



The Health and Safety
Executive
**Annual Report
and Accounts 2017/18**

The Health and Safety Executive Annual Report and Accounts 2017/18

Presented to Parliament pursuant to paragraph 10 (2) and (4) of
Schedule 2 to the Health and Safety at Work etc Act 1974.

Ordered by the House of Commons to be printed on 19 July 2018.

HC 1090



© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://www.gov.uk/government/publications>

Any enquiries regarding this publication should be sent to us at www.hse.gov.uk/contact/

If you have any queries regarding the statement then please contact us at: official.publishing@nationalarchives.gsi.gov.uk

ISBN 978-1-5286-0143-6

CCS1217556516 06/18

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK for the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

Contents

07 Performance

07 Overview:

- 07 Statement from HSE's Chair and Chief Executive
- 09 Performance overview
- 16 Looking forward

19 Performance analysis:

- 19 Performance analysis
- 41 Sustainable development

43 Accountability

43 Corporate governance report:

- 43 The Directors' report
- 46 Statement of the Executive's and Chief Executive's responsibilities
- 47 Governance statement

62 Remuneration and staff report

79 Parliamentary accountability and audit report:

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

86 Financial statements

90 Notes to the Accounts

Performance – Overview

Summary statement from HSE's Chair and Chief Executive

2017/18 has been another busy and successful year in which we have continued to strive for improvements in Britain's already strong health and safety performance, as well as fulfil wider functions such as protecting the environment through our chemicals regulation activities.

Inspection, investigation and enforcement remain integral to delivering our strategy including targeted campaigns to tackle identified issues in both our major hazard sectors and other higher risk industries.

This year we also carried out several high-profile prosecutions, which served to highlight the resulting tragedies when good risk management is overlooked. Very large fines for the companies involved showed the courts are taking such failures very seriously. We have also seen how we can amplify the impact of those face-to-face interventions by making greater use of modern communication channels such as social media.

Our Helping Great Britain work well strategy sets the direction for further improvements. This year has seen further commitments, engagement and ownership of the challenges ahead from partners across industry, unions, and the many others with an interest in our work. Our first annual conference in September 2017 was a particular highlight. In addition, we have also been pleased to see our sustained focus on the Health and Work programme bearing fruit as we raise awareness of occupational lung disease, musculoskeletal disorders and work-related stress, and how to manage associated risks.

HSE does not, and should not, work in isolation from the world around us. This year, two areas in particular have demonstrated how we are able to respond alongside other parts of government:

- We have provided extensive expertise and support to the investigation, the public inquiry and the independent Review of Building Regulations and Fire Safety following the terrible tragedy at Grenfell Tower in June 2017, in which many lives were lost. We will also play our part in supporting the implementation of emerging recommendations.

- We have continued to contribute to preparations for the United Kingdom's exit from the European Union (EU). We recognise the clear commitment from government to maintain standards of employee protection. We have, and will continue to work with partners in other government bodies on joint areas of activity, including the changes that will be necessary to the chemicals regulation regime when the UK leaves the EU.

Alongside all of this we continue to develop our approaches to tackling the risks people will face in the workplaces of tomorrow. Our world-leading science and research capabilities continue to provide the foundation for our regulatory work – identifying new solutions to existing problems and tackling emerging risks – but always underpinned by the principle that risk prevention always beats risk 'cure'. Enhancing our digital capability has also enabled us to make better use of technology, for example through our work on the Basic Safety Standards Directive.

Looking back on 2017/18, we can recognise a year of progress and achievement with all of our external milestones met in-year. Yet, this has also been a demanding time for our people as we implemented various estates changes, investments in IT and some internal restructuring alongside sustaining our regulatory activities.

We also found ourselves in the difficult position of accepting a Crown Censure following an incident in Buxton in 2016. We very much regret this incident happened, and especially that one of our colleagues was injured. On that occasion, we did not meet the standards we expect of others and that is deeply disappointing. We took action to resolve the immediate issues identified by the regulatory and internal investigations, and are now using this experience as an opportunity to learn and to do significantly better as we work to ensure we are an exemplar for good health and safety practices.

This annual report reflects many achievements through the year but does not attempt to capture all that we do. These achievements are in no small part down to the continued hard work and professionalism of our colleagues. Their efforts help protect people at work and support businesses throughout England, Scotland and Wales. We are very proud to work with them.

Dr Richard Judge has been on special leave since Friday 15 June 2018 and Dr David Snowball was appointed acting Chief Executive and Accounting Officer from this date.

Martin Temple CBE
Chair
Health and Safety Executive

Dr David Snowball
Acting Chief Executive & Accounting Officer
Health and Safety Executive

Performance overview

Great Britain is one of the safest places in the world to work in and has a health and safety record to be proud of. Nonetheless, the plateaus we see in our health and safety statistics¹ are also a stark reminder of the challenges we face in continuing to improve Britain's performance.

The benefits of continual improvement are substantial:

- **for workers**, a healthier and safer workplace;
- **for businesses**, productivity and innovation;
- **for the wider economy**, reducing the financial impact of work-related injuries and ill health, together with enabling the growth opportunities that come with creating a more attractive place to do business.

Figure 1 Health and safety statistics



1 www.hse.gov.uk/statistics/overall/hssh1617.pdf

Who we are

HSE is the independent regulator for work-related health and safety in Great Britain. We are committed to playing our part in the wider health and safety system to ensure that others play theirs in creating healthier, safer workplaces.

We also deliver wider functions such as regulatory schemes intended to protect the health of people and the environment, balancing the economic and social benefits that chemicals offer to society.

HSE Board

The HSE Board provides a balance of employee, employer and local authority views. Appointed by the Secretary of State, members are not HSE officials. The Board's key responsibilities are:

- setting HSE's overall strategy and objectives within policy frameworks set by the government;
- overseeing overall direction for health and safety in Great Britain;
- overseeing the work and performance of HSE;
- making proposals to ministers for regulations;
- making policy and strategic decisions;
- providing advice to ministers.



Martin Temple

Chair of the Board



Nick Baldwin



Jonathan Baume



George Brechin



Janice Crawford



Martin Esom



Susan Johnson



Sarah Pinch



Ken Robertson



Kevin Rowan



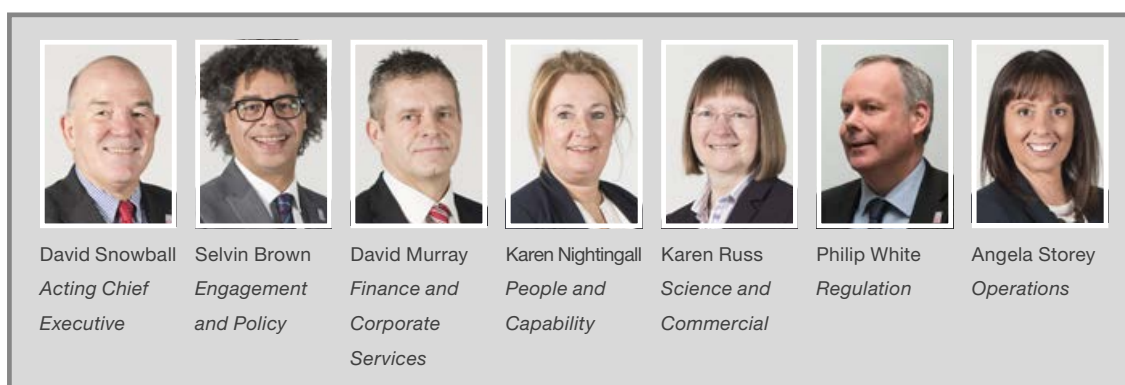
Martyn Thomas

The Secretary of State (SoS) has principal responsibility for HSE. The DWP Minister with responsibility for health and safety will account for HSE's business in Parliament, including its use of resources and the policy framework within which HSE operates. The HSE Board is responsible to the relevant ministers for the administration of the 1974 Act.

HSE Management Board

Working closely with the HSE Board, senior executives lead HSE and drive its long-term performance. The Management Board² is accountable to the HSE Board for effective day-to-day management of HSE. Its key responsibilities are:

- providing leadership for HSE;
- developing HSE's strategy and Business Plan for approval by the Board;
- ensuring delivery of performance in line with the Business Plan;
- supporting the Board in making policy and strategic decisions.



What we do

Lead and engage with others to improve workplace health and safety

In line with the Helping Great Britain work well strategy, we:

- engage a wide range of stakeholders and dutyholders as set out in our health strategy and sector action plans;
- continue our work with local authorities as co-regulators and build relationships with influential trade associations, academics, unions, professional bodies, representative groups and government agencies;
- provide guidance and advice that meets the needs of users and encourages proportionate risk management;
- run insight-led campaigns to change behavior and make workplaces safer and healthier;
- bring together HSE's world-leading science and research teams with policy and operational specialists to make evidence-based decisions.

2 Current HSE Management Board.

Through speaking at conferences, bringing people together in workshops and delivering training, we routinely involve colleagues at all levels, in all parts of HSE. We are building new relationships internationally with governments, regulators and others to help maintain our reputation and influence on the world stage.

We further support dutyholders through the provision of occupational health and safety products, services and training on a commercial basis. Providing access to our know-how, specialist facilities and research, sold in the UK and internationally, provides a mechanism for dutyholders to deliver improved occupational health and safety performance.

Provide an effective regulatory framework

The health and safety regulatory framework in Great Britain is mature and well developed. It has stood the test of time and recent scrutiny, and is the basis for regulatory systems across the world.

We work hard to reduce unnecessary complexity and repeal outdated laws without compromising protection.

When new laws are necessary, HSE provides a solid evidence base to the government's regulatory policy committee to outline the impact of new regulations.

We maintain our regulatory framework in keeping with the government's better regulation principles, sharing examples of good practice with others and building a common understanding of what proportionate health and safety looks like.

All new regulations are subject to post-implementation reviews to ensure they are working as planned.

HSE operates internationally, working with overseas regulators and other organisations. We contribute to the government's work on the UK's exit from the European Union, including preparing any necessary changes to the chemicals regime to maintain standards of employee protection.

Secure effective management and control of risk

We carry out targeted inspections of thousands of workplaces every year, using intelligence to focus on those employers or sectors with the worst record or the greatest risks.

When things go wrong, we investigate and hold employers to account, providing answers to those affected and supporting bereaved families.

HSE comes together to protect people:

- We bolster our frontline inspection, investigation and enforcement activity with modern communications techniques, including insight-led campaigns focused

on changing employer and worker behaviours.

- Our most complex investigations draw on our science and engineering specialists and facilities to provide a forensic analysis that uncovers the evidence and provides lessons for the future.
- We operate licensing schemes to ensure those working with explosives, gas supplies, and dangerous materials such as asbestos are competent to manage the risks they work with. Our oversight of the chemicals industry enables the safe and sustainable use of thousands of pesticides and biocides.
- We look into thousands of health and safety concerns reported to us every year, working with other regulators, the police and local authorities to provide reassurance or take action, if needed.

Reduce the likelihood of low-frequency, high-impact catastrophic incidents

Great Britain has many highly specialised, strategically important industries. These are essential to the country's economy and social infrastructure, but can potentially cause great harm to their workers, the environment and the public if not properly managed.

The oil and gas industry on and offshore is mature, but exploiting fresh reserves using new technologies. Decades of oil and gas production lie ahead but the industry is also managing decommissioning and dismantling of installations and safe abandonment of wells.

Onshore exploitation of shale gas is likely to increase in the coming years. Other growth areas include development of integrated energy networks for renewables and gas and pipelines.

Cybersecurity is becoming a more significant issue across all strategic sectors, and the bioeconomy is forecast to grow rapidly.

HSE will continue to regulate (alongside other regulators where there are joint responsibilities) these sectors effectively, through assessment, licensing, inspections, investigations and public safety advice to the planning system to provide assurance to the public and the workforce in these industries that major hazard risks are properly managed.

Performance summary

This annual report details what we have done to fulfil our responsibilities as the independent regulator of the health and safety system.

This section provides a synopsis of our performance against the four strategic themes outlined in our 2017/18 Business Plan. Further detail is provided in the Performance analysis on pages 19 to 42.

We delivered all the milestones published in our 2017/18 Business Plan as our contribution to improving health and safety performance across the UK. Throughout these achievements there was a strong emphasis on working with others to provide an effective regulatory framework, secure effective management of risks and reduce the likelihood of high-impact incidents. Our activities in 2017/18 have included the following highlights:

- **Working with stakeholders to obtain their commitment to the actions proposed in our sector plans**, helping Great Britain work well. These plans identify the top three strategic priorities for the next three to five years across 19 sectors, based on industry type and risk profile.
- **Launching our comprehensive Health and Work programme at HSE's first annual conference** in September 2017, at which 350 senior figures from across the health and safety system made commitments to improve health and safety practices in their organisations. Key to this event was sharing our plans to reduce musculoskeletal disorders (MSDs) by shifting the emphasis from training people in manual handling to reducing MSD risks through good design. We have also used new capabilities in insight research to shape and refine our communications and campaigns.
- **Taking action to reduce risk at over half of the workplaces we visited** and implementing our sector plans to focus on key risks to health and poor safety management. For example, our intervention campaigns in construction, bakeries and waste and recycling were enhanced by working jointly with industry representatives and building broader impact through linked information campaigns. Our investigations of fatal incidents are being completed more quickly and we are improving our performance for responding to non-fatal incidents and ill health, and concerns raised by workers and the public.

- **Sustaining efforts to reduce the likelihood of catastrophic incidents** has been evident in working closely with industry bodies to develop improved management controls. We gained support from Oil & Gas UK for a shift in our approach to inspection of offshore process safety management and operating plant within safe limits. We collaborated with G+ Global Offshore Wind Health and Safety Organisation to deliver an offshore risk reduction programme promoting safety champions and guidelines for overcoming health and safety challenges in harsh environments. Work focusing on the management of legionella risk over several years has shown a tangible improvement in standards, with inspectors now having to take action to reduce risk at significantly fewer sites.
- **Maintaining and in some cases improving levels of operational performance** while making significant efficiencies. We have reduced the cost of our estate and invested in modernising our IT systems and workspaces. Reconfiguring our communications and engagement capability has been implemented over the last couple of years and we are now aligned with Government Communications Service guidelines.
- **Launching our new digital service**, allowing dutyholders to notify, register and gain consent for the work they do with ionising radiation. This service was developed alongside the introduction of new regulations to better protect employees and the public from exposure to ionising radiation in the workplace.
- **Completing 81% of investigations into fatal accidents within 12 months of HSE receiving primacy.** This means that, in more than four out of five cases, families and friends of people killed in work-related deaths receive the outcome of our investigations within 12 months. Our performance in completing fatal investigations has increased in each of the past five years (from 43% in 2013/14).
- **Creating the Safer Sites campaign**, bringing together enforcement and communication activity to influence better compliance among dutyholders. During a targeted campaign in May and October we visited 2600 dutyholders across 2100 sites. Our inspectors took action to reduce serious risks at over half of these and took formal enforcement at over 490 sites.

Looking forward

Our 2018/19 Business Plan³ was published in March 2018 and outlines what HSE will be delivering over the year. The **key commitments** and priorities for 2018/19 are as follows:

Lead and engage with others to improve workplace health and safety

Our priorities will be to:

- sustain momentum on our Helping Great Britain work well strategy, focusing on the highest-risk sectors and building on the stakeholder engagement and commitments made to widen the reach of the campaign to new audiences;
- deliver the next phase of the Health and Work programme, with its focus on reducing levels of occupational lung disease, musculoskeletal disorders (MSDs) and work-related stress;
- establish a multi-year plan that brings together, and provides focus for, activities and interventions enabling proportionate management of health and safety within small and medium-sized enterprises (SMEs);
- continue to develop our shared research programme by increasing the number of contributing partner organisations and by jointly agreeing new proposals that improve the evidence base for interventions which catalyse improvements in health and safety performance.

Provide an effective regulatory framework

Our priorities will be to:

- manage and, where necessary, update our regulatory framework and approach in line with government policy. This will include making technical changes through Statutory Instruments under European Union (Withdrawal) Bill powers to ensure retained EU law still functions effectively on exit, providing certainty for employers and employees;
- prepare any necessary changes to the chemicals regime as part of work on the UK's exit from the European Union;
- continue to actively engage with and support ongoing Grenfell inquiries and be ready to make changes in response to findings;
- work across the health and safety system to share learning on blue tape⁴ issues and identify ways to promote proportionality in the system.

³ www.hse.gov.uk/aboutus/strategiesandplans/businessplans/index.htm

⁴ Blue tape refers to burdens which arise where businesses impose health and safety obligations on other businesses, which are either disproportionate or lead to ineffective risk control and ownership.

Secure effective management and control of risk

Our priorities will be to:

- deliver around 20 000 proactive inspections to prevent harm, with increasing use of campaigns that focus these inspections on specific issues and activities found in high-risk industries, including a sustained focus on health risks associated with occupational lung disease and MSDs to improve compliance and risk control;
- sustain the timely completion of investigations to help victims and bereaved families understand what happened (and why), to tackle ongoing risks and to take enforcement action where appropriate;
- sustain timeliness of decisions on applications for authorisation of biocides and pesticides;
- modernise our services, making them user-focused and accessible, and providing the ability for people to transact with us online.

Reduce the likelihood of low-frequency, high-impact catastrophic incidents

Our priorities will be to:

- deliver interventions to address priority issues across major hazard industries;
- work with stakeholders, including trade associations, on strengthening leadership and worker engagement across all the major hazard sectors;
- take a leading role in the UK's agenda on dealing with cybersecurity in the safety sphere across industries;
- deliver targeted interventions focusing on the control of high-consequence risks from legionella, fairgrounds and major construction projects;
- support the World Health Organisation global polio eradication programme through a programme of laboratory inspections.



Performance – Analysis

Performance analysis

We have robust performance and risk frameworks in place.

Our key performance indicators (KPIs) and operational risks are reviewed monthly by the Management Board, supported by a more in-depth review on a quarterly basis by both the Management Board and HSE Board.

Our KPIs also act as preliminary risk indicators, highlighting potential areas of concern where HSE may be subject to increased risk, for example operationally, financially or reputationally.

Where performance is not meeting expectations or where it is agreed the level of risk needs to be reduced, actions are agreed and lessons learned.

