334	13 608	11 813	757	108 997
Reclassifications (cost)	-	-	-	42	-	(42)	-
Additions in year	2 334	595	1 204	643	1 007	1 130	6 913
Revaluations in year	1 181	(246)	27	49	85	-	1 096
Disposals during year	(1 010)	(233)	(1 271)	(1 027)	(2 090)	-	(5 631)
<b>Balance at 31 March 2006</b>	<b>78 578</b>	<b>3 528</b>	<b>3 294</b>	<b>13 315</b>	<b>10 815</b>	<b>1 845</b>	<b>111 375</b>
Depreciation at 1 April 2005	8 511	2 733	1 259	9 120	3 945	-	25 568
Charge in year	3 360	354	545	996	1 026	-	6 281
Revaluations in year	(37)	(102)	8	39	23	-	(69)
Disposals during year	(480)	(233)	(731)	(957)	(1 486)	-	(3 887)
<b>Accumulated depreciation at 31 March 2006</b>	<b>11 354</b>	<b>2 752</b>	<b>1 081</b>	<b>9 198</b>	<b>3 508</b>	<b>-</b>	<b>27 893</b>
<b>Net book value at 31 March 2006</b>	<b>67 224</b>	<b>776</b>	<b>2 213</b>	<b>4 117</b>	<b>7 307</b>	<b>1 845</b>	<b>83 482</b>
Net book value at 31 March 2005	67 562	679	2 075	4 488	7 868	757	83 429
<b>Asset financing</b>							
Owned	10 680	776	2 213	4 117	4 752	1 130	23 668
Finance leased	-	-	-	-	-	-	-
On-balance sheet PFI contracts	56 544	-	-	-	2 555	-	59 099
PFI residual interests	-	-	-	-	-	715	715
<b>Net book value at 31 March 2006</b>	<b>67 224</b>	<b>776</b>	<b>2 213</b>	<b>4 117</b>	<b>7 307</b>	<b>1 845</b>	<b>83 482</b>

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

The net book value of land and buildings at 31 March 2006 comprises:

	Freeholds £'000	Short Leaseholds £'000	Leasehold Improvements £'000	Total £'000
Cost or valuation at 1 April 2005	6 131	57 103	12 839	76 073
Additions in year	82	-	2 252	2 334
Revaluations in year	157	1 024	-	1 181
Disposals during year	(1 010)	-	-	(1 010)
<b>Balance at 31 March 2006</b>	<b>5 360</b>	<b>58 127</b>	<b>15 091</b>	<b>78 578</b>
Depreciation at 1 April 2005	537	427	7 547	8 511
Charge in year	150	960	2 250	3 360
Revaluations in year	(61)	24	-	(37)
Disposals during year	(480)	-	-	(480)
<b>Accumulated depreciation at 31 March 2006</b>	<b>146</b>	<b>1 411</b>	<b>9 797</b>	<b>11 354</b>
<b>Net book value at 31 March 2006</b>	<b>5 214</b>	<b>56 716</b>	<b>5 294</b>	<b>67 224</b>
Net book value at 31 March 2005	5 594	56 676	5 292	67 562

### 7 Movements in working capital other than cash

	2005/06 £'000	2004/05 £'000
Decrease/(increase) in stocks/work-in-progress	371	635
Increase in debtors	(2 460)	(175)
Increase in creditors falling due within one year	7 146	561
Net (increase)/decrease in working capital other than cash	5 057	1 021
Less decrease in amounts payable to DWP	-	785
Less (increase) in capital creditor	(502)	(210)
	<b>4 555</b>	<b>1 596</b>

### 8 Stocks and work in progress

	2005/06 £'000	2004/05 £'000
Consumables	48	59
Work-in-progress	446	677
Finished stock for sale	755	884
	<b>1 249</b>	<b>1 620</b>



## 9 Debtors

### 9(a) Analysis by type

	2005/06 £'000	2004/05 £'000
Amounts falling due within one year:		
Trade debtors	6 505	5 598
Imprest/advances	490	546
Prepayments	1 726	2 175
Current Part of PFI prepayment	153	-
Taxation: VAT debtor	3 913	3 953
Other debtors	3	6
Accrued income	12 294	10 036
	<b>25 084</b>	<b>22 314</b>
Amounts falling due after more than one year:		
PFI prepayment	4 230	4 383
Other prepayments	56	137
Imprests/advances	182	258
	<b>4 468</b>	<b>4 778</b>
<b>Total</b>	<b>29 552</b>	<b>27 092</b>

Note: The imprests/advances total of £672 107 (2004/05 – £803 994) includes £248 028 (2004/05 – £341 939) advances of salary for house purchase, £187 178 (2004/05 – £197 804) advances of salary for season ticket purchase, £152 776 (2004/05 – £146 387) imprests and £84 125 (2004/05 – £117 864) other advances. There were 43 officers who had £2 500 or more outstanding at 31 March 2006 which totalled £241 083 (2004/05 – £323 557, relating to 53 officers).

