



The Health and Safety  
Executive  
**Annual Report  
and Accounts 2015/16**





# The Health and Safety Executive **Annual Report and Accounts 2015/16**

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# SECTION 1 Performance – Overview

## Summary statement from HSE's Chair and Chief Executive

This report looks back on another year of positive progress for the Health and Safety Executive (HSE). It captures HSE's achievements and performance during 2015/16, and how we have used our unique position, expertise and resources to help make England, Scotland and Wales safer and healthier places to work.

Our proportionate, evidence-based approach benefits not just workers, but also business productivity and the wider economy. This is reflected in the diversity of our achievements, which include:


- leading and actively engaging those who influence health and safety through the development and launch of the new strategy, *Helping Great Britain work well*;
- ensuring the regulatory framework remains effective, by continuing to make the stock of legislation simpler and clearer while maintaining standards of protection;
- securing improvements to the management of risk through our direct interaction with employers – last year nine of out ten businesses reported changing their behaviour following a visit by an inspector;
- actively inspecting, investigating and enforcing the law – holding to account those who failed to meet their obligations, with legal proceedings instituted in over 650 cases and a 95% conviction rate;
- reducing the likelihood of low-frequency, high-impact catastrophic incidents by visiting 95% of top-tier major hazard installations and delivering extensive risk reduction programmes.

While Great Britain's health and safety performance is among the best in the world, there remains room for further improvement. In the last 12 months there were 142 workers killed, 611 000 injured and 516 000 new cases of work-related ill health. Employers lost an estimated 27.3 million working days to occupational ill health or injury.

Incidents such as those at Bosley Mill, Alton Towers and Didcot power station have a devastating and lasting impact on individuals and their families. They are powerful and poignant reminders of why health and safety remains so important.

As we look to the future, we will strive to deliver further improvements and evolve our approach. Science will continue to be a vital enabler for HSE, as it has been in 2015/16, helping us to achieve the best performance of any member state in Europe in assessing plant protection products. HSE will continue to share its experience and expertise commercially overseas, influencing other countries' regulatory systems and making it easier for British businesses to expand internationally.

*Helping Great Britain work well* acknowledges the importance of partnership and co-ordinated action. The enthusiasm and energy with which the strategy was received gives us every confidence that the direction of travel is right and that progress will continue to be made.



The success of the past year has only been possible through the collective efforts and professionalism of colleagues right across HSE. It has been a busy and demanding year, and we thank them all for their continued efforts. We would also like to record our appreciation for the significant contribution made over many years by Dame Judith Hackitt, our outgoing Chair.

We are proud of the difference HSE and our partners in the health and safety system are making to working lives across England, Scotland and Wales. We will continue to strive to help Great Britain work well.

**Martin Temple**

Chair

Health and Safety Executive

**Dr Richard Judge**

Chief Executive and Accounting Officer

Health and Safety Executive



## Our purpose

### Context: The scale of the challenge

Great Britain has a health and safety record we can be proud of and it means we are one of the safest countries in the world to work in. Central to this is protecting people in a proportionate and effective way, which also supports innovation, productivity and growth.

That record has not happened by chance. We have led the way in risk-based regulation, underpinned by the fundamental principle of health and safety law – those who create risks are best placed to control them and they should do so in a proportionate and practical way.

However, there is still room for improvement, as illustrated in the latest health and safety statistics in Figure 1.

**Figure 1** Vital statistics 2015

All figures 2014/15 unless indicated:  
\*2013; †2013/14; \*\*Prosecution cases instituted by HSE, local authorities and, in Scotland, the Crown Office and Procurator Fiscal Service.

Sources: Labour Force Survey; RIDDOR; HSE Cost to Britain Model; HSE Enforcement Data; HSE Mesothelioma Register.



## **Who we are**

The Health and Safety Executive (HSE) is the national regulator for work-related health and safety in Great Britain and, as the prime mover in the system, is committed to playing its part in the delivery of healthier, safer workplaces.