Further details on the key risks HSE has faced over the year – both strategic and operational – are included within the Governance statement.

Our performance

The following section provides further detail of HSE's delivery and performance, aligned to the core aims of the 2017/18 plan.

Lead and engage with others to improve workplace health and safety

This year we launched our comprehensive **Health and Work programme** to reduce the harm to health caused by poor management of risk. More than a million people every year suffer from work-related ill health, and thousands die from conditions arising, in part at least, from their jobs. The programme focuses on work-related stress, musculoskeletal disorders (MSDs) and occupational lung disease, three priorities that account for the most impact on people's lives and the greatest lost-time and economic consequences.

The programme is backed by **Go Home Healthy**, a multi-channel campaign which promotes our commitment to tackling ill health in the workplace.

The campaign was launched at HSE's first annual conference in September 2017, which was attended by more than 350 senior figures from across the health and safety system. Attendees made commitments on behalf of their organisations to improve health and safety practices – further protecting workers and communities. This event was promoted and livestreamed through social media, reaching more than a million people.

We also launched the **MSD plan** at the conference. The aim of this work is to provide a shift in emphasis away from manual handling training and towards eliminating and reducing risk of MSDs through design.

HSE research found little evidence that 'off-the-shelf' manual handling training, based on handling techniques, was effective. We reviewed the research with a panel of training organisations, including representatives of their business clients, worker interests and relevant professional bodies. This resulted in recommendations to:

- prompt employers to think more critically about their real needs, and to encourage them to think about working practice and engineering changes rather than off-the-shelf training;
- reinforce the need for any training to be bespoke for the work tasks, equipment and environment that workers faced in practice.





There are an estimated 12 000 deaths each year from lung disease.

Nine million working days are lost each year due to musculoskeletal disorders.

Over 12 million working days were lost last year due to stress.

The Go Home Healthy programme is about:

- building awareness and understanding;
- positively engaging employers and workers in improving work-related health;
- promoting the 'norming' of good health practices.

HSE and the Chartered Institute for Ergonomics and Human Factors jointly sponsored a 'Risk-reduction through design'⁵ prize to showcase best practice. Emerging findings from our insight research showed that employers were struggling to devise solutions to MSD challenges in their workplaces – so these prompts and design ideas were meeting a very real and current need.

We published advice for employers on getting the right type of help for their businesses at the MSD Summit in March 2018. This was live streamed approximately 1000 times on the day and, within a week, around a further 1000 people had watched the on-demand streaming (via NEBOSH sponsors).

Programme of targeted insight research

We have developed new capabilities to better understand employers, dutyholders and workers, to refine the way we approach and target our activities to provide the best health and safety outcomes. Outcomes are used to target, shape and refine new initiatives, communications and campaigns. A growing body of targeted insight projects include:

- small and medium-sized enterprises (SMEs);
- construction small/micro businesses;
- lung health;
- MSDs;
- agriculture;
- perceptions of health and safety burden;
- overall perceptions of Health and Safety across the whole of Great Britain.

We have refreshed our core guidance on priority health at work risks.

Our updated stress microsite provides practical advice and solutions for managing stress in the workplace – it has been visited over 770 000 times since its launch at a conference in September last year. Material includes a new workbook and example stress risk assessments to help all businesses.

We conduct **scientific research** to improve understanding of issues and use evidence to underpin our regulatory and policy interventions. This also involves building effective and long-lasting partnerships with other organisations. For example, we have established the Thomas Ashton Institute for Risk and Regulatory Research with the University of Manchester, drawing on our combined knowledge to deliver research, teaching and regulatory insights to address complex problems.

5 www.hse.gov.uk/msd/awards.htm

Reducing exposure to flour dust in bakeries

Occupational asthma is a significant health issue in the bakery industry, caused by inhaling allergens in wheat flour dust and other ingredients.

Reducing employee exposure to flour dust requires control measures and small bakeries need simple measures to tackle this problem. Our scientists worked with the Association of Bakery Ingredient Manufacturers (ABIM) to reduce flour dustiness and allergen levels at source.

Our researchers used a 'rotating drum' test and assessed whether particles were likely to enter the lung. ABIM provided technical advice, as well as modified mixtures for a dough-improver.



What were the benefits?

This research showed bakers' exposure to allergens can be reduced by simple alterations in the composition of a dough-improver. It demonstrated that cost-effective control measures can be developed to help small bakeries, alongside measures such as engineering controls, staff training and health surveillance.

Provide an effective regulatory framework

We have continued to contribute to the work underway across government to prepare the UK for exit from the **European Union (EU)**. This has included working with partners in other government bodies on the changes that will be necessary to the chemicals regulation regime when the UK leaves the EU.

Implementing the Basic Safety Standards Directive

We launched a **new digital service**, allowing dutyholders to notify, register and gain consent for the work they do with ionising radiation. This service was developed alongside the introduction of new regulations to **better protect employees and the public from exposure to ionising radiation** in the workplace.

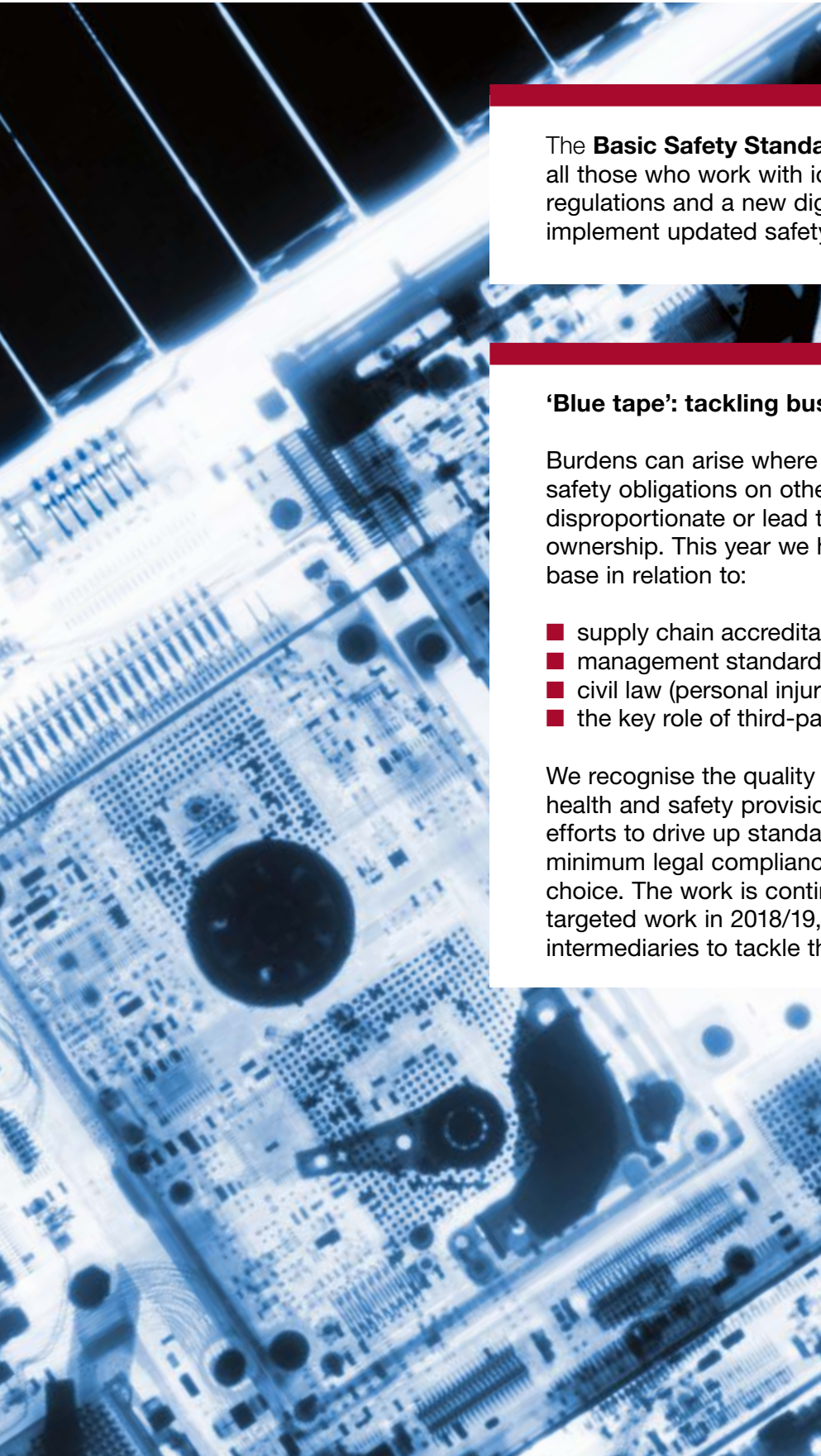
We consulted stakeholders in the relevant industries, including nuclear, and SMEs in the health sector, to develop a service that was as straightforward as possible. This approach minimised the burden on business by ensuring we obtained only the information necessary to assure us that a notification, registration or consent is appropriate. By focusing on essential requirements we avoided developing a system that went further than was needed.

Working with stakeholders gave us the opportunity to raise awareness of potential risks to employees, together with standards of protection required.

Applicants have successfully used the new system to notify, register or apply for consent for the work that they do with ionising radiation.

This was our first new online service for dutyholders and we will **continue to modernise our services** to make them more user-friendly, allowing people to carry out transactions with us online. A new digital asbestos licensing service will be available by December 2018 to allow people to apply for asbestos licences and renewals online.





The **Basic Safety Standards Directive 2013** covers all those who work with ionising radiation. Revised regulations and a new digital service were introduced to implement updated safety requirements.

‘Blue tape’: tackling business-to-business burdens

Burdens can arise where businesses impose health and safety obligations on other businesses, which are either disproportionate or lead to ineffective risk control and ownership. This year we have developed our evidence base in relation to:

- supply chain accreditation and wider procurement;
- management standards;
- civil law (personal injury claims) and insurance;
- the key role of third-party advisers/consultants.

We recognise the quality of much of the third-party health and safety provision, and support appropriate efforts to drive up standards, including going beyond minimum legal compliance as an informed dutyholder choice. The work is continuing and will inform targeted work in 2018/19, when we will work with key intermediaries to tackle these burdens where they exist.

Secure effective management and control of risk

We have **targeted priority issues within higher-risk industries** identified in sector plans and in the Health and Work strategy, and removed risk from the workplace in half of the premises visited.

We have worked closely with industry stakeholders in research to identify and reduce risk for workers. By providing robust science and evidence to both underpin policy and influence stakeholders, we continue to assist incident investigations and develop practical solutions to tackle work-related ill health.

For example, to reduce occupational lung disease, we conducted insight research focusing on employers and workers within six high-risk priority sectors – construction, quarries, steel-welding, stoneworking, woodworking, and bakeries. This work has successfully identified opportunities to improve risk management.

Construction refurbishment campaign

Construction is one of Britain's most hazardous industries. Thirty workers were fatally injured last year and around 2.2 million working days were lost to industrial injury and ill health. Over each of the last three years, an estimated 4.1% of skilled construction and building trade workers were injured – more than twice the average for all occupations.

While the industry has made great strides in lowering injury rates, it remains high for refurbishment work (eg remodelling, repairs and extensions). We have **prioritised support for small construction businesses** – who are hard to reach and influence – to improve their risk management. Over half of the workforce is employed in small and medium enterprises (SMEs), with a quarter employing fewer than three people.

Despite national and regional media campaigns, the problem remains difficult to resolve, and regularly targeting SMEs through inspection campaigns has continued to identify significant poor practice.

This year, we created the **Safer Sites** campaign, bringing together enforcement and communication activity to increase compliance among dutyholders. During a targeted campaign in May and October we visited 2600 dutyholders across 2100 sites. **Our inspectors took action to reduce serious risks at over half of these** and took formal enforcement at over 490 sites.





Eighty-five per cent of construction firms are SMEs.

Three out of four fatalities in construction involve small firms.

Around half of construction incidents reported to HSE involve refurbishment work.

We launched the **Construction Industry Advisory Network (CONIAN)** to support and strengthen our intervention activities. This is a newly formed, web-based stakeholder network, bringing together a wider representation of organisations and workers across the construction industry. It has been set up to provide a platform for sharing good practice and behaviour, and to reach and support those that need to improve health and safety performance.

In developing new messages, tools and strategies HSE is helping to provide workers with sensible mechanisms to understand and achieve legal compliance for worker and public protection, without increasing the burden on businesses.

We worked with local trade suppliers and used social media and a poster campaign to raise awareness of the dangers to health and safety. We shared photographs and videos of good and bad practice, reaching an online audience of 100 000 including clients, designers, construction workers and managers across the UK.

Building on this success, our insight experts conducted research into the perceptions, attitudes and behaviours of small construction businesses with fewer than 15 employees, and their clients (both domestic and commercial). This will help us to improve our understanding of how to better reach and engage with them, so they can effectively manage and control risk on new build, refurbishment, repair and maintenance projects.

Waste and recycling: We conducted an inspection campaign targeting poorer-performing enterprises, focusing on the most significant causes of death – workplace transport, machinery guarding and safe systems of work. During around 600 visits we identified and took action on risks at almost half the sites visited.

Vulnerable workers: Tackling modern slavery is a key priority for government. HSE has a role in protecting vulnerable workers through joint working and data sharing across government. We have participated in several successful joint initiatives across sectors including construction, car washes, food production and textiles. In 2016/17 we dealt with 82 cases and this has more than doubled in 2017/18 to 176(p).⁶

We have **sustained improvements in the timeliness of our reactive work**. In particular:

- we completed 81% of investigations into fatal accidents within 12 months of HSE receiving primacy. This means that in more than four out of five cases, families and friends of people killed in work-related deaths receive the outcome of our investigations within 12 months;
- as the Competent Authority for **biocides, pesticides, detergents and industrial chemicals**, we completed 1600(p) applications for biocide and pesticide active substances and products. For those due for completion in 2017/18, over 92%(p) were processed within the EU commission deadlines.

Asbestos removal inspection campaigns underpin the asbestos licensing regime and provide the information needed to assess compliance of individual licence holders. This year we undertook:

- around 1000 inspections of asbestos removal licence holders to ensure that licences have only been issued to those achieving the defined standards and that practices are in place to protect workers and members of the public from the risks of exposure to asbestos during removal work;
- over 250 reapplication visits and refused 19 applications.

6 Provisional – all data (except prior year figures where quoted) within this section is based on live operational information at the time of drafting and is therefore subject to change.

Table 1 Percentage of investigations completed

	2013/14	2014/15	2015/16	2016/17	2017/18
Fatal Investigations completed within 12 months of primacy (target: 80%)	43%	61%	63%	72%	81%(p)
Non-Fatal Investigations completed within 12 months of incident (target: 90%)	90%	90%	90%	90%	90%(p)
Health and safety concerns investigated – percentage completed within agreed timescale (target: 75%)	65%	70%	77%	79%	80%(p)

We received nearly 20 000 concerns about workplaces and activities within our remit. Of these, 3500 were made by potential **whistleblowers** (employees) and we followed up 2400 that presented a significant risk of harm.

The number and percentage of cases successfully prosecuted by HSE, **holding to account those who failed to meet their obligations**, are shown in Table 2. There have been 16 prosecutions resulting in fines of over £1 million, and 89 HSE prosecutions resulting in custodial and community service/rehabilitation orders.

Table 2 Number of cases for which legal proceedings have been instituted

	2013/14	2014/15	2015/16	2016/17	2017/18
Prosecution cases brought by HSE (COPF in Scotland⁷) where a decision has been reached	604	659	711	593	521(p)
Cases resulting in a conviction (for at least one offence)	568	619	672	554	475(p)
Percentage conviction rate	94%	94%	95%	93%	91%(p)

The data for 2016/17 above has been sourced from official Health and Safety Statistics, full details of which can be seen in www.hse.gov.uk/statistics. The figures shown for 2017/18 are based on live operational data and shown as provisional (p) until official statistics are published in autumn 2018.

We received a **high level of positive feedback** in relation to how we conduct our inspections, from a sample of dutyholders who had received a visit. Of particular note, 91% of respondents said they had taken action as a result of a visit.

7 In Scotland, HSE and local authorities investigate potential offences but cannot institute legal proceedings. HSE and local authorities send a report to the Crown Office and Procurator Fiscal Service (COPFS). COPFS makes the final decision whether to institute legal proceedings and which offences are taken. The year of an offence or case is based on when a verdict has been reached.