### 9(b) Intra-government balances

	Amounts falling due within one year		Amounts falling due after one year	
	£'000 2005/06	£'000 2004/05	£'000 2005/06	£'000 2004/05
Balances with other central government bodies	5 013	4 779	-	-
Balances with local authorities	53	250	-	-
Balances with NHS Trusts	15	30	-	-
Balances with public corporations and trading funds	2 035	479	-	-
<b>Subtotal: intra-government balances</b>	<b>7 116</b>	<b>5 538</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	17 968	16 776	4 468	4 778
<b>Total debtors at 31 March</b>	<b>25 084</b>	<b>22 314</b>	<b>4 468</b>	<b>4 778</b>

## 10 Cash at bank and in hand

	2005/06 £'000	2004/05 £'000
Balance at 1 April	(326)	137
Net change in cash balances	868	87
<b>Balance at 31 March</b>	<b>542</b>	<b>224</b>
Add Office of HM Paymaster General balance in creditors	-	(550)
	<b>542</b>	<b>(326)</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	276	(550)
Commercial banks and cash in hand	266	224
	<b>542</b>	<b>(326)</b>

## 11 Creditors

### 11(a) Analysis by type

	2005/06 £'000	2004/05 £'000
Amounts falling due within one year:		
Trade creditors: non capital	1 897	495
Trade creditors: capital	834	332
Other creditors	7 634	29
Accruals and deferred income	8 598	10 786
Balance with Office of HM Paymaster General	-	550
Current part of imputed finance lease element of on-balance sheet PFI contracts	-	-
Receipts payable to DWP	1	1
	<b>18 964</b>	<b>12 193</b>
Amounts falling due after more than one year:		
Imputed finance lease element of on-balance sheet PFI contracts	59 139	57 607
Other creditors	3 510	-
	<b>62 649</b>	<b>57 607</b>
<b>Total</b>	<b>81 613</b>	<b>69 800</b>

**11(b) Intra-government balances**

	Amounts falling due within one year		Amounts falling due after one year	
	£'000 2005/06	£'000 2004/05	£'000 2005/06	£'000 2004/05
Balances with other central government bodies	7 739	221	-	-
Balances with local authorities	297	247	-	-
Balances with NHS Trusts	29	33	-	-
Balances with public corporations and trading funds	710	-	-	-
Subtotal: intra-government balances	8 775	501	-	-
Balances with bodies external to government	10 189	11 692	62 649	57 607
<b>Total creditors at 31 March</b>	<b>18 964</b>	<b>12 193</b>	<b>62 649</b>	<b>57 607</b>

**12 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 2005	1 348	1 237	512	647	3 744
Increase in provision	1 788	-	564	-	2 352
Provisions not required written back	(3)	-	-	(181)	(184)
Amounts utilised	(878)	(482)	(24)	(150)	(1 534)
Unwinding of discount	22	-	-	-	22
<b>Balance at 31 March 2006</b>	<b>2 277</b>	<b>755</b>	<b>1 052</b>	<b>316</b>	<b>4 400</b>

**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 21.

### 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 2006 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 £1 052 000 and a breakdown of the GAD calculation is as follows:

	£'000
Present value of scheme liabilities at start of year	512
Current service cost (net of employee contributions)	27
Employee contributions	2
Interest cost	32
Actuarial losses	504
Less benefits paid	(25)
<b>Present value of scheme liabilities at end of year</b>	<b>1 052</b>

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

### 13 Reserves

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

#### Revaluation reserve

	2005/06 £'000	2004/05 £'000
Balance at 1 April	7 325	2 868
Arising on revaluation during the year (net)	1 316	6 224
Transfer to general fund of realised element of revaluation reserve	(618)	(1 767)
<b>Balance at 31 March</b>	<b>8 023</b>	<b>7 325</b>

### 14 Notes to the Cash Flow Statement

	Notes	2005/06 £'000	2004/05 £'000
<b>14(a) Reconciliation of operating cost to operating cash flows</b>			
Net operating cost		244 276	214 850
Adjust for non-cash transactions		(10 029)	(8 998)
Adjust for movements in working capital other than cash	7	(4 555)	(1 596)
Adjust for movement in creditors more than one year		(3 510)	-
Interest element of finance lease payment		(1 707)	(827)
Use of provisions	12	1 534	853
<b>Net cash outflow from operating activities</b>		<b>226 009</b>	<b>204 282</b>
<b>14(b) Analysis of capital expenditure and financial investment</b>			
Purchase of fixed assets		6 411	5 165
Proceeds of disposal of fixed assets		(1 058)	(1 180)
<b>Net cash outflow from investing activities</b>		<b>5 353</b>	<b>3 985</b>