Reduce the likelihood of low-frequency, high-impact catastrophic incidents

Driving down hydrocarbon releases

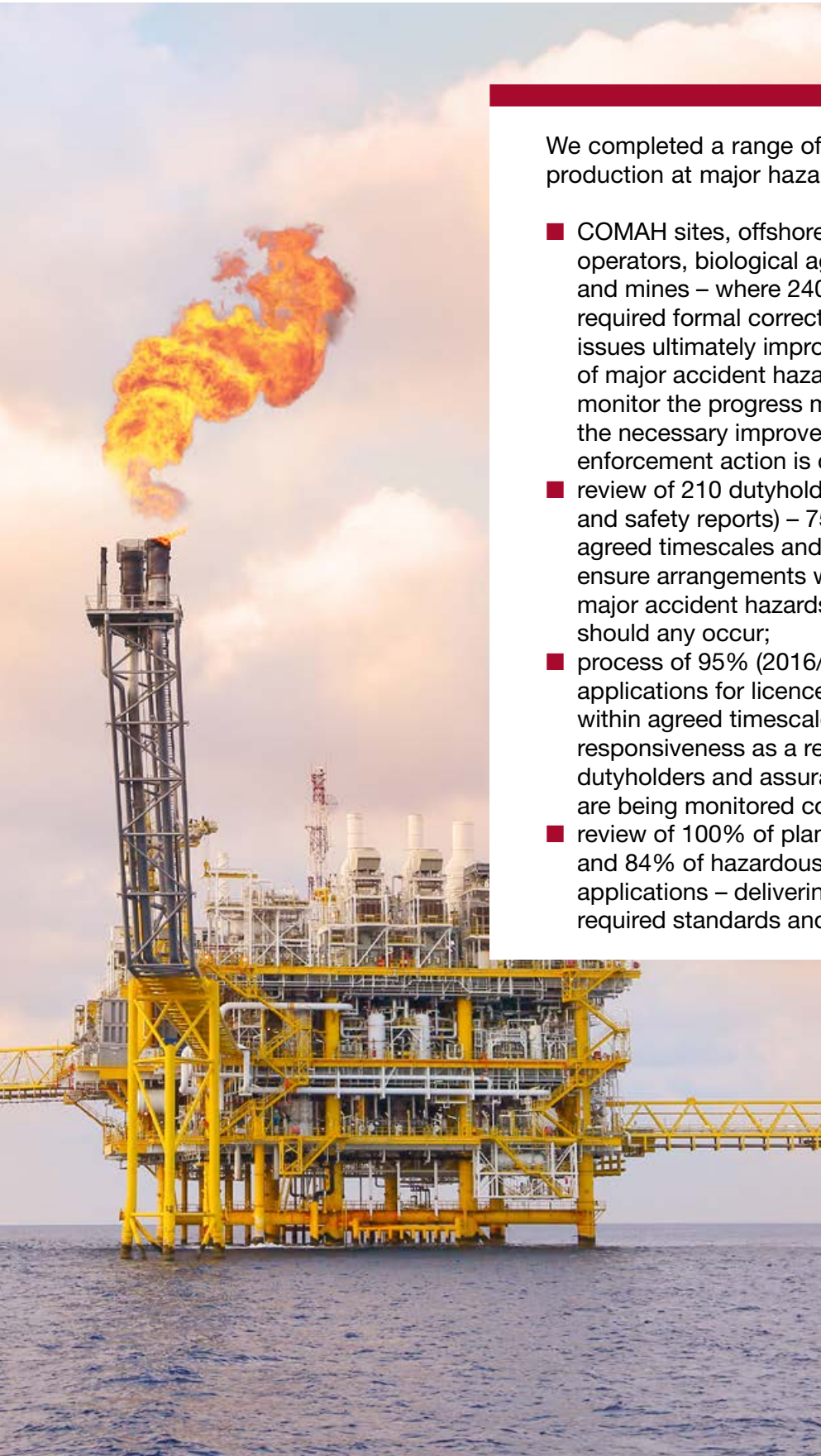
Several major hydrocarbon releases (HCRs) in recent years have put the lives of offshore workers at risk. Human error and procedural control failings have been significant contributory causes of these, and we have raised awareness in the offshore industry of the need to improve the standards of control for these risks.

Traditionally, hydrocarbon release reduction programmes have focused on ensuring the integrity of the physical condition of offshore plant, but how it is operated can be just as important in terms of ensuring that the risk of a major release is controlled. Consequently, we targeted inspection of ten important operational integrity areas within dutyholders' safety management systems to check that good practices were in place, including the topics of:

- leadership and culture;
- operating plant within safe limits;
- effective auditing, learning and review.

We also engaged with the industry and other stakeholders, presenting at a variety of external fora to explain the importance of managing both 'asset integrity' and 'operational integrity'. Working with Step Change in Safety, a leading body engaged with the UK offshore oil and gas industry, its workforce and the regulator, we supported development of new guidance on HCR prevention, which reflected HSE's expectations. The need for change was also discussed with the industry trade body Oil & Gas UK seeking their support for the shift in approach, and they created a new award for Operational Integrity Improvement as part of the annual Offshore Safety Awards.





We completed a range of interventions to ensure safe production at major hazards sites including:

- COMAH sites, offshore installations, gas pipeline operators, biological agent operators, explosives and mines – where 2400 issues were identified that required formal corrective action. Tackling these issues ultimately improves dutyholders' management of major accident hazards. Our regulatory staff also monitor the progress made by dutyholders and, if the necessary improvement does not occur, further enforcement action is considered;
- review of 210 dutyholder submissions (safety cases and safety reports) – 75% were completed within agreed timescales and assessed against standards to ensure arrangements were in place for the control of major accident hazards and to limit the consequences should any occur;
- process of 95% (2016/17: 99%) of major hazard applications for licences, approvals and notifications within agreed timescales. This demonstrates our responsiveness as a regulator, provides certainty for dutyholders and assurance to society that inventories are being monitored correctly;
- review of 100% of planning applications received, and 84% of hazardous substances consent applications – delivering our statutory advice to required standards and timescales.

Offshore installations

Our Maintaining Safe Operations inspection programme has assessed whether dutyholders remain capable of sustaining organisational capability to manage major accident hazards during the lengthy oil price downturn.

Key findings from the inspections, which have been shared with industry leaders, include increasing the focus on safety management systems issues and the underlying reasons for non-compliance.

In the majority of cases, we found that dutyholders are not compromising their capability to manage safety through their response to the downturn.

Collaboration for renewables

New offshore wind farms are being constructed in harsher and more remote environments, presenting complex and unique health and safety challenges.

HSE is supporting the G+ Global Offshore Wind Health and Safety Organisation, who are providing health and safety leadership for the industry. To ensure engagement in all parts of the supply chain, G+ have created an associate membership which has received a high take-up by other key players within the industry.

We have assisted in the delivery of significant parts of a risk reduction programme for offshore construction, including promoting safety champions, developing guidelines for working at height, management of small vessels, manual handling and dropped objects. This work has resulted in:

- safer lifting techniques, with towers being positioned more quickly and to a higher standard;
- improved diving operation, with HSE's diving team engaging with the industry;
- reviewing progress with G+ and stakeholders to ensure there is full engagement of the supply chain;
- G+ funding research into the health effects from ladder climbing.



Improving training: We collaborated with the National Examination Board in Occupational Safety and Health (NEBOSH) and developed a new Certificate in Process Safety Management. This training is designed to provide the knowledge and understanding to ensure effective management of process safety risks.

It combines our 'high-hazard' expertise with NEBOSH's ability to deliver strong vocational qualifications, focusing on leadership and management of process safety and fire/explosion risks to prevent catastrophic incidents.



Legionella

Over the last two years, nationwide legionella interventions focusing on the management of cooling towers and evaporative condensers have involved specialists and inspectors from across HSE and other regulators. We have analysed the causes of outbreaks, technical developments, and the enforcement action taken by inspectors to update the Approved Code of Practice for legionella.

After more than 2500(p) inspections of sites with high-risk water systems over the past five years, we are now finding that enforcement action tends to be at new sites not previously visited. Action to reduce legionella risk is now required at significantly fewer sites inspected, with almost 10% fewer requiring action to reduce risk in later inspections.

We are continuing to raise awareness of the risks to secure compliance, targeting poorer performing dutyholders and third-party providers, like water treatment companies.

Next year we will continue to tackle poor service provision from contractors affecting multiple dutyholders, including risk assessors, water treatment, and cleaning and disinfection.

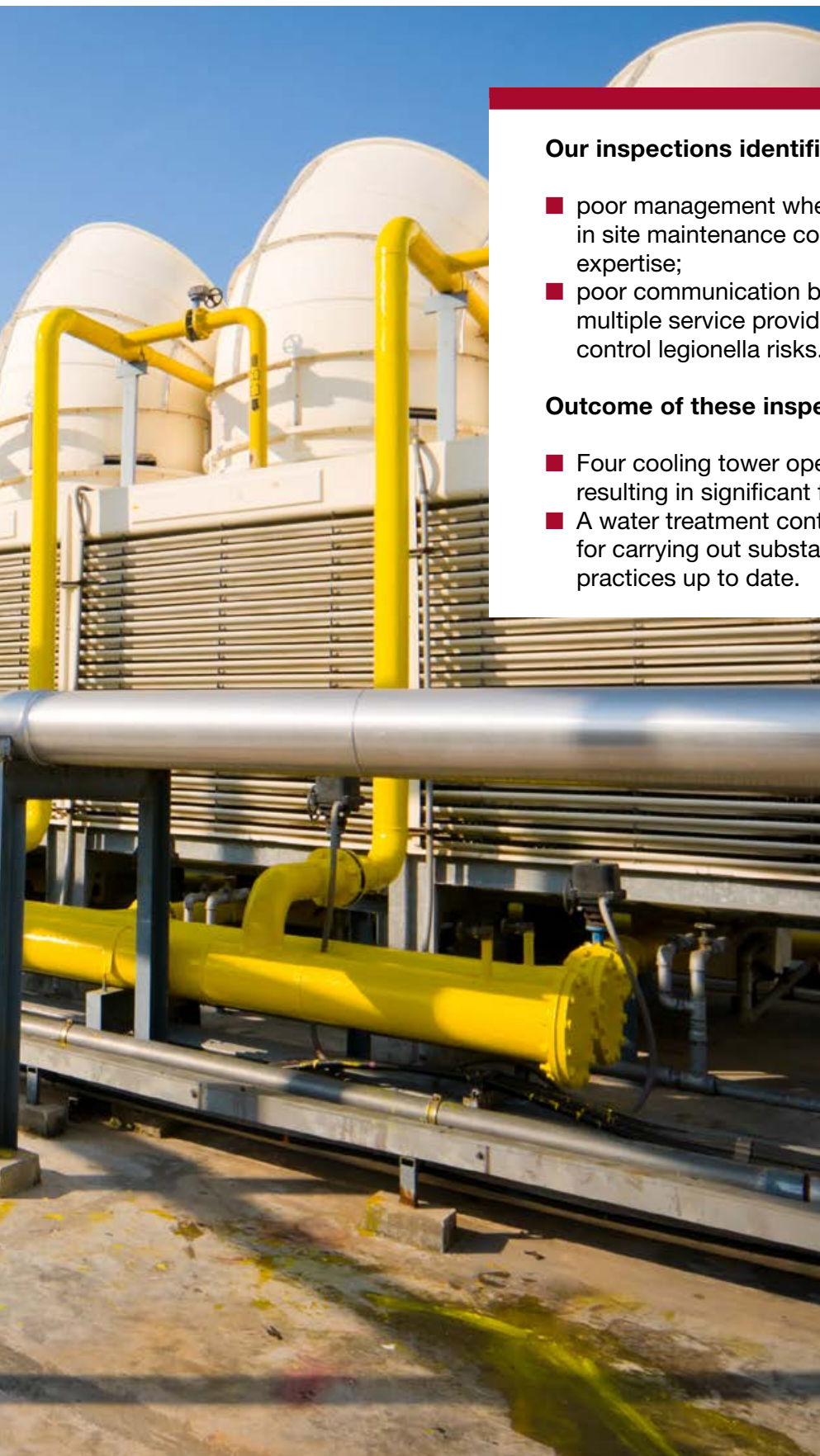
Cybersecurity

In developing a new regulatory approach to cybersecurity, we have:

- worked with operators in major hazards industries to raise awareness of risks and how they should be managed;
- published operational guidance for operators to use;
- conducted field trials using this guidance;
- trained our inspectors on cybersecurity;
- supported government in addressing cybersecurity risks in the critical national infrastructure industries.

Our next phase will involve helping operators assess their systems and identify any gaps, and carrying out an inspection programme across major hazards industries.





Our inspections identified:

- poor management when businesses under-invested in site maintenance contracts or lacked management expertise;
- poor communication between dutyholders and multiple service providers was a key factor in failure to control legionella risks.

Outcome of these inspections:

- Four cooling tower operators were prosecuted, resulting in significant fines.
- A water treatment contractor was also prosecuted for carrying out substandard work and not keeping practices up to date.

Financial review

The financial year ended 31 March 2018 was the second year of the Spending Review (SR) 2015 period and we remain on-track to deliver our financial strategy to live within our reducing budget while maintaining delivery.

Our budgetary outturn was well within 1% of the mid-year risk-based forecast which reflects our continued emphasis on improving financial management across the organisation using consistent, timely and accurate information.

During 2017/18 we have:

Invested in developing modern, digitally enabled services:

- **launched a new digital service** alongside implementation of the ionising radiation elements of the Basic Safety Standards Directive. Online payments have both improved the service and removed the cost of invoicing and debt collection;
- **completed targeted capability reviews to ensure we have the right skills for the future**, which resulted in 19 voluntary exits with some investment in recruiting new skills.

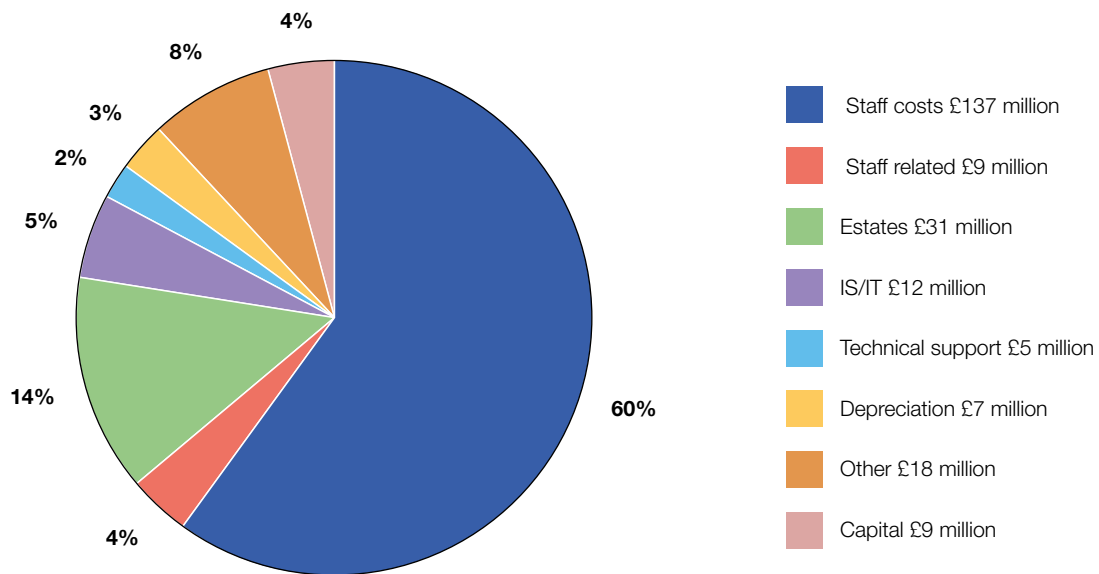
Reduced cost and complexity in our business processes:

- delivered **significant real-term savings through the implementation of our Estate Strategy** which includes downsizing, moving to offices on the Crown Estate and the application of consistent space standards including hot-desking. This included the sub-letting of further space within HSE's headquarters at Redgrave Court to the Home Office and has been achieved with additional capital funding, agreed through SR15 in our 2017/18 budget;
- **contributed to work underway across government for the UK to exit the EU**, particularly in relation to the changes that will be necessary to the chemicals regulation regime (eg pesticides and biocides).

Reduced reliance on taxpayer funding:

- **increased total income to £93m** with a further step increase planned for remaining two years of the SR period. In line with the recommendations of the Regulatory Futures Review, HSE is seeking to ensure all cost-recovery regimes recover the full cost of the activity;
- **this included commercial income of £16.2m** which was a smaller increase than planned but with a strong order book and secured sales moving into 2018/19;
- continued to **support and lead on investigating a number of major incidents** with the associated costs being claimed through Fee for Intervention where there is a material breach of the HSW Act or through the Courts where prosecution action is taken.

Figure 2 HSE budgetary expenditure for 2017/18 (£228 million)⁸



⁸ Based on total expenditure, including capital and depreciation and indicates how we have utilised our total resources.

Delivery of our planned milestones

When we published our 2017/18 Business Plan we committed ourselves to delivering a wide-ranging set of actions as our contribution to improving health and safety performance.

Table 3 details all the milestones from the plan and shows **all planned milestones have been delivered within year.**

Table 3 Business Plan milestones

Key: ● Delivered

Business Plan milestone	Status
Lead and engage with others to improve workplace health and safety	
Publish Health and Work delivery plans as part of a national conference	●
Agree a supporting science and evidence programme with opportunities for shared research (in Health and Work programme)	●
Produce an interim report on progress to HSE Board (on customisation of the stress management standards approach in healthcare, education and prisons to drive greater adoption and ownership)	●
Create a partnership body from across existing stakeholder groups for coordinating activity and direction on occupational lung disease	●
Present progress and programme plan to the HSE Board on development of insight-led programme of activity for future HSE work on SMEs	●
Complete research of insight into construction SMEs' understanding, management and control of risk; present the findings and recommendations to the HSE Board	●
Delivery of a stakeholder event linked to Helping Great Britain work well (HGBWW)	●
Provision of recommendations on the merits of accreditation to Management Board	●
Publish final sector plans as part of a national conference	●
Finalise a design proposal tested with target users for refreshing and renewing web content	●
Complete externally funded pilot data-sharing projects with two other government departments	●

Business Plan milestone	Status
Provide an effective regulatory framework	
Make recommendations following review of the Adventure Activities Licensing Authority (AALA) to the HSE Board for subsequent implementation	●
Make proposals on amendments to Gas Safety Regulations 1998 to the HSE Board for onward recommendation to the Minister	●
Implement the recommendations of the Post-implementation Review of the Control of Asbestos Regulations 2012	●
Make proposals on the implementation the occupational health and safety parts of the Basic Safety Standards Directive to the HSE Board for onward recommendation to the Minister	●
Publish report on progress supporting the Business Improvement Target on the HSE website	●
Make recommendations for future changes and subsequent implementation to the HSE Board on the simplification of occupational health and safety regulations in chemicals	●
Summarise progress, present evidence and outline proposals for future activities relating to blue tape to the HSE Board	●
Secure effective management and control of risk	
Undertake a targeted programme of approximately 20 000 proactive inspections, half of which will be through major campaigns addressing priority issues within high-risk industries identified in sector plans and in our Health and Work strategy	●
Assure the ongoing effectiveness of the asbestos licensing regime by undertaking up to 1000 targeted inspections of asbestos removal projects to evaluate licensee performance	●
Sustain focus on timeliness of investigations ensuring that 80% of fatal investigations are completed within 12 months of HSE assuming primacy	●
Sustain focus on timeliness of investigations ensuring that 90% of non-fatal investigations are completed within 12 months	●
Pilot a programme of communication activity (prosecution and selected inspection) to influence a wider range of dutyholders by learning from action taken through HSE's interventions	●
Evaluate impact of this programme	●
Sustain focus on improving decision making to ensure 90% of pesticide evaluations are completed within legislative deadlines	●
Sustain focus on improving decision making to ensure 80% of biocide evaluations are completed within legislative deadlines	●
As the UK Competent Authority role ⁹ for regulation under REACH, ¹⁰ HSE contacts all relevant businesses to identify support requirements to register substances by the registration deadline in 2018.	●
Deliver a new digital platform for radiological protection registration and licensing	●
Design a new digital platform, for asbestos licensing	●

9 HSE has the Competent Authority role for the regulation of plant protection products, biocides and other chemicals.

10 Registration, Evaluation, Authorisation and Restriction of Chemicals.

Business Plan milestone	Status
Reduce the likelihood of low-frequency, high-impact catastrophic incidents	
Conduct in-depth Maintaining Safe Operations ¹¹ inspection and report our opinion to the dutyholders involved at seven offshore sites	●
Feedback key findings from the programme to industry leaders	●
Host an offshore renewables industry leadership event, emphasising the key role of senior leaders	●
Together with the COMAH strategic forum, recommend benchmarks for effective leadership in high-hazard industries	●
Develop a strategy for cybersecurity in the chemicals sector:	
- Obtain HSE Board approval for the strategy	●
- Deliver a joint conference for the major hazard industries with Chemical Industry Association	●
Agree with key stakeholders the UK protocol for the assessment of facilities handling the polio virus in line with the World Health Organisation global programme	●
Present findings and recommendations arising from review of offshore decommissioning guidance and existing legislation to the HSE Board	●
Complete a programme of return visits to poorly performing dutyholders to ensure that legionella risks continue to be effectively managed	●
Deliver a targeted programme of inspections of fairground rides with known safety issues at fixed parks and travelling fairs	●
Specific engagement with major construction projects and intervention plans agreed for each project to assure compliance with CDM 2015	●
Project-specific intervention plans implemented through targeted inspection during the construction phase	●

11 This activity will form an opinion of their ability to ensure the sustainable organisational capability, with particular focus on leadership, competence and workforce engagement.

Sustainable development

We seek to comply with all applicable legal and other relevant requirements that relate to our environmental aspects, including official codes of practice and, as far as practicable, accepted best practice in environmental management. Our aim is to minimise its environmental impact. This has been accelerated as a result of an ongoing internal strategy to rationalise and downsize the estate.

We are committed to the continuous improvement of environmental performance and management and the prevention of pollution from the activities we undertake by:




- implementing energy-saving technologies and initiatives;
- adopting strategies to minimise the environmental impacts of business travel;
- using utilities in a responsible and economic way to minimise negative impacts on the environment;
- managing waste and minimising volumes going to landfill, by re-use and recycling wherever possible;
- wherever possible, purchasing supplies which are recycled and recyclable, and whose production and use minimises the consumption of natural resources;
- using contractors/suppliers who perform their services in accordance with government policies;
- operating an Environmental Management System at our Laboratory in Buxton;
- sourcing materials and assets that comply with Government Buying Standards. We continue to assess our key supplier's corporate environmental, social and economic responsibilities to manage supply-chain risk, including sustainability.

HSE's Sustainability report

Detailed information on HSE's environmental performance can be found in our Sustainability report.¹²

A summary of HSE's performance at March 2018 against the Greening Government Commitments (GGC) to be reached by 2020 is provided in Table 4.

Table 4 Performance against GGC compared to the baseline year (2011/12 for paper; 2009/10 for others) and government reduction target (where appropriate)

		Government reduction target to 2020	Progress against reduction target at 31 March 2018
CO₂	Greenhouse gas emissions	32%	30%
	Waste	Continue to reduce ¹³	42%
H₂O	Water	Continue to improve ¹⁴	42%
	Paper	50% ¹⁵	54%
	Domestic flights	30%	37%

Dr David Snowball

Acting Chief Executive & Accounting Officer
Health and Safety Executive
10 July 2018

¹² www.hse.gov.uk/aboutus/reports/ – the latest Sustainability report will be available from June 2018.

¹³ Against 2009/10 baseline at 596.78 tonnes of waste compared to 2017/18 at 347.16 tonnes.

¹⁴ Against 2009/10 baseline with water at 48 758 litres and 2017/18 at 28 446 litres.

¹⁵ Baseline for paper was set in 2011/12 at 26 924 and 2017/18 at 12 281.

Accountability – Corporate governance report

Corporate governance report

This report explains HSE's governance structures and how these support the achievement of our objectives. It consists of the Directors' report, Statement of the Executive's and Chief Executive's responsibilities, and Governance statement.

The Directors' report

HSE structure

HSE is led by a non-executive Board chaired by Martin Temple. The Board sets the organisation's long-term direction, strategy and objectives. The delivery of these, along with the day-to-day management of HSE, is the responsibility of the Chief Executive and the Management Board. Further details on HSE's organisational structure can be found on our website.¹⁶

Managing conflicts of interest

Information on how we manage conflicts of interest can be found in the Governance statement on page 47.

Anti-bribery and corruption

We take the protection of our staff very seriously and have policies covering bribery, corruption, fraud and whistleblowing. These policies apply to all HSE employees, suppliers, contractors and business partners and cover relevant legislation and individual responsibilities while providing guidance on how to raise a concern and which records should be kept.

16 www.hse.gov.uk/aboutus/hseboard/organisationchart.pdf

HSE whistleblowing policy

HSE is compliant with Cabinet Office policy guidelines and has appropriate arrangements in place for whistleblowing and reporting fraud which we consider to be effective. These arrangements include:

- named nominated officers to report any instances to;
- a specific fraud telephone hotline;
- regular reminders issued to ensure that all staff remain aware of the policy and procedure for whistleblowing and reporting any instances of suspected fraud.

Four potential frauds reported during 2017/18 were handled in accordance with our internal policies.

Personal data-related incidents

There were no reportable incidents of lost protected personal data that required formal reporting to the Information Commissioner's Office in 2017/18.

There were no other protected personal data-related incidents centrally recorded by HSE and reported to our parent department, DWP, but not notified to the Information Commissioner's Office.

Complaints

HSE takes all complaints seriously and seeks to use the information received to improve our services to the public. We provide our staff with guidance on handling complaints and aim to respond to any we receive professionally and within ten working days.

The Parliamentary and Health Service Ombudsman (PHSO) is responsible for investigating formal complaints made by the public against government departments. The data in Table 5 is taken from the latest available PHSO annual analysis of the complaints it received about HSE during 2016/17.¹⁷

17 www.ombudsman.org.uk

Table 5 Complaints received by the PHSO about HSE in 2016/17

Enquiries received	Complaints assessed	Complaints resolved through intervention	Complaints accepted for investigation	Investigations upheld or partly upheld	Investigations not upheld or discontinued
35	10	0	4	0	4

Responding to requests under the Freedom of Information (FOI) Act

In 2017/18, we received 4833 requests, of which 94% were responded to within the 20-day target.

Statement of the Executive's and Chief Executive's responsibilities

Under paragraphs 10(1) of Schedule 2 of the Health and Safety at Work etc Act 1974, the Health and Safety Executive is 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 HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of HSE's state of affairs at the year-end and of its net operating expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing its accounts, HSE is required to comply with the requirements of the *Government financial reporting manual* and in particular 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, as set out in the *Government financial reporting manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis, unless it is inappropriate to presume that the Executive will continue in operation.

The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive of the Health and Safety Executive as Accounting Officer for HSE. His relevant responsibilities as Accounting Officer of HSE, including his responsibilities for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding assets, are set out in *Managing public money* published by HM Treasury.

Accounting Officer's statement

So far as I am aware, there is no relevant audit information of which HSE's auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that HSE's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

Introduction

This Governance Statement sets out HSE's governance, risk management and internal control arrangements. It applies to the 2017/18 financial year and up to the date of approval of the Annual Report and Accounts.

Compliance with the Corporate Governance Code

Corporate Governance in central government departments: Code of good practice, published in 2017, remains in force and is primarily for ministerial departments. However, arm's length bodies such as HSE should adopt and adhere to the Code to the extent that it is practical, appropriate and not incompatible with any statutory or other authoritative requirements.

We reviewed our governance arrangements and are satisfied that these are compliant with the spirit and principles of the Code.

Departmental oversight by DWP

HSE is primarily accountable to DWP and its ministers for its use of resources and performance. The arrangements between DWP and HSE within which corporate governance operates are set out in a Framework Document, which was revised and updated during 2015/16. This document is available on HSE's website.¹⁸

DWP formally exercises its sponsorship of HSE through quarterly meetings of a Partnership Board at which senior officials from both bodies review HSE's operational and financial performance, key risks and emerging issues. Additionally, HSE submits monthly data to DWP on its forecast for, and use of, resources.

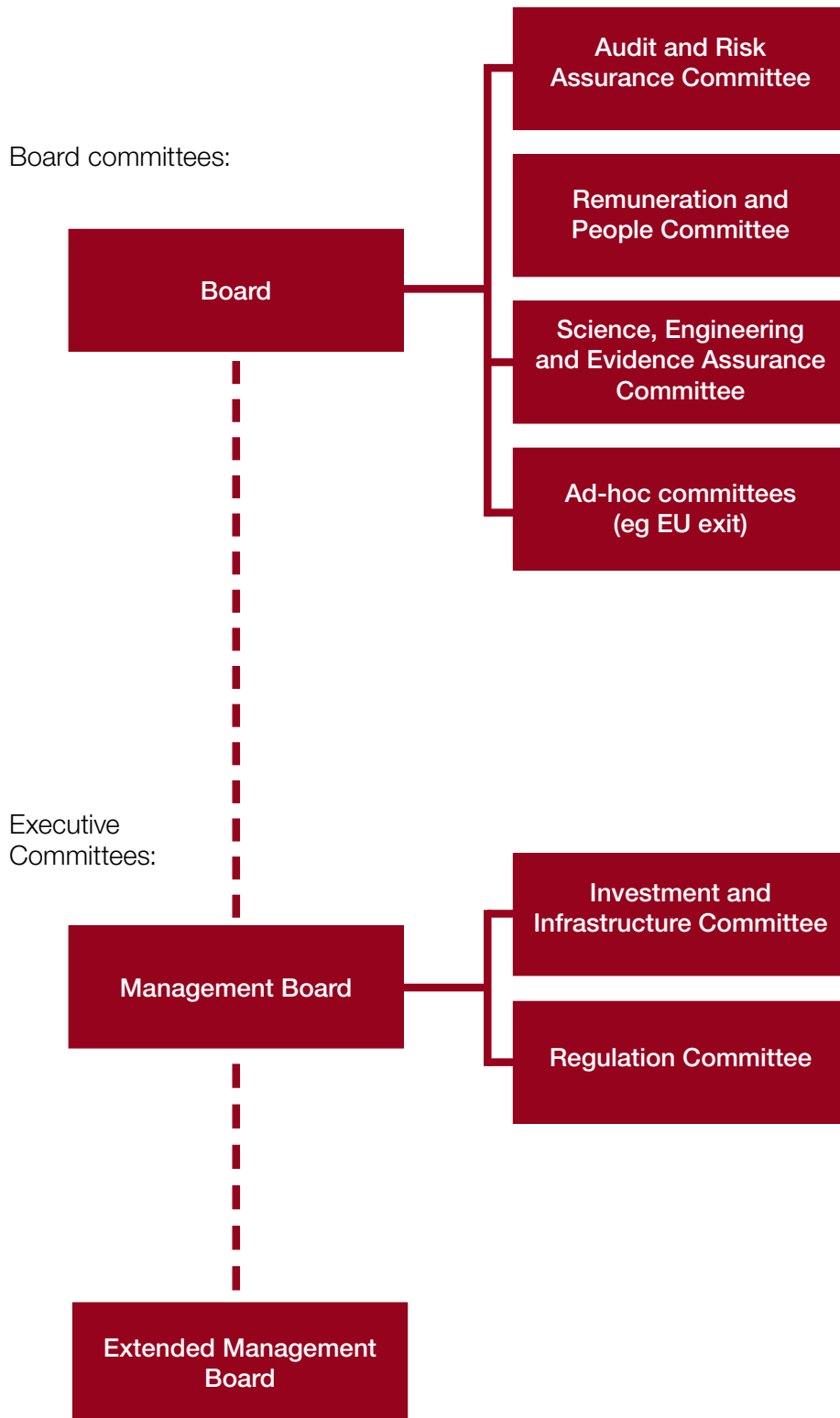
Meetings also take place between the Minister with responsibility for oversight of HSE, the Chair and the Chief Executive.

Ministerial directions

No ministerial directions were given in 2017/18.

18 www.hse.gov.uk/aboutus/howwework/management/index.htm

Figure 3 HSE's governance structures



Governance within HSE

HSE Board

HSE Board members are all non-executive directors (NEDs) appointed by the Secretary of State and bring together a wide range of backgrounds, skills and expertise. Membership and biographies of Board members are available on our website.¹⁹ One new NED was appointed during the year 2017/18.

The Board has a tripartite composition of local authority, employee and employer representatives. This strengthens its ability to successfully carry out its primary responsibility for establishing and delivering HSE's strategic aims and objectives consistent with its overall strategic direction and with the policy and resources framework determined by the Secretary of State. During the year, the key areas of focus for the Board have been:

- engaging with stakeholders to promote collective ownership of the new strategy for the health and safety system of Great Britain, Helping Great Britain work well (HGBWW);
- overseeing the development of strategies for improving occupational ill-health performance and industry sector plans for improving health and safety performance for priority sectors;
- scrutinising the health and safety performance of Great Britain;
- exercising effective governance of HSE;
- policy issues, eg regulations on radiation protection.

Regular standing agenda items at Board meetings included:

- challenging operational performance and risks to delivery, ensuring that key activities and milestones are on track;
- consideration of strategic, external and operational risks;
- ensuring the continued implementation of HSE's financial strategy through scrutiny of HSE's financial performance;
- review and approval of HSE's health and safety policy;
- the Chief Executive's report, highlighting issues of note.

The Board and its subcommittees used a range of management information to monitor performance and support its discussions. This information included data on:

- HSE's financial position;
- people and capability matters;
- key performance indicators and risk.

¹⁹ www.hse.gov.uk/aboutus/hseboard/biographies/board.htm

Internal controls are in place to ensure the integrity and quality of the data supplied and allow informed business decisions.

During the year, the Board met eight times. The Chief Executive and other Management Board members also attend Board meetings. The Board held four open meetings and as part of its commitment to engaging with the devolved nations, one of these meetings was held in Scotland. Agendas, papers and minutes of public Board meetings are available on HSE's website.²⁰

HSE Board effectiveness review 2017/18

The Board carried out its annual effectiveness review during 2017/18. Board members and HSE Management Board members who regularly attend the Board completed a questionnaire on creating and running an effective board, strategic foresight and performance management. The responses to the questionnaire were independently analysed by an Associate Director from the Disclosure and Barring Service. These responses provided assurance on the effectiveness of the HSE Board, acknowledging areas of improvement, such as an improved induction, while identifying areas for ongoing improvement and immediate action. Areas for improvement included:

- improved timing/agenda setting – a change in approach has already been implemented;
- a greater focus by the Board to remain on strategic rather than operational matters;
- clarifying roles and responsibilities by revisiting the Board Operating Framework.

Audit and Risk Assurance Committee (ARAC)

ARAC comprises three NEDs of the HSE Board (one of whom is appointed as Chair of ARAC) and one independent external member. Isobel Garner retired as a NED and as ARAC Chair on 30 June 2017. Martin Esom was appointed Chair with effect from 1 July 2017. Graham Aitken, independent member, retired from office on 30 September 2017. Amanda Hughes, independent member, took up post on 1 October 2017.

The primary purpose of the committee is to advise the Board and the Accounting Officer on whether the HSE's audit and risk assurance arrangements:

- support its strategic aims;
- enable the efficient, effective and economic conduct of business;
- comply with regulatory requirements.

20 www.hse.gov.uk/aboutus/meetings/index.htm

The committee meets this aim by:

- reviewing the comprehensiveness and reliability of assurances in meeting the Board's needs and those of the Accounting Officer;
- reviewing the integrity of the financial statements and the Annual Report, including the annual Governance statement;
- providing an opinion on how well the Board and the Accounting Officer are supported in decision making and in discharging their stewardship and accountability obligations.

ARAC met four times during the financial year, providing assurance on the quality of HSE's accounts, internal and external audit arrangements, governance structures and risk management arrangements.

As well as its 'core' assurance activities, the committee:

- considered the review of HSE management of strategic, external and operational risks to ensure that it maintained HSE's strong internal control mechanisms;
- continued with its series of deep dives of risk management, with a particular focus on regulatory decision making, IT transformation and business continuity.

Its terms of reference were reviewed and remain fit-for-purpose. A review of the effectiveness of ARAC was undertaken and the outcome confirmed that it is effective and operating in line with current requirements and good practice. The review identified some improvements in respect of ensuring that the HSE Board were sufficiently assured on financial matters and increased engagement with the Accounting Officer and Chair of HSE Board.

Remuneration and People Committee

Chaired by the Chair of HSE's Board, this committee meets at least three times a year.

Key responsibilities are to:

- set the framework for the remuneration and performance of the Chief Executive;
- assess and approve pay awards at SCS level;
- provide assurance on the implementation of HSE pay policies for all other roles;
- monitor all pay outcomes to ensure that there is no bias on the grounds of gender, ethnicity, disability or working pattern.

As well as its 'core' activities, during 2017/18 the Committee considered:

- the People Survey 2017;
- attendance management, diversity and wellbeing;
- the gender pay gap.

Science, Engineering and Evidence Assurance Committee

Chaired by an HSE Board member, this committee meets four times a year.

In delivering its role, the committee provides independent and objective assurance to the HSE Board on the quality and relevance of its science and engineering strategy and delivery.

The committee seeks to assure the HSE Board on six questions:

- Does HSE get the scientific support that staff need?
- Is the knowledge acquired in the right way?
- Is the knowledge exploited effectively?
- Is the quality of HSE science as good as it should be?
- Does HSE have the right capacity to acquire and disseminate scientific knowledge and to support investigations?
- Is HSE's horizon scanning effective?

Management Board

The Secretary of State (SoS) has principal responsibility for HSE. The DWP Minister with responsibility for health and safety will account for HSE's business in Parliament, including its use of resources and the policy framework within which HSE operates. The HSE Board is responsible to the relevant ministers for the administration of the 1974 Act.