**14(c) Analysis of financing and reconciliation to the net cash requirement**

	2005/06 £'000	2004/05 £'000
From DWP	232 230	209 025
Decrease/(increase) in cash	(868)	28
Adjustment for payments and receipts not related to Supply Amounts due to DWP		
– received in a prior year and paid over	(1)	(787)
– received and not paid over	1	1
– excess Appropriations in Aid included in income	-	-
<b>Net cash requirement</b>	<b>231 362</b>	<b>208 267</b>

**15 Capital commitments**

	2005/06 £'000	2004/05 £'000
Contracted commitments for which no provision has been made	288	326

**16 Losses and special payments**

	2005/06 No. of Cases	2004/05 No. of Cases	2005/06 £'000	2004/05 £'000
Cash	12	24	5	6
Claims abandoned	180	176	193	130
Administrative losses	-	1	-	-
Fruitless payments	46	25	13	6
Stores	1	-	222	507
Special payments	36	33	20	252
	<b>275</b>	<b>259</b>	<b>453</b>	<b>901</b>

Special payments made by HSE to staff and members of the public totalled 36 cases in 2005/06 to the value of £20 373.

**17 Commitments under non-PFI operating leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires:

	2005/06		2004/05	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring within:				
One year	92	3	685	44
After one year but not more than five years	1 179	2	768	4
More than five years	8 334	-	4 425	-
	<b>9 605</b>	<b>5</b>	<b>5 878</b>	<b>48</b>

## 18 Commitments under non-PFI finance leases

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

## 19 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.

	2005/06 £'000	2004/05 £'000
<b>Balance at 1 April</b>	<b>31 496</b>	34 332
Net operating cost for the year (Operating Cost Statement)	<b>(244 276)</b>	(214 850)
Net parliamentary funding	<b>232 230</b>	209 025
Excess appropriations in aid to be surrendered to DWP	-	-
Transferred to general fund in respect of realised element of revaluation reserve (Note 13)	<b>618</b>	1 767
Release from general fund (Chairman's pension)	<b>(537)</b>	-
Release from general fund (other)	-	-
Non-cash charges and receipts (DWP services)	<b>97</b>	(107)
Cost of capital	<b>1 161</b>	1 329
<b>Balance at 31 March (Balance Sheet)</b>	<b>20 789</b>	31 496

## 20 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 the 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 Central Office of Information, Cabinet Office, Department of Health, Health Protection Agency, Treasury Solicitor, Ministry of Defence, Office for National Statistics, Department of Environment, Food and Rural Affairs 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.

## 21 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 10-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 £23 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 £25 436 403 (2004/05 – £23 986 597); and the payments to which HSE is committed during 2006/07, analysed by the period during which the commitment expires, are as follows:

	2006/07 £'000	2005/06 £'000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
Expiry within 6 to 10 years	18 470	17 500
Expiry within 11 to 15 years	-	-
Expiry within 16 to 20 years	-	-
Expiry within 21 to 25 years	-	-
Expiry within 26 to 30 years	7 865	2 172

**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 FR&M. 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 2006 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:**

	2005/06 £'000	2004/05 £'000
Rentals due within one year	4 673	3 910
Rentals due after one but within two years	4 764	4 648
Rentals due after 2 years but within 5 years	15 263	14 733
Rentals due after 5 years but within 10 years	28 799	27 919
Rentals due after 10 years but within 15 years	33 311	32 457
Rentals due after 15 years but within 20 years	38 092	37 121
Rentals due after 20 years but within 25 years	43 279	42 174
Rentals due after 25 years but within 30 years	34 412	43 516
<b>Subtotal</b>	<b>202 593</b>	<b>206 478</b>
Less interest element	143 454	148 871
<b>Total</b>	<b>59 139</b>	<b>57 607</b>

**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 £3 215 603, being 12 months charge (2004/05 – £1 325 315 for 5 months), both figures adjusted to include release of prepayment, 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 £'000	2005/06 £'000
Expiry within 26 to 30 years	3 170	3 062

**22 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). There was an oral hearing in front of the ECJ in March 2006 and the Advocate General's opinion was received in May 2006. This opinion will be used to assist the ECJ in reaching a decision. The decision of the ECJ is not expected until around the end of the year.

Claims have been received by HSL and a main contractor engaged by HSL, alleging that injuries were incurred by an employee of a subcontractor engaged by the main contractor to work on HSL's site at Buxton. The matter is currently the subject of a criminal investigation, and HSL is awaiting further information to enable it to assess its position with regard to any potential liability.

**23 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 9. As at 31 March 2006, the weighted average period to maturity was 4.8 years (2004/05 – 5.0 years).

### Foreign currency risk

HSE's exposure to foreign currency risk is not significant. The foreign exchange loss for 2005/06 was £7 453 (£6 974 for 2004/05). 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 £170 802 at 31 March 2006 (£231 875 at 31 March 2005). 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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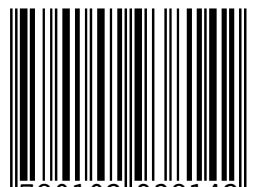
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