Chaired by the Chief Executive, the Management Board²¹ meets formally once a month, working closely with the HSE Board to drive HSE's long-term performance. The Management Board is accountable to the HSE Board for effective day-to-day management of HSE.

Key responsibilities of the Management Board are to:

- provide leadership for HSE on strategy delivery and performance;
- set budget and investment priorities;
- promote working across functions and divisions;
- own and manage the strategic and external risk register.

The Management Board is supported by the following subcommittees (all chaired by a member of the Management Board):

- Investment and Infrastructure Committee – responsible for ensuring that major investments (eg information technology) are focused on HSE's goals and intended outcomes are achieved;
- Regulation Committee – responsible for developing advice on regulatory policies and priorities, and ensures these are implemented effectively.

21 www.hse.gov.uk/aboutus/hseboard/biographies/smt.htm

In addition to these subcommittees, the Management Board is also supported by:

- the Health and Safety Committee – the main forum for joint consultation between management and unions on health and safety matters affecting HSE’s people, contractors and visitors.

Extended Management Board

Management Board members and divisional directors form an Extended Management Board, which brings together insight into operational matters and performance, taking a corporate view and helping the Management Board turn strategic plans and goals into deliverable activity in HSE.

Key responsibilities of the Extended Management Board are to:

- provide leadership for people and capability, including engagement, inclusion and HSE’s values;
- lead on operational delivery and organisational efficiency;
- manage the main operational risks;
- take decisions on advice from the people and capability and corporate health and safety committees, plus the change portfolio, inclusion and diversity and corporate engagement group.

Table 6 Board and committee attendance during 2017/18

Board member (Term of office)	Board		Audit & Risk Assurance Committee		People & Remuneration Committee		Science, Engineering & Evidence Assurance Committee	
	A	B	A	B	A	B	A	B
Chair: Martin Temple CBE (1 May 2016 – 31 July 2019)	8	8			3	3		
George Brechin OBE (1 Apr 2013 – 31 Dec 2019)	8	8			3	3		
Nick Baldwin ²²	8	7						
Jonathan Baume (1 June 2016 – 31 Dec 2019)	8	6						
Isobel Garner (1 Apr 2015 – 31 July 2017)	2	1	2	2(C)	1	1		
Martyn Thomas CBE (1 Oct 2014 – 30 Sept 2019)	8	7					5	5
Sarah Pinch (1 Oct 2014 – 30 Sept 2019)	8	8						
Kevin Rowan (1 Oct 2016 – 31 July 2021)	8	7						
Ken Robertson (1 Oct 2016 – 31 July 2021)	8	7					5	4
Janice Crawford (1 July 2016 – 31 July 2021)	8	8	4	3	2	2		
Susan Johnson OBE (1 June 2016 – 31 July 2021)	8	7	4	4				
Martin Esom (1 July 2017 – 30 June 2021)	6	5	2	2(C)				
Independent members of the Audit and Risk Assurance Committee								
Graham Aitken (1 Oct 2011 – 30 Sept 2017)			2	2				
Amanda Hughes (1 Oct 2017 – 30 Sept 2020)			2	2				

A – Maximum number of meetings the individual could have attended

B – Number of meetings the individual attended

C – ARAC Chair

22 Nick Baldwin is the Chair of the Office for Nuclear Regulation (ONR), whom he represents on the HSE Board. His salary and expenses are paid by ONR.

Managing conflicts of interest

All members are asked to declare any potential conflicts of interest at each board and committee meeting and this is recorded in the minutes, along with any action taken. All NEDs (and the independent members of ARAC) are required to declare any personal or business interest in a register of interests²³ which is reviewed annually.

Significant lapses of protective security

There were no significant lapses recorded during 2017/18.

HSE's approach to risk management

Risk management plays a key role in HSE's governance process which supports the organisation in meeting its objectives, while protecting its assets and reputation.

The business risk management cycle used within HSE is reflected in Figure 4.

Figure 4 Business risk management cycle



The HSE risk management framework was reviewed and improved in-year. This has included introducing separate identification and reporting of strategic/external and operational risks to provide greater clarity and focus, enabling discussions at the most appropriate times and organisational levels. This approach of segmenting categories of risk is consistent with the Management of Risk in Government framework²⁴ that was published in January 2017.

Areas of improvement also include the implementation of updated risk impact assessment criteria. This enables greater consistency of assessment in rating risks

²³ A register of interests is available at www.hse.gov.uk/aboutus/hseboard/biographies/board.htm

²⁴ www.gov.uk/government/publications/management-of-risk-in-government-framework

across the organisation, with higher ratings for those risks which have external impacts. Additionally, risk reporting and monitoring arrangements have been simplified at both divisional and corporate levels.

Strategic and external risks were considered by the HSE Board and Management Board on a six-monthly basis (due to the longer timeframes associated with managing strategic risks). A hierarchy for reporting operational risks was introduced – with only those risks above certain thresholds being reported to Management Board and HSE Board respectively. Extensive work was undertaken to fully embed the new framework consistently across the organisation through the provision of guidance and support and this will continue into 2018/19.

Monitoring and reporting on risks

HSE employs a suite of integrated risk and performance reporting which emphasise the links between HSE's most significant risks and their potential to impact on performance. Within this reporting framework, the Board, Management Board, ARAC and DWP Partnership Board received reports which enabled them to:

- consider and challenge how the most significant risks are managed across HSE;
- decide on any new control measures;
- consider any emerging risks;
- agree expected risk ratings given the respective direction of travel;
- review the effectiveness of respective control measures and the outcome of assurance reviews – including reference to and consideration of selected key performance indicators.

ARAC's function also includes monitoring the management of risk and providing assurance to the HSE Board on the effectiveness of the organisation's risk management processes and control framework.

HSE's risk profile

HSE's objectives and main functions as a regulator did not significantly change in-year. As such the risk profile of HSE, both in terms of the risks facing the organisation and the severity of those risks, particularly in undertaking its regulatory role, remained comparable to previous years.

Key risks to our delivery

The most significant strategic risks faced by HSE, which are captured in the Strategic and External Risk Register (SERR) are outlined in Table 7, together with some of the actions we have taken in mitigation.

Table 7 The risks to our achievement of our objectives: what they are and the action we are taking

Principal risk	Mitigations include
<p>HSE does not adapt its regulatory approach to the increased risk arising from changes in the 'world of work'</p>	<ul style="list-style-type: none"> ● Health and Work strategy developed as well as sector plans and health priority plans ● Sector plans adjusted in light of intervention activity to reflect changing risk profiles ● HSE Science and Evidence Strategy 2016-2020 ● Ongoing horizon scanning and publication of Annual Foresight report ● Annual Science and Evidence Investment plan ● Improved consistency/precision in targeting inspections (through Going to the Right Places programme) ● Launch of new approach to continuous professional development
<p>HSE's commercial products and services aren't aligned to what the market wants and is willing to pay for, which limits achievement of the required levels of externally funded income and inhibits HSE's investment and ambitions set out in Five Years Forward</p>	<ul style="list-style-type: none"> ● Commercial Strategy approved by HSE Board and communicated across HSE ● Plan has balanced portfolio to minimise financial risk ● Market insight building on future world of work ● Extension of account management activity to develop customer insight ● Major focus on partnership working to extend commercial research
<p>One or more of the three key elements of HSE's financial strategy don't deliver to expectations meaning HSE will have to take more difficult decisions to live within its SR15 settlement</p>	<ul style="list-style-type: none"> ● Introduced new costing/pricing policy with simplified HSE rates ● £13m efficiency programme developed including savings from estates, procurement and contract management ● Cost Recovery Programme developed ● Additional cost recovery for COMAH and FFI agreed and revised guidance issued
<p>Inability to influence across government to implement a more flexible and fit-for-purpose regulatory regime for chemicals post-EU exit which maintains confidence in the UK regulatory regime</p>	<ul style="list-style-type: none"> ● Joint EU exit chemicals governance with DEFRA ● Dedicated EU exit team with increased programme management capability ● High-level strategic engagement plan with key government stakeholders ● Extensive engagement with industry, trade associations and other key stakeholders ● Engagement with devolved administrations ● Scenario planning for a variety of options

Principal risk	Mitigations include
Further reductions in HSE funding render the current financial strategy unsustainable	<ul style="list-style-type: none"> ● New costing methodology clarifies who pays for HSE activities ● Detailed quarterly reviews with DWP Director General for Finance ● Monthly finance review with DWP Finance ● Successful winter planning round with DWP where HSE set out its strategic narrative
Scale and pace of change moves too fast, preventing the individual change projects from landing first time, disrupting other work and projects and frustrating staff	<ul style="list-style-type: none"> ● Portfolio group maintains oversight and provides assurance to Management Board ● Senior responsible owners (SROs) appointed for each project ● Dedicated project managers for significant projects ● Estates/IT Communications Governance Group developing user journeys to help adaptation to new technologies ● Head of Engagement appointed to help drive improved engagement and all divisions developed engagement plans which are actively being implemented using the aspirations and principles of 'You Can'
HSE is unable to address specific skills and expertise gaps that hamper our ability to create a more agile and adaptable workforce aligned with changing requirements of the business	<ul style="list-style-type: none"> ● Developed integrated workforce plans linked to future business needs ● Leadership Academy and Leadership Way in place for Band 2 and above ● Trialed and assessed operational delivery plans for those in support functions ● Recruiting staff in specialist areas such as IT, digital and communications

Although the above are some of the key challenges we face, we also see them as opportunities – enabling us to maintain the positive reputation, public trust and confidence in us that is critical for our future and for helping Great Britain to work well. In terms of our operational risks, the most significant is the successful implementation of the General Data Protection Regulation (GDPR). We have decided to report this as a strategic risk as part of wider information governance.

GDPR came into force on 25 May 2018. We have taken the following steps towards achieving full compliance:

- appointed a Data Protection Officer;
- published a revised data privacy statement;
- developed a new process for breach notifications and Subject Access Requests (SAR);
- prepared a detailed road map for implementation of the remaining activities within a reasonable period of time, a summary version of which has been shared with and reviewed by the Management Board.

Internal Audit have reviewed our approach and made recommendations which we have accepted and included in the roadmap. A Steering Group is in place which

is monitoring the compliance plan and will oversee the development of a data information management framework.

The Accounting Officer's annual review of governance effectiveness

As Accounting Officer, I carried out a review of the effectiveness of HSE's governance structures, risk management and internal control, informed by Extended Management Board members, internal audit and other governance reports. To inform my overall opinion, I considered the following sources of assurance:

Assurance mapping

During 2017-18, it was agreed with ARAC that an assurance review would be undertaken. An initial high-level 'three lines of defence' assurance map was produced and work continues to finalise a detailed map, which focuses on the key long-term risks. The initial review has identified the following areas where the organisation would benefit from a more consistent, organisational approach:

- assurance of regulatory decision making;
- strategic supplier contract management;
- programme management, particularly around digitally enabled services.

All three areas are included in our 2018/19 Business Plan for development and will be tracked for completion through the milestone process.

Extended Management Board letters of assurance

All Extended Management Board members provided me with a letter of assurance (LoA) at the end of the financial year, outlining the effectiveness of their system of governance, risk management and internal control within their area of responsibility.

The LoA was supported by an assurance matrix which provided the evidence of assurance as well as, importantly, any gaps in assurance and consideration of areas for improvement.

A number of Management Board and Extended Management Board members presented to an Assurance Panel, which included a member of ARAC, Director of Finance and the Head of Internal Audit, at which key aspects of the LoA were discussed and the evidence tested as appropriate. Areas for improvement identified by Directors have been taken forward to 2018/19 and progress will be monitored.

In particular, I noted the following:

- health and safety – HSE received a Crown Censure in December 2017, following an injury to a member of staff in October 2016. We took immediate action after this incident and are implementing improvements far beyond just the required changes and ensuring our own safety practices are beyond reproach;

- staff engagement – across HSE the engagement score fell by 1% in the 2017 People Survey. A new Head of Engagement has been appointed to help drive improved engagement and all divisions have developed engagement plans which are actively being implemented using the aspirations and principles of ‘You Can’. A series of ‘One HSE’ all-colleague conferences to increase awareness of strategy and pride in HSE will be delivered over June and July 2018;
- forecasting commercial income – as the organisation did not achieve the full forecast income we will be focusing on our forecasting methodology in respect of both delivery and income. Additional commercial metrics are being developed to increase transparency of financial reporting.

Shared Services Connected Limited (SSCL) assurance

SSCL continues to operate employee-related HR, payroll and expenses administration, financial accounting, procurement and relevant IT processes to HSE as part of a wider service to government. I have received and considered the letter of assurance from the Director of Shared Services for Government – Cabinet Office, in respect of SSCL’s performance.

The information provided is based on the Independent Standard on Assurance Engagement 3402 (ISAE 3402) report prepared by PriceWaterhouseCoopers LLP (PWC) as the Independent Service Auditor (ISA). The purpose of the report was to provide assurances to those charged with governance, in bodies to which SSCL provides services, on the effectiveness of controls related to the management statements on the accuracy and transparency of key processes.

PWC’s opinion is qualified as there are areas where controls did not work as effectively as SSCL anticipated. For HSE, these areas are information technology and human resources. The main operational impact relates to staff overpayments and associated recovery action. HSE, through the SSCL Government Customer Board, is seeking to resolve these issues with SSCL. I can confirm that there is no material impact on the financial statements as a result of these findings.

SSCL has committed to address the issues in the following manner:

- Where a control weakness was identified remedial action is either planned, taken place or mitigation controls are in place.
- Where evidence is missing or not retained, SSCL is addressing this by ensuring evidence is retained, procedures are up-to-date and additional management checks are implemented where required.
- SSCL will review and implement any recommended control improvements in order to strengthen the control environment and this is already underway.

Additionally, the Director of Shared Services for Government – Cabinet Office has promised to follow up each individual action to ensure adequate controls are put in place.

I have asked my Director of Finance to continue to monitor progress against the remedial action plan and report any exceptions to me.

Internal Audit assurance

The Head of Internal Audit has provided me with an annual report, incorporating his opinion on HSE's system of governance, risk management and internal control. Internal Audit bases their opinion on four levels of assurance:

- Substantial – framework is adequate and effective.
- Moderate – some improvements are required.
- Limited – significant weakness in the framework.
- Unsatisfactory – fundamental weaknesses in the framework.

Internal Audit's overall opinion is that HSE's system of risk management, governance and internal control provides moderate assurance relating to the effective and efficient achievement of its objectives. Out of a total of 20 finalised assurance reports issued to date, Internal Audit has issued no unsatisfactory opinions and 2 limited assurance reports (Adventure Activities Licensing Authority and GDPR Governance), 8 moderates and 10 substantial.

National Audit Office

The National Audit Office produced its report to those charged with governance on completion of their audit of the 2017/18 financial statements.

Audit and Risk Assurance Committee (ARAC)

ARAC completed its programme of work for the year and, in addition to reporting to the HSE Board following each of its meetings, produced an annual report of its work for both my and the Board's consideration. In considering its own annual report, ARAC has not identified any further issues for disclosure in the Governance statement or Annual Report. As such, the committee recommended the HSE Financial statements for signing by the Accounting Officer.

Accounting Officer's conclusion

Dr Richard Judge has been on special leave since Friday 15 June 2018 and I was appointed acting Chief Executive and Accounting Officer from this date.

The arrangements which provided Dr Judge with assurance over the effectiveness of systems of governance, risk management and internal control in respect of the 2017/18 financial year have been shared with me. I was a member of the Management Board throughout the period and have been briefed about the Extended Management Board letter of assurance challenge process. This has enabled me to sign off the Annual Report and Accounts as Accounting Officer.

I conclude that HSE has satisfactory governance, risk management and internal control systems, with robust plans to ensure those areas for improvement identified in this statement are actioned.

Accountability – Remuneration and staff report

Remuneration and staff report overview

The Remuneration and staff report sets out HSE's policy for remuneration of senior civil servants, how that policy has been implemented, and shows the amounts rewarded to our Chief Executive and Board members. Further details are provided on remuneration and staff that Parliament and other users of this report see as key to accountability.

Remuneration report

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment principles published by the Civil Service Commission²⁵ specify the circumstances when appointments may be made otherwise.

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

Remuneration policy

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

25 Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

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

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

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

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and most senior management of HSE (ie Board members).

Table 8 Single total figure of remuneration (this information is subject to audit)

	Salary (£'000)	Bonus payments (£'000)	Taxable expenses and other benefit in kind to nearest £100	Pension benefits (to nearest £1000) ²⁶	Total (£'000)					
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Chief Executive										
Dr Richard Judge	165-170	165-170	10-15	15-20	-	-	31 000	35 000	205-210	215-220

Dr Richard Judge has been on special leave since Friday 15 June 2018 and Dr David Snowball was appointed acting Chief Executive and Accounting Officer from this date.

26 The value of pension benefits accrued during the year is calculated as: (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Table 9 Single total figure of remuneration (subject to audit)

	<i>Salary (£'000)</i>		<i>Bonus payments (£'000)</i>		<i>Taxable expenses and other benefits in kind to nearest £100</i>		<i>Total (£'000)</i>	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Board members (includes term of office unless previously stated in Table 6)								
Martin Temple CBE ²⁷	55-60	75-80	-	-	5 100	8 000	60-65	80-85
George Brechin OBE	15-20	15-20	-	-	400	300	15-20	15-20
Nick Baldwin CBE	-	-	-	-	-	-	-	-
Jonathan Baume	15-20	15-20	-	-	100	400	15-20	15-20
Isobel Garner (1 Apr 2012 – 31 Jul 2017)	5-10	15-20	-	-	300	400	5-10	15-20
Martyn Thomas CBE	15-20	15-20	-	-	200	200	15-20	15-20
Sarah Pinch	15-20	15-20	-	-	400	600	15-20	15-20
Kevin Rowan	15-20	5-10	-	-	100	200	15-20	5-10
Ken Robertson	15-20	5-10	-	-	100	-	15-20	5-10
Janice Crawford	15-20	10-15	-	-	800	300	15-20	10-15
Susan Johnson OBE	15-20	10-15	-	-	400	100	15-20	10-15
Martin Esom (1 Jul 2017 – 30 Jun 2021)	10-15	-	-	-	-	-	10-15	-
Sir Paul Kenny KBE	-	5-10	-	-	-	-	-	5-10
Frances Outram	-	5-10	-	-	-	700	-	5-10

27 Martin Temple's working pattern changed from 3 to 2 days per week from 3 April 2017.

Salary

'Salary' includes gross salary, performance pay, overtime, reserved rights to London weighting or London allowances, and recruitment and retention allowances. A performance-related bonus is paid to qualifying members of the senior civil service (SCS). The value of the bonus is dependent on a number of factors and is subject to the total amount of available funds. For the reporting period the total value of the funds available for SCS bonuses was 3.3% of the total SCS pay bill. This presentation is based on payments made in-year by HSE to those in Tables 8 and 9.

Allowances, taxable expenses and benefits in kind

The monetary value of benefits in kind covers any benefits provided by HSE and treated by HM Revenue and Customs as a taxable emolument. These benefits for Board members include travel and subsistence payments associated with home to office travel, as appropriate. Any ensuing tax liability is met by HSE.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2017-18 are based on 2016-17 performance.

Fair pay disclosure (this information is subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in HSE in the financial year 2017-18 was £175-180 000 (2016-17, £180-185 000). This was 4.6 times (2016-17, 4.8) the median remuneration of the workforce, which was £38 388 (2016-17, £38 196).

In both 2017-18 and 2016-17, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19 090 to £177 500 (2016-17, £19 090 to £182 500).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

Table 10 Chief Executive pension benefits (this information is subject to audit)

	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/18	CETV at 31/03/17	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Dr Richard Judge	70-75 Nil lump sum	0 – 2.5 Lump sum no increase	1 303	1 196	26

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections – three providing benefits on a final salary basis (**classic, premium or classic plus**) with a normal pension age of 60, and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos and alpha** are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022.

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of **classic, premium, classic plus, nuvos and alpha**. Benefits in classic accrue at the rate of 1/80th of final pensionable

earnings for each year of service. In addition, a lump sum equivalent to three years' initial 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. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death-in-service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or state pension age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the civil service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk

Cash equivalent transfer values

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include 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.

Non-executives (this information is subject to audit)

Fees and expenses amounting to £3451 (2016/17: £7061) were paid to the independent members of Audit and Risk Assurance Committee as shown in Table 11.

Table 11 Honoraria and expenses paid to independent members of the Audit and Risk Assurance Committee

	2017-18	2016-17
	Total honoraria and expenses	Total honoraria and expenses
	£'000	£'000
Graham Aitken (1 Oct 2011 to 30 Sep 2017)	2	3
Kash Pandya (1 Apr 2010 to 31 Mar 2017)	-	4
Amanda Hughes (1 Oct 2017 to 30 Sep 2020)	2	-

Staff report

Analysis of staff numbers and costs is provided in Tables 12 to 14 and Figures 5 and 6.

Table 12 Staff costs (this information is subject to audit)

	Permanently employed staff	Others	2017-18 Total	2016-17 Total
	£'000	£'000	£'000	£'000
Wages and salaries	102 102	1 417	103 519	105 335
Employers' National Insurance	11 698²⁸	-	11 698	11 529
Pension costs	21 749	-	21 749	21 977
Lump sum exit costs	874²⁹	-	874	1 899
Total (as reported in the SoCNE)	136 423	1 417	137 840	140 740
Less recoveries in respect of outward secondments	(34)	-	(34)	(85)
Total net costs	136 389	1 417	137 806	140 655

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as **alpha** – are unfunded multi-employer defined benefit scheme but HSE is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation: www.civilservicepensionscheme.org.uk

For 2017-18, employers' contributions of £21.6million were payable to the PCSPS (2016-17 £21.9 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £103 625 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3927, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

28 The increase in National Insurance in 2017/18 is due to the inclusion of the apprenticeship levy from 1 April 2017.

29 Lump sum exit costs were paid to 26 individuals, further detail is included in Table 18.

Contributions due to the partnership pension providers at 31 March 2018 were £8638. Contributions prepaid at that date were £nil.

Five persons (2016-17: eight persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £29 193 (2016-17: £35 135).

Table 13 Staff numbers (this information is subject to audit)

The average number of full-time equivalent (FTE)

Permanent staff	Other	2017-18 Total	2016-17 Total
2 488	13	2 501	2 549

Table 14 The total HSE staff in post by full-time equivalents (FTE) and occupational group as at 31 March 2018

Occupational group	31 March 2018	31 March 2017	31 March 2016
Inspectors and visiting health and safety staff ³⁰	1 058	1 061	1 106
Other professional or specialist staff	1 081	1 105	1 108
Other staff	327	351	360
(of whom are apprentices)	(56)	(30)	(2)
Contingent labour ³¹	12	7	2
Total staff³²	2 478	2 524	2 576

30 Comprises inspectors, visiting officers and regulatory compliance officers.

31 'Contingent labour' is defined as temporary staff not on HSE's payroll, which may include agency workers, specialist contractors, interim managers etc.

32 Total staff = the sum of all rows excluding the figures in brackets.

Figure 5 The total HSE staff in post by FTE and gender (excluding Chair and contingent labour) as at 31 March 2018

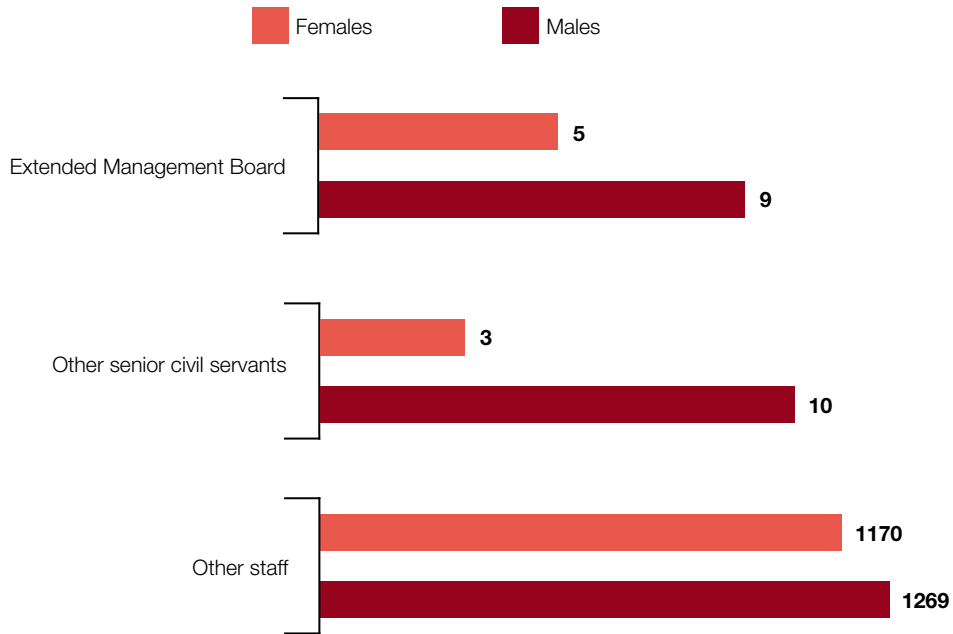
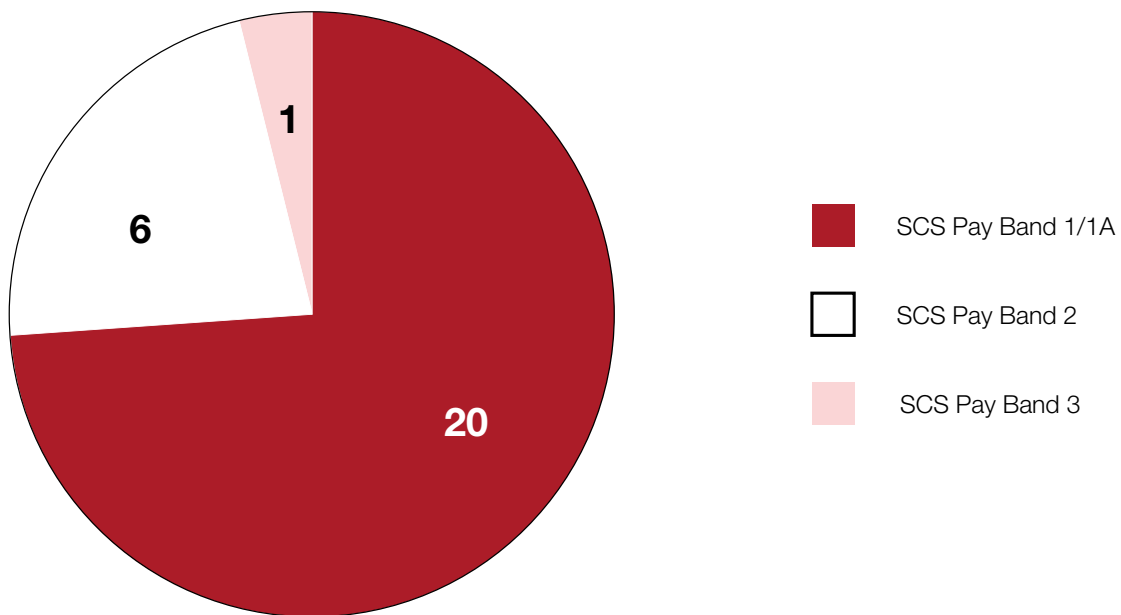


Figure 6 Senior civil servants as at 31 March 2018³³



³³ The generic, cross-government ranges for each SCS pay band are: 1: £65 000 to 117 800; 1A: £67 600 to £128 900; 2: £88 000 to £162 500; and 3: £107 000 to £208 100

Sickness absence data

The 2017/18 figure for average working days lost per FTE is 7.61 in comparison to 7.69 per FTE in 2016/17. A revised attendance management policy went live from 1 February 2018. This forms part of our commitment to improve our approach to wellbeing which was outlined in our internal wellbeing strategy *Healthy Work, Healthy You*. We also hosted interactive workshops during 2017/18 for line managers for them to find out more about attendance management in the context of the new policy and to ask questions.

Human rights

Equality in the workplace is concerned with identifying and minimising the barriers that block opportunities for certain groups of people, to achieve equal access for everyone. We advise employers on the importance of taking into account the diversity of employees and involving people when assessing risk and managing health and safety.

As part of HSE's public sector equality duty, we ensure equality analysis is embedded into our decision-making processes and our policies and procedures.

Diversity and inclusion

We are committed to eliminating discrimination and promoting equality in our policies and in our dealings with our staff. We are working on a Diversity and Inclusion Strategy which focuses on three key priority areas: leadership, representation and inclusion.

Diversity is embedded in all our people policies to support specific requirements and reasonable adjustments, including recruitment and learning and development activities.

Our Dignity at Work statement is that we are committed to provide equal opportunities for all, irrespective of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (this includes ethnic or national origins, colour and nationality), religion or belief, sex, sexual orientation or working patterns.

All HSE policies for recruitment, retention and development of colleagues aim to create an inclusive culture in which this diversity is fully valued. For example, we have put anonymous recruitment in place to help tackle unconscious bias. Our training and career development opportunities are fully accessible.

We are committed to providing reasonable adjustments for all colleagues across all roles and locations. Our occupational health support package is a key tool in helping staff with long-term conditions and disability in the workplace.

Following on from achieving Level 2: Disability Confident Employer, we are working towards Level 3: Disability Confident Leader. HSE has a new Inclusion and Diversity Group (IDG) encompassing senior management, trade unions and the four diversity networks. This group monitors and drives HSE's diversity activities.

We demonstrate our commitment to the ‘public sector equality duty’ by publishing diversity survey statistics for staff in post on our website,³⁴ including gender statistics for senior civil servants. As at 31 March 2018, the Extended Management Board consisted of nine male and five female members.

Pay

We published our first Gender Pay Gap report in January 2018.³⁵ The results show that HSE has a mean gender pay gap of 22.93% and a median gender pay gap of 25.97%.

HSE is committed to building and maintaining a diverse and inclusive organisation with equality of opportunity at the heart of this. We have made significant progress in modernising our reward strategy to enable everyone in HSE to be recognised individually regardless of grade or gender.

There is clearly scope for us to make further improvements, particularly in the proportion of women employed in senior posts and specialist technical and engineering roles which are amongst our most highly paid jobs. Attracting female engineers is a challenge we share with the wider UK economy and it is an unavoidable fact that fewer women are currently employed in these sectors. We are investing resources in a range of initiatives to reduce our gender pay gap.

However, we are confident that this is not an equal pay issue – there is equal treatment for work of equal or similar value – and when we examine gender pay by grading level the gap becomes much narrower, particularly at senior levels. The pay gap is negligible within Senior Civil Service (SCS) grades and for HSE Board members there is no gender pay gap at all.

Expenditure on consultancy

There was no consultancy spend during the financial year.

Expenditure on contingent labour

HSE spent a total of £1.25 million on contingent labour during the financial year.

High paid off-payroll engagements

Following the *Review of tax arrangements of public sector appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm’s length bodies must publish information on their highly paid and/or senior off-payroll engagements. Tables 15 to 17 indicate the number of off-payroll arrangements HSE has had in place.

34 www.hse.gov.uk/aboutus/reports/diversity.htm

35 www.hse.gov.uk/aboutus/reports/gender-pay-gap-2017.pdf

Table 15 For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months

	Number
Number of existing engagements as of 31 March 2018	6
Of which:	
Number that have existed for less than one year at time of reporting	6
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

Table 16 For all new off-payroll engagements, or those that reached six months in duration between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months

	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	8
Of which:	
Number assessed as caught by IR35	7 ³⁶
Number assessed as not caught by IR35	1
Number engaged directly (via personal service company contracted to HSE and are on HSE's payroll)	0
Number of engagements reassessed for consistency/assurance purposes during the year	3
Number of engagements that saw a change to IR35 status following the consistency review	0

Table 17 For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

	Number
Number of off-payroll engagements of board members and/or senior officials with significant responsibility, during the financial year	0 ³⁷
Total number of individuals on-payroll and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility', during the financial year	3 ³⁸

36 These individuals were all paid by agencies. HSE confirmed with these agencies, prior to the start of their engagements, that IR35 applied and that the agency was responsible for deducting the appropriate tax and national insurance.

37 Martin Esom's reimbursement of salary and expenses was paid directly to his employer (Waltham Forest Council) who have responsibility for reporting any tax liability.

38 The three individuals are: the Chief Executive; Director for Planning, Finance and Procurement; Director of Science and Commercial.

Exit packages

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where HSE has agreed early retirements, the additional costs are met by HSE and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

There was a voluntary exit (VE) scheme during 2017-18, with 19 staff departures agreed prior to 31 March 2018, and the remaining 7 in Table 18 being non-VE scheme exits. At the year-end, 3 staff had left with the remaining departures formally agreed and the costs accrued during 2017-18 and recognised in the SoCNE. There were no compulsory redundancies in 2017-18 (nil 2016-17).

Table 18 Exit packages (subject to audit)

Exit package cost band	Number of other departures agreed ³⁹	
	2017-18	2016-17 ⁴⁰
< £10 000	-	2
£10 000 – £25 000	9	24
£25 000 – £50 000	12	29
£50 000 – £100 000	5	7
£100 000 – £350 000	-	1
Total number of exit packages by type	26	63
Total resource cost £	874 246	1 898 702

Employee relations

We have an effective employee consultation framework, the Whitley structure. Under the framework, we consult HSE's trade unions on matters that impact staff individually and collectively. Under the framework we also consult and inform trade unions on matters that impact the organisation. The framework allows trade unions to reflect the views of their members.

Table 19 Relevant union officials

	Number
Number of employees who were relevant union officials during the relevant period	63.5 FTE

³⁹ There were no compulsory redundancies during 2016/17 or 2017/18.

⁴⁰ Following a Judicial Review, the 2016 amendments to the Civil Service Compensation Scheme were quashed, resulting in some compensation payments made during 2016/17 being revised. These figures may therefore differ from those disclosed in 2016/17.

Table 20 Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	65
51%-99%	0
100%	0

Table 21 Percentage of pay bill spent on facility time

Total cost of facility time	£155 565
Total pay bill	£136 966 000
Percentage of the total pay bill spent on facility time	0.11%

Table 22 Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
---	------

Recruitment practice

We conduct recruitment in line with the Civil Service Commissioners' Recruitment Code on the basis of fair and open competition and selection on merit. The systems and procedures are subject to periodic internal and external audits in addition to the quarterly compliance return and completion of an annual self-assessment return to the Office of the Civil Service Commission. The Code requires departments to publish summary information about their recruitment and the use of permitted exceptions to the principles of fair and open competition and selection on merit.

We continue to grow our Employee Value Proposition, and the 'You Can with HSE' brand through innovative marketing techniques and increasing HSE's social media presence enabling us to reach a diverse pool of applicants. A revised, more inclusive approach to recruiting trainee regulators resulted in the 2017 campaign being the most successful to date. We filled a number of scarce specialist engineer roles, helping us to sustain HSE's regulatory excellence. We remain committed to the National Apprenticeship programme, giving opportunities for applicants to gain relevant skills and experience while diversifying the organisation and bringing in new skills.

Employee health and safety

We have strengthened our corporate health and safety team to refresh systems, processes and management arrangements, and have brought in additional specialists within our laboratories. We will continue to adopt a proportionate approach to health and safety management and sustain our accreditation to Occupational Health and Safety Assessment Standard (OHSAS) 18001:2007 for our laboratory activities.

We have worked closely with trade union colleagues through our Corporate Health and Safety Committees to sustain our focus on continual improvement alongside our major investment in systems, and revised core procedures. Over the past 12 months we have introduced a lone worker protection system to help colleagues where there are concerns about dutyholder violence and/or aggression. We are making it easier for colleagues to obtain personal protective equipment, and are refreshing our management controls for ionising radiation, risks linked to driving, and working near water.

We launched our wellbeing strategy which aligns with civil service priorities and focuses on the areas which are important to us:

- refreshing our approach to **managing stress**;
- strengthening our approach to **musculoskeletal disorders**;
- enhancing our **occupational health** offering;
- promoting and **supporting physical activity as part of a healthy lifestyle**;
- **tackling all forms of discrimination**, as part of our inclusion and diversity strategy, to ensure dignity at work.

Table 23 Reported health and safety incidents in HSE

Event category	2017/18	2016/17	2015/16
Accident ⁴¹	65	28	48
Incident ⁴²	142	171	234
Ill health ⁴³	55	65	77

The number of minor accidents recorded has significantly increased as these now include contractors working at our Buxton Site. Improvements in our internal recording systems are reflected in the increase in recorded accidents this year.

We accepted a Crown Censure in December 2017 after one of our colleagues in Buxton suffered serious burns in 2016 – he has since made a full recovery.

41 Includes specified, over-7-day and minor injuries.

42 Includes dangerous occurrence, near-miss, possible dangerous exposure, property damage and verbal abuse.

43 Includes display screen equipment-related ill health, work-related stress and other ill health (ie diagnosed conditions).

We took immediate action after this incident and are implementing improvements far beyond just the required changes and ensuring our own safety practices are beyond reproach.

All of us at HSE want to make sure that our organisation is an exemplar for health and safety. We are aiming to take our own safety culture to new heights, whether that be how we drive improvement, how we work in our laboratories or how we behave with each other. We will ensure our own in-house approach far exceeds the same principles we place on dutyholders in industry.

Accountability – Parliamentary accountability and audit report

Parliamentary accountability and audit report

The Parliamentary accountability and audit report brings together the key Parliamentary accountability documents.

Regularity of expenditure

Claims waived or abandoned include debts where the company has gone into liquidation or administration.

Special payments made by HSE to staff and members of the public amounted to 7 cases during 2017/18 to the value of £215 000 (2016/17: 5 cases totalling £31 000).

Table 24 Losses and special payments (this information is subject to audit)

	2017-18	2017-18	2016-17	2016-17
	No of cases	£'000	No of cases	£'000
Cash losses	4	1	22	9
Claims waived or abandoned	1 121	1 204	2 041	1 667
Fruitless payments	-	-	2	1
Stock, stores and obsolete publications	6	1	4	-
Total losses	1 131	1 206	2 069	1 677
Special payments	7	215	5	31
Total losses and special payments	1 138	1 421	2 074	1 708

HSE fees and charges

HSE's activities include certain chargeable services, each of which is subject to a financial objective of full-cost recovery.

Table 25 HSE fees and charges (this information is subject to audit)

	2017-18			2016-17		
	Income £'000	Cost £'000	Surplus/ (deficit) £'000	Income £'000	Cost £'000	Surplus/ (deficit) £'000
HSE fees and charges						
Biocides and plant protection	15 803	15 354	449	15 710	15 385	325
Control of major accident hazards	9 987	11 695	(1 708)	10 675	12 576	(1 901)
Enforcement of offshore safety legislation	17 886	17 887	(1)	17 862	18 570	(708)
Fee for intervention	15 052	16 957	(1 905)	14 925	16 636	(1 711)
	58 728	61 893	(3 165)	59 172	63 167	(3 995)
Other HSE fees and charges	2 352			1 892		
Total fees and charges	61 080			61 064		

Long-term expenditure trends

HSE's expenditure plans are based on the delivery of 19% real savings over the spending review period to 2019/20 in line with figures agreed with DWP as part of our funding settlement.

Despite the pressures on funding, our priorities during the SR period **have not changed and are:**

- maintaining regulatory activities at current levels;
- investing where we need to;
- responding to the reduced funding through a combination of enhanced cost recovery, commercial growth and cash-saving efficiencies.

Our response to this reduction has been to:

- increase commercial and cost-recovery income by **£17 million**;
- deliver expenditure savings of **£13 million**.

The £13 million expenditure savings will broadly come from:

- estates/infrastructure savings (£4–5 million);
- procurement savings (£2–3 million);
- around 5 per cent reduction in our salary costs over the period (£5–7 million), which we anticipate to achieve through natural turnover.

Table 26 Expenditure plans (net income)

	2015-16 (£m)	2016-17 (£m)	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)
Forecast taxpayer-funded income to HSE	142.6	140.0	135.6	130.6	128.4

Dr David Snowball

Acting Chief Executive & Accounting Officer
Health and Safety Executive
10 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Health and Safety Executive for the year ended 31 March 2018 under the Health and Safety at Work etc Act 1974. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Safety Executive's affairs as at 31 March 2018 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Safety at Work etc Act 1974 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Health and Safety Executive in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of the Executive's and the Chief Executive's responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Safety at Work etc Act 1974.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health and Safety Executive's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health and Safety Executive's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures described in that report as having been audited, the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Health and Safety at Work etc Act 1974;
- in the light of the knowledge and understanding of the Health and Safety Executive and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

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

12 July 2018

Financial statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

(The notes on pages 90-110 form part of these accounts.)

	Notes	2017-18 £'000	2016-17 £'000
Staff costs	2	137 840	140 740
Other operating costs	3	83 542	83 356
Total operating expenditure		221 382	224 096
Fees and charges	4	(61 080)	(61 064)
Other operating income	4	(31 844)	(29 729)
EU income	4	(38)	(44)
Total income		(92 962)	(90 837)
Net operating expenditure		128 420	133 259
Other comprehensive net expenditure			
Items which will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of property, plant and equipment		(7 241)	(20 510)
Comprehensive net expenditure		121 179	112 749

All income and expenditure for the year ended 31 March 2018 is derived from continuing operations.

Statement of Financial Position as at 31 March 2018

(The notes on pages 90-110 form part of these accounts)

	Notes	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	5	116 789	110 097
Intangible assets	6	1 995	1 284
Trade and other receivables due after more than one year	7	788	1 520
Total non-current assets		119 572	112 901
Current assets			
Trade and other receivables	7	42 748	36 356
Cash and cash equivalents	8	1 369	-
Total current assets		44 117	36 356
Total assets		163 689	149 257
Current liabilities			
Trade and other payables	9	(31 336)	(35 749)
Provisions & pension liabilities	10	(130)	(130)
Total current liabilities		(31 466)	(35 897)
Total assets less current liabilities		132 223	113 360
Non-current liabilities			
Other payables	9	(94 290)	(96 816)
Pension liabilities	10	(903)	(1 337)
Total non-current liabilities		(95 193)	(98 153)
Total assets less total liabilities		37 030	15 207
Taxpayers' equity			
General fund		(4)	(14 670)
Revaluation reserve		37 034	29 877
Total taxpayers' equity		37 030	15 207

Dr David Snowball
Acting Chief Executive & Accounting Officer
10 July 2018

Martin Temple CBE
Chair
11 July 2018

Statement of Cash Flows for the year ended 31 March 2018

(The notes on pages 90-110 form part of these accounts)

	Notes	2017-18 £'000	2016-17 £'000
Cash flows from operating activities			
Net operating cost		(128 420)	(133 259)
Adjustments for non-cash transactions	3.4	8 746	8 876
(Increase)/decrease in trade and other receivables	7	(5 660)	(4 640)
Less movements in receivables relating to impairments	3	(2 317)	(1 782)
Increase/(decrease) in trade payables	9	(6 831)	(911)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		2 325	2 397
Decrease in inventories		-	550
Use of provisions	10	(80)	(80)
Net cash outflow from operating activities		(132 237)	(128 849)
Cash flows from investing activities			
Purchase of property, plant and equipment		(6 541)	(6 867)
Purchase of intangible assets		(835)	(764)
Proceeds of disposal of property, plant and equipment		401	381
Net cash outflow from investing activities		(6 975)	(7 250)
Cash flows from financing activities			
Funding from DWP		143 002	138 181
Capital element of payments in respect of finance leases and on-statement of financial position PFI contracts	9	(2 313)	(2 137)
Net financing		140 689	136 044
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		1 477	(55)
Cash and cash equivalents at the beginning of the period	8	(108)	(53)
Cash and cash equivalents at the end of the period	8	1 369	(108)

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

(The notes on pages 90-110 form part of these accounts)

	Notes	(a) General Fund	(b) Revaluation Reserve	Total Reserves
		£'000	£'000	£'000
Balance at 31 March 2016		(19 600)	9 375	(10 225)
Funding from DWP		138 181	-	138 181
Comprehensive net expenditure for the year		(112 749)	-	(112 749)
Movements in reserves:				
– Net gain on revaluation	5	-	20 510	20 510
Recognised in Statement of Comprehensive Net Expenditure		(20 510)	-	(20 510)
Transfer between reserves		8	(8)	-
Balance at 31 March 2017		(14 670)	29 877	15 207
Funding from DWP		143 002	-	143 002
Comprehensive expenditure for the year		(121 179)	-	(121 179)
Movements in reserves:				
Additions – Net gain on revaluation		-	7 241	7 241
Recognised in Statement of Comprehensive Net Expenditure		(7 241)	-	(7 241)
Transfer between reserves		84	(84)	-
Balance at 31 March 2018		(4)	37 034	37 030

a. The General Fund represents the total assets less liabilities of HSE to the extent that the total is not represented by other reserves and financing items.

b. The Revaluation Reserve reflects the unrealised element of the cumulative balance of revaluation adjustments.

Notes to the Accounts

1 Statement of accounting policies

1.1 *Basis of preparation and statement of compliance*

These financial statements have been prepared on a going concern basis and in accordance with the 2017-18 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, that which is judged to be most appropriate for the purposes of giving a true and fair view, has been selected. The particular accounting policies adopted by HSE are set out below. They have been applied consistently in dealing with the items that are considered material in relation to the accounts.

1.2 *Accounting standards, interpretations and amendments*

The following IFRSs have been issued but are not yet effective and HSE have not adopted them early. We have assessed the new standards which are to be introduced in 2018-19 and are not currently anticipating any material impacts on our financial statements. We are currently assessing the impact of the new leases standard which is expected to be introduced in 2019-20.

IFRS 9 Financial Instruments replaces IAS 39 and is effective for the public sector from 1 April 2018. The new standard simplifies the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. The key impact on HSE will be the impairment of trade receivables but we do not expect this new standard to have a material impact on our statements.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 and IAS 11 and is effective for the public sector from 1 April 2018. The new standard unifies the concepts in the two existing standards into a single model to recognise revenue as a performance obligation under a contract. We have considered the potential impact on our material income streams (including enforcement of offshore safety legislation, commercial income, biocides and plant protection, control of major accident hazards and fee for intervention) and concluded that we do not expect this standard to have a material impact on our financial statements. This is because we don't expect the timing of income recognition to change when the new standard is introduced.

IFRS 16 Leases replaces IAS 17 and is effective for the public sector from 1 January 2019. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all leases which last more than 12 months to be recognised as a finance lease (on balance sheet). The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised. We are still assessing how material the impact will be on our financial statements.

1.3 Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of certain assets and liabilities at fair value, as determined by the relevant IFRS.

1.4 Areas of judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions, early departure costs and impairment.

The recoverability of trade receivables is reviewed annually at year-end as well as periodically during the year. HSE recognises an impairment where we do not expect to fully recover the outstanding balance. This assessment is based on ageing of the receivables and historical trends on recoverability. We will amend this accounting policy in 2018/19 following the introduction of IFRS 9.

1.5 Employee benefits

In accordance with IAS 19 Employee benefits, short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. Bonuses are recognised when HSE has a present obligation as a result of past service and the obligation can be measured reliably. When payable, organisational bonuses are accrued in the year to which the performance relates and paid in the following financial year. HSE has also introduced an in-year instant reward and recognition voucher scheme. Payments for vouchers are treated on a cash basis as there is very little time between them being earned and paid. HSE calculates annual leave balances using an estimate of the amount of annual and flexi-leave that staff have accumulated at year-end.

1.6 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 non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.7 Income

Income principally comprises fees and charges for services provided on a full cost basis to external customers, other government departments and agencies, and is recorded net of VAT. Income is recognised when the services, for which it is receivable or has been received, have been performed, and the amount can be reliably measured. This is assessed using time-recording information and estimates of recoverable costs. There are three exceptions:

- income relating to significant commercial contracts is recognised in proportion to the stage of completion of the project. In line with this no costs are deferred (as work-in-progress). Income from low-value contracts is recognised evenly over the expected period of the contract;
- fee for intervention (FFI) income is recognised only when it is identified that a material breach has taken place;
- income relating to prosecution costs is recognised only when the Court has awarded costs to HSE.

In line with IFRS 8, we analyse income and include the required disclosures if more than 10% of total revenue is received from a single customer during the financial year.

1.8 Non-current assets

Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, HSE has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful economic life or are of relatively low value. This therefore applies to IT hardware, motor vehicles, plant and machinery and furniture.

Land and buildings

Land and buildings are initially measured at cost, restated to current market value using external professional valuations at least every five years and in the intervening years by use of regular desktop valuations. Land and buildings are valued on an existing use basis except for the specialist laboratory site in 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 for HSE.

Intangible assets

Whether acquired externally or generated internally, intangible assets are initially measured at cost, with subsequent measurement at valuation. Where an active market exists for the asset, it is carried at a revalued amount based on fair value at the end of the reporting period.

Capitalisation and depreciation/amortisation

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Where appropriate, items are pooled.

Internally developed software is capitalised if it meets the criteria specified in IAS 38 Intangible Assets. Expenditure that does not meet the criteria is recognised as an expense in the year in which it is incurred. Website development costs are capitalised in line with the requirements of SIC 32 Web Site Costs and the specific criteria as determined by IAS 38 Intangible Assets.

The charge for depreciation or amortisation is calculated to write down the cost or valuation of property, plant and equipment and intangible assets to their estimated residual values by equal instalments over their estimated useful lives. No depreciation or amortisation is charged in the month of disposal. The following thresholds/useful lives apply to each category:

Asset Category	Capitalisation Threshold	Depreciation/Amortisation Period
Freehold buildings	n/a	Remaining life as assessed by valuers
Leasehold buildings	n/a	Period remaining on lease or next rent review
PFI buildings	n/a	60 years' designated life
Leasehold improvements	£100 000	Remaining lease period, up to 20 years
Individual IT assets	£5 000	3 to 7 years
IT hardware pooled	£5 000	3 to 6 years
Plant and machinery	£5 000	5 to 10 years
Individual furniture and fittings	£5 000	2 to 15 years (except 30 years Buxton PFI)
Motor vehicles	£5 000	3 to 10 years
IT software, websites and licences	£100 000	5 years or licence period if shorter
Software pooled	£1 000	5 years or licence period if shorter

Revaluation and impairment

Increases in value are credited to the Revaluation Reserve, unless they reverse a previous impairment, in which case they are credited to the SoCNE.

All assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. In accordance with the FReM, impairment losses that result from clear consumption of economic benefit or service potential are recognised in the SoCNE. Downward revaluations, resulting from changes in market value, only result in an impairment where the asset is revalued below its historic cost carrying amount. In these cases, the accounting treatment is as for any other impairment, with amounts being first set against any accumulated balance in the revaluation reserve, and any amount in addition to this being recognised and recorded in the SoCNE.

1.9 Financial assets and liabilities

Financial assets and liabilities are recognised when HSE becomes party to the contracts that give rise to them. The fair value of receivables is usually the original invoiced amount. Any changes in value are recognised in the SoCNE.

HSE reviews financial assets for indications of possible impairment throughout the year and at the reporting date. An impairment loss is recognised if there is objective evidence that a loss event (or events) has occurred after initial recognition and before the reporting date and has a reliably measurable impact on the estimated future cash flows of the financial asset or group of financial assets.

1.10 Provisions

Provisions are recognised in accordance with IAS 37 and are valued using 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 real rate set by HM Treasury.

1.11 Pensions

Past and present employees are covered by the provisions of the PCSPS and Civil Servants and Others Pension Scheme (alpha), which are unfunded, defined benefit, contributory, public service occupational pension schemes made under the Superannuation Act 1972. HSE recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS/ alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS/alpha. In respect of the defined contribution schemes, HSE recognises the contributions payable for the year.

For previous Chairs (with the exception of Dame Judith Hackitt where HSE made contributions to a stakeholder pension provider during her service as Chair) arrangements exist whereby HSE makes pension payments analogous to those

that would have been made had they been members of the PCSPS. The pension liability is valued each year using published actuarial assumptions and the full amount calculated is treated as a provision.

1.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to HSE. All other leases are classified as operating leases.

Assets funded through finance leases are capitalised as non-current assets and depreciated/amortised over their estimated useful lives or lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the assets or the present value of the minimum lease payments at the inception of the lease. The resulting lease obligations are included in liabilities net of finance costs. Finance costs are charged directly to the SoCNE.

Rental costs arising under operating leases are charged to the SoCNE in the year in which they are incurred.

1.13 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector. Where HSE has control over PFI assets, or where the balance of risks and rewards of ownership are borne by HSE, the asset is recognised and the liability to pay for it is accounted for as a finance obligation. Contract payments are apportioned between a reduction in capital obligation, an imputed finance lease charge and a service charge.

Where HSE does not have control over the PFI asset and the balance of risks and rewards of ownership are borne by the PFI contractor, the PFI payments are recorded as an expense. 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 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.

1.14 Contingent liabilities

Contingent liabilities are disclosed in the notes to the accounts in accordance with IAS 37. HSE also discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities which have been reported to Parliament in accordance with the requirements of *Managing Public Money*. Where the time value of money is material, contingent liabilities are stated at discounted amounts.

1.15 Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about parts of HSE that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Board has identified the Chief Executive as the Chief Operating Decision Maker.

The Chief Executive reviews HSE's operational and financial performance at an aggregated level and these accounts do not include a statement of operating costs by operating segment.

2 Staff costs

	Permanently employed staff	Others	2017-18 Total	2016-17 Total
	£'000	£'000	£'000	£'000
Wages and salaries	102 102	1 417	103 519	105 335
Employers' National Insurance ⁴⁴	11 698	-	11 698	11 529
Pension costs	21 749	-	21 749	21 977
Lump sum exit costs	874	-	874	1 899
Total (as reported in the SoCNE)	136 423	1 417	137 840	140 740
Less recoveries in respect of outward secondments	(34)	-	(34)	(85)
Total net costs	136 389	1 417	137 806	140 655

Further detail about the staff costs and the number of people employed by HSE is included on page 69 of the Accountability report.

44 Includes Apprenticeship Levy payments of £500k during 2017/18.

3 Other operating costs

	Notes	2017-18 £'000	2016-17 £'000
Rentals under operating leases		2 300	3 504
PFI service charges ⁴⁵		10 227	10 144
PFI Interest and finance lease charges		8 158	8 308
Auditor's remuneration – Statutory audit		85	85
Accommodation		9 905	9 902
Travel and subsistence		7 115	7 451
IT expenditure and telecoms		12 008	10 779
Legal costs		8 301	7 590
Staff development and training		1 342	1 301
Publications		876	1 073
Shared services costs ⁴⁶		1 846	1 971
Scientific sub-contract technical support		2 025	1 949
Scientific equipment		2 009	2 792
Research and development		897	1 184
Pesticides – purchase of samples		1 037	1 039
Chemicals Regulation testing		1 075	1 217
Other expenditure		5 572	4 191
Other operating costs		74 778	74 480
Non-cash items:			
Depreciation and amortisation of non-current assets	5, 6	7 248	6 590
Movement in impairment of receivables		2 317	1 782
Reversal of previous losses on revaluation of PPE		(903)	-
Impairment of non-current assets		-	63
Loss on disposal of non-current assets		456	207
Movement in provisions		(372)	234
Training funded through Apprenticeship Levy		18	-
Total non-cash items		8 764	8 876
Total operating costs		83 542	83 356

45 PFI service and interest charges relate to provision of accommodation for Redgrave Court, Bootle and Laboratory/IT services in Harpur Hill, Buxton. Finance lease charge relates to the long-term lease for Basingstoke office.

46 Shared services costs include the provision of finance, HR and procurement transactional processing provided by Shared Services Connected Ltd and Internal Audit Services provided by Government Internal Audit Agency.

4 Income

	2017-18 £'000	2016-17 £'000
Fees and charges		
Biocides and plant protection	15 803	15 710
Control of major accident hazards	9 987	10 675
Enforcement of offshore safety legislation	17 886	17 862
Fee for intervention	15 052	14 925
Other fees and charges	2 352	1 892
Total fees and charges	61 080	61 064
Other operating income		
Prosecutions	6 545	5 393
Commercial income ⁴⁷	16 157	15 514
Supply of accommodation and core IT to ONR ⁴⁸	5 869	6 438
Provision of REACH services to Defra ⁴⁹	1 200	1 407
Other income	2 055	977
Non-cash government grant – Apprenticeship Levy	18	-
Total other operating income	31 844	29 729
EU income	38	44
Total income	92 962	90 837

47 Commercial income is earned from discretionary activity (ie for which HSE has no statutory responsibility to provide) undertaken for any external organisation, excluding recharges for accommodation or IS/IT provision to tenants in HSE offices.

48 Supply of services to ONR includes £3687k (2016/17 £4017k) for accommodation.

49 REACH is a European Union regulation concerning the Registration, Evaluation, Authorisation and restriction of Chemicals.

5 Property, plant and equipment

2017-18	Land	Buildings	Leasehold improve- ments	Information technology	Motor vehicles	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation opening balance at 1 April 2017	2 982	85 692	14 348	12 351	4 084	18 385	8 529	702	147 073
Reclassifications	-	590	-	-	-	112	-	(702)	-
Additions	-	459	1 674	1 320	586	535	1 349	151	6 074
Revaluations	-	6 049	-	-	-	-	-	-	6 049
Disposals	-	-	(3 574)	(313)	(655)	-	(1 086)	-	(5 628)
Balance at	2 982	92 790	12 448	13 358	4 015	19 032	8 792	151	153 568
31 March 2018									
Depreciation opening balance at 1 April 2017	-	714	9 438	6 099	1 496	14 408	4 821	-	36 976
Charge	-	1 798	1 179	1 952	435	833	503	-	6 700
Revaluations	-	(2 096)	-	-	-	-	-	-	(2 096)
Disposals	-	-	(3 469)	(278)	(147)	-	(907)	-	(4 801)
Accumulated depreciation at	-	416	7 148	7 773	1 784	15 241	4 417	-	36 779
31 March 2018									
Net book value at 31 March 2018	2 982	92 374	5 300	5 585	2 231	3 791	4 375	151	116 789
Asset financing									
Owned	2 982	7 746	5 300	5 585	2 231	3 791	2 716	151	30 502
On-Statement of Financial Position PFI contracts	-	83 285	-	-	-	-	1 659	-	84 944
Finance lease	-	1 343	-	-	-	-	-	-	1 343
Net book value at 31 March 2018	2 982	92 374	5 300	5 585	2 231	3 791	4 375	151	116 789

HSE's headquarters is situated in Redgrave Court, Bootle which was constructed under the Private Finance Initiative (PFI) and is owned by Bootle Accommodation Partnerships Ltd (BAPL), which provides HSE with serviced accommodation. The open market value of Redgrave Court (£12.1 million at the latest desktop revaluation completed 31 December 2017) is significantly lower than the outstanding repayment liability to the contractor (£51.1million) for the remainder of the 30-year PFI agreement. The construction cost to the contractor was approximately £60 million.

Jones Lang LaSalle Ltd provide HSE with a professional and independent valuation service and undertook a desktop valuation of the PFI buildings at the Buxton Laboratory site as at 31 December 2017. The valuation was based on a depreciated replacement cost (DRC) basis and provides a value of £72.8 million once adjusted for irrecoverable VAT on build costs. This represents an increase of £5.9 million on the Buxton PFI buildings asset value as at 31 March 2017 which was based on a professional valuation, also on a DRC basis, provided by Cushman & Wakefield. The key reason for the increase is inflation on building costs across the construction sector.

All buildings where HSE is provided with a professional and independent valuation service in accordance with RICS standards are listed in the table below. There have been no intervening desktop valuations since the last full revaluation for Priestly House or Victoria Place. Assurance of their valuation is provided by making an assessment of local market conditions using publicly available information.

Building	Last full revaluation date and professional valuation service
Redgrave Court, Bootle	31 December 2014 – Cushman & Wakefield
Health and Safety Laboratory, Buxton	31 March 2017 – Jones Lang LaSalle Ltd
Priestly House, Basingstoke	31 March 2016 – Carter Jonas
Victoria Place, Carlisle	31 December 2013 – Cushman & Wakefield

2016-17	Land	Buildings	Leasehold improvements	Information technology	Motor vehicles	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation opening balance at 1 April 2016	2 841	66 292	14 028	6 727	4 159	18 002	8 285	2 432	122 766
Reclassifications	-	-	23	2 216	-	241	(2)	(2 478)	-
Additions in year	-	75	442	3 748	858	592	290	748	6 753
Revaluations in year	141	19 325	-	-	-	-	-	-	19 466
Impairments	-	-	-	-	-	(55)	(12)	-	(67)
Disposals during year	-	-	(145)	(340)	(933)	(395)	(32)	-	(1 845)
Balance at 31 March 2017	2 982	85 692	14 348	12 351	4 084	18 385	8 529	702	147 073
Depreciation opening balance at 1 April 2016	-	384	8 169	4 819	1 527	13 950	4 288	-	33 137
Reclassifications	-	-	-	-	-	-	-	-	-
Charge in year	-	1 374	1 336	1 557	474	854	549	-	6 144
Revaluations in year	-	(1 044)	-	-	-	-	-	-	(1 044)
Impairments	-	-	-	-	-	(4)	-	-	(4)
Disposals during year	-	-	(67)	(277)	(505)	(392)	(16)	-	(1 257)
Accumulated depreciation at 31 March 2017	-	714	9 438	6 099	1 496	14 408	4 821	-	36 976
Net book value at 31 March 2017	2 982	84 978	4 910	6 252	2 588	3 977	3 708	702	110 097
Asset financing									
Owned	2 982	6 854	4 910	6 252	2 588	3 977	1 949	702	30 214
On-Statement of Financial Position PFI contracts	-	76 752	-	-	-	-	1 759	-	78 511
Finance lease	-	1 372	-	-	-	-	-	-	1 372
Net book value at 31 March 2017	2 982	84 978	4 910	6 252	2 588	3 977	3 708	702	110 097

6 Intangible assets

Intangible assets comprise purchased software licences, development costs for websites that deliver services and internally developed software.

2017-18	Websites	Purchased software licences	Internally developed software	Payments on account and assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2017	171	5 720	407	116	6 414
Reclassifications	62	-	24	(86)	-
Additions in year	478	811	-	-	1 289
Disposals	-	(1 584)	-	(30)	(1 614)
Balance at 31 March 2018	711	4 947	431	-	6 089
Amortisation at 1 April 2017	171	4 774	185	-	5 130
Charge in year	29	434	85	-	548
Disposals	-	(1 584)	-	-	(1 584)
Accumulated amortisation at 31 March 2018	200	3 624	270	-	4 094
Net book value at 31 March 2018	511	1 323	161	-	1 995
2016-17	Websites	Purchased software licences	Internally developed software	Payments on account and assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2016	171	5 170	407	52	5 800
Additions in year	-	554	-	64	618
Disposals	-	(4)	-	-	(4)
Balance at 31 March 2017	171	5 720	407	116	6 414
Amortisation at 1 April 2016	171	4 407	110	-	4 688
Charge in year	-	371	75	-	446
Disposals	-	(4)	-	-	(4)
Accumulated amortisation at 31 March 2017	171	4 774	185	-	5 130
Net book value at 31 March 2017	-	946	222	116	1 284

7 Trade receivables and other current assets

	31 March 2018	31 March 2017
	£'000	£'000
Amounts falling due within one year		
Trade receivables ⁵⁰	21 767	20 818
Deposits and advances	592	334
Accrued income	17 455	12 436
Prepayments	1 616	1 429
VAT	1 173	1 339
Other receivables	145	-
	42 748	36 356
Amounts falling due after more than one year		
Other prepayments	-	4
Trade receivables	758	1 474
Deposits and advances	30	42
	788	1 520
Total	43 536	37 876

8 Cash and cash equivalents

	31 March 2018	31 March 2017
	£'000	£'000
Opening Balance	(108)	(53)
Net change in cash and cash equivalent balances	1 477	(55)
Closing Balance⁵¹	1 369	(108)

50 The trade receivables balance at 31 March 2018 is stated net of provision for impairment, which amounts to £4929k (31 March 2017: £3377k).

51 Balance held entirely with Government Banking Service. The significant balance at 31 March 2018 was due to a large receipt received after HSE's bank account had been cleared as part of the DWP funding process. For 31 March 2017 the account was overdrawn and disclosed within Trade and other payables.

9 Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Amounts falling due within one year		
Taxation and social security	2 899	2 906
Pension contributions	2 359	2 424
Trade payables	2 061	2 399
Accruals and deferred income	19 919	23 848
Capital accruals	1 590	1 602
On-Statement of Financial Position PFI contracts and Finance lease ⁵²	2 508	2 315
Balance with Government Banking Service ⁵³	-	108
Other payables	-	147
	31 336	35 749
Amounts falling due after more than one year		
Imputed finance lease element of on-Statement of Financial Position PFI contracts	92 891	95 397
Finance Lease	1 399	1 399
Other payables	-	20
	94 290	96 816
Total	125 626	132 565

52 PFI and Finance lease details can be found in notes 12a(ii) and 13.

53 Cash and cash equivalents – see note 8.

10 Provisions for liabilities and charges

Provision for retired Chairs' pension

Provision has been made for retired Chairs' pensions in HSE's accounts as if they were members of the PCSPS. The exception is Dame Judith Hackitt, who received contributions towards a stakeholder pension and therefore is not included in this provision.

2017-18	Chairs' pension by analogy £'000	Dilapidations £'000	Total £'000
Balance at 1 April 2017	1 420	65	1 485
Provided/released in year	(372)	-	(372)
Utilised in year	(80)	-	(80)
Balance at 31 March 2018	968	65	1 033

Expected timing of future payments

Falling due within one year	65	65	130
Falling due after more than one year	903	-	903

2016-17	Chairs' pension by analogy £'000	Other £'000	Total £'000
Balance at 1 April 2016	1 331	-	1 331
Provided in year	169	65	234
Utilised in year	(80)	-	(80)
Balance at 31 March 2017	1 420	65	1 485

Expected timing of future payments

Falling due within one year	83	65	148
Falling due after more than one year	1 337	-	1 337

11 Capital commitments

	31 March 2018	31 March 2017
Contracted commitments not otherwise included in these financial statements	£'000	£'000
Property, plant and equipment	3 304	836
Intangible assets	590	298
Total commitment	3 894	1 134

12a Commitments under non-PFI leases

Total future minimum lease payments under operating leases, relate to accommodation and are given in the table below.

(i) Operating leases	31 March 2018	31 March 2017
	£'000	£'000
Not later than one year	2 843	2 458
Later than one year and not later than five years	5 455	3 391
Later than five years	203	-
Total committed	8 501	5 849
(ii) Finance leases⁵⁴	31 March 2018	31 March 2017
	£'000	£'000
Gross liabilities		
Not later than one year	147	147
Later than one year and not later than five years	588	588
Later than five years	6 201	6 347
	6 936	7 082
Total gross liabilities		
Less: interest element	(5 537)	(5 683)
Present value of obligations	1 399	1 399

54 HSE has a contract with Basingstoke and Deane Borough Council for the rental of Priestley House, Basingstoke. The lease started in 1966, was transferred to HSE in 1987 and lasts until 2065 and is classified as a finance lease.

12b Rental income from sub-leases

As at 31 March 2018 HSE had granted leases for buildings with rental income expected to be received, which falls due as shown below.

Income from rental under operating leases for the following periods comprise:	31 March 2018	31 March 2017
	£'000	£'000
Not later than one year	5 007	4 896
Later than one year and not later than five years	5 593	7 990
Later than five years	179	804
Total committed	10 779	13 690

13 Commitments under PFI contracts

HSE has entered into the following contracts let under the Private Finance Initiative that have been assessed under IFRIC 4; IFRIC 12; IAS 16 and IAS 17 as being brought onto HSE's Statement of Financial Position.

Merseyside headquarters (Redgrave Court)

HSE has signed a 30-year contract with Kajima Development (Bootle Accommodation Partnerships) Ltd for the provision of fully serviced accommodation in Bootle, Merseyside. The contract runs from May 2005 to May 2035.

Health and Safety Laboratory (Harpur Hill)

With effect from 28 October 2004, HSL took occupation of serviced accommodation in Buxton, Derbyshire for laboratory and support functions. This was provided under a 32 years and 29 weeks term, 'design, build, finance and operate' contract with Investors in the Community (Buxton) Limited (ICB Ltd), 2 years and 29 weeks being the design and build period prior to occupation.

Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-Statement of Financial Position PFI transactions was £10.2 million (2016-17: £10.1 million) and the payments to which HSE is committed are as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Not later than one year	12 079	11 621
Later than one year and not later than five years	48 389	46 482
Later than five years	140 866	146 803
Total committed	201 334	204 906

Total finance lease obligations under On-Statement of Financial Position PFI contract

Total obligations for the following periods comprise:

	31 March 2018	31 March 2017
	£'000	£'000
Gross liabilities		
Not later than one year	10 326	10 326
Later than one year and not later than five years	41 445	41 389
Later than five years	131 633	142 016
Total committed	183 404	193 731
Less interest element	(88 007)	(96 019)
Present value of obligations	95 397	97 712

	31 March 2018	31 March 2017
	£'000	£'000
Present value of obligations		
Not later than one year	2 507	2 314
Later than one year and not later than five years	12 455	11 442
Later than five years	80 436	83 956
Total present value of obligations	95 398	97 712

14 Other financial commitments

HSE has entered into non-cancellable contracts (which are not leases or PFI contracts) for ancillary services which are provided alongside the rental of buildings (service charges, insurance and business rates); IT managed services; pesticide testing services; regulatory training modernisation and services provided by Shared Services Connected Limited (which are described in Note 3).

	31 March 2018	31 March 2017
	£'000	£'000
Not later than one year	8 026	8 504
Later than one year and not later than five years	9 355	9 967
Later than five years	2 922	2 768
Total committed	20 303	21 239

15 Related party transactions

HSE is a Crown Non-Departmental Public Body and is sponsored by DWP, which is regarded as a related party. During the year, HSE had several transactions on an arm's-length basis with DWP that mainly related to the sharing of premises costs. HSE has an agreement with the Department for Food and Rural Affairs (Defra) for the provision of the Competent Authority function in relation to Plant Protection Products and Detergents. HSE also had material transactions with the Office for Nuclear Regulation for which the DWP is regarded as the sponsor department.

In addition, HSE had transactions with other government departments and other central government and public bodies, none of which are considered material.

The Chair of HSE and one member of the HSE Board have relationships with organisations with whom we have had financial transactions during the year:

- Martin Temple is a Non-Executive Director of Sheffield Teaching Hospitals NHS Foundation Trust. During 2017/18 we paid £353 000 for doctors appointed under the Centre for Workplace Health agreement which has been in place since 2005, before Martin's appointment to either the Trust (1 July 2013) or HSE (1 May 2016). Mr Temple has had no involvement in the original procurement exercise, individual appointments or management of the contract.

- Martyn Thomas works extensively with universities and is visiting professor (an honorary, unpaid position) with the University of Manchester, HSE's partner in the Thomas Ashton Institute. Professor Thomas has had no involvement in discussions or negotiations relating to the agreement between HSE and University of Manchester to found the Institute. We have also contracted the University of Manchester to provide us with occupational health statistics from their THOR Scheme (contract value in 2017/2018 £364 000); this programme has been ongoing since 2002 and therefore pre-dates the establishment of the Thomas Ashton Institute.

No other senior managers, non-executive Directors or the Chief Executive or any person connected with these, had any interest in any material transactions with HSE or received benefits from HSE suppliers other than declared hospitality during the year.

16 Contingent liabilities

There are a small number of claims against HSE by current and former employees, some of which may result in compensation payments. Claims relate to employment tribunal and personal injury. There is significant uncertainty around the estimated liability and the timing of payments. This uncertainty can fluctuate based on factors such as evidence received, witness statements and whether claims proceed to trial or are settled early.

17 Financial instruments

As the cash requirements of HSE are met through the Estimate process, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with HSE's expected purchase and usage requirements and HSE is therefore exposed to little credit, liquidity, exchange rate or market risk.

18 Events after the reporting period

IAS 10 requires HSE to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.





CCS1217556516

978-1-5286-0143-6