We have spent 40 years – working in partnership – to make Britain one of the safest places to work, saving thousands of lives, preventing many more injuries at work, improving people's health and reducing the economic and social costs of health and safety failures.

The challenge for all within the health and safety system is to move forward with pace, to ensure we maintain our world-class health and safety record while maximising the wider benefits that the system can bring.

## **What we do**

### ***Lead and engage with others to improve workplace health and safety***

HSE engages with those who undertake or influence workplace occupational safety and health across Great Britain. Through guidance, raising awareness and leadership we seek to achieve behavioural change that helps Great Britain work well. Our activities include:

- collaboration with representative bodies, trade unions, trade associations and other stakeholders and intermediaries as our partners in the health and safety system;
- specific campaign activity to achieve tangible improvements in awareness and action for key issues and themes;
- provision of guidance and support material which are accessible and tailored to the circumstances of the user.

We also 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***

We ensure our regulation stays simple, modern and effective. We seek to make legislation easier to understand without reducing standards, with the aim of increasing compliance levels.

### ***Secure effective management and control of risk***

We use a variety of interventions to assess and secure effective management and control of risk. These include permissioning and licensing regimes, inspections and investigations.

Where businesses are not effectively managing risks to people's safety or health we pursue improvements. Through proportionate enforcement action we seek to prevent harm, secure sustained improvement in the management of health and safety risk, and hold to account those who fail to meet their obligations to protect people from harm.

### ***Reducing the likelihood of low-frequency, high-impact catastrophic events***

Great Britain has a number of highly specialised industries which provide essential products and services and are strategically important to the country's economy and social infrastructure, but which can potentially cause great harm to their workers, the environment and the public if not properly managed. A single incident could have catastrophic consequences and has the potential to undermine whole sectors by eroding the public's trust and acceptance of complex, high-hazard activities.

HSE's programme of work in these sectors seeks to secure the systematic management of hazardous activities and provide public assurance that health and safety risks within those industries are effectively managed.

In summary:

#### **HSE:**

- is proportionate, targeted, consistent, transparent and accountable;
- helps to create safer and healthier workplaces, enabled and influenced by evidence-based interventions founded upon modern, risk-based, regulatory principles and people being held to account for health and safety failures;
- delivers a legal framework and provides practical advice to establish a healthy and safe working environment that is straightforward for all businesses;
- blends a portfolio of professional skills and knowledge. Our scientific expertise works hand in hand with our operational and policy activities;
- applies our capability in regimes that extend beyond our traditional boundaries. This includes collaborating across UK government, the devolved administrations and with international partners. We capitalise on our unique know-how through a range of commercial activities that complement and underpin our regulatory role.

In all that we do, we aim to help Great Britain work well.

#### **Our governance arrangements**

These are included within the Governance statement (page 37).

#### **Key risks to our delivery**

The most significant risks faced by HSE which could impact on the delivery of our objectives are outlined in the Governance statement (pages 45-46) together with the actions we have taken in 2015/16 as mitigation.

## Performance summary

This annual report provides details of how we have sought to deliver our commitment to deliver healthier, safer workplaces and fulfil our responsibilities as the independent regulator and prime mover in the health and safety system, as outlined in our 2015/16 Business Plan.<sup>1</sup>

This section provides a synopsis of our performance – further detail can be read on pages 17-30.

### Our highlights include:

- continuing our programme of work to shift to a simpler, more modern set of legislation by removing or improving around 84% of health and safety regulations – without reducing standards;
- publication of *Helping Great Britain work well*,<sup>2</sup> the new strategy for Great Britain's occupational health and safety system, following an extensive and innovative engagement programme;
- delivering an extensive programme of science and research to understand current and future risks to health and safety as well as to underpin the development of policy and enforcement action;
- providing other government departments, industry and overseas clients with evidence-based solutions which help them address their health and safety challenges – including winning and delivering £1 million of international commercial sales;
- providing access to concise, straightforward and up-to-date guidance. There were 35 million visits to HSE's website (up 2 million on 2014/15) with 84% user satisfaction (up from 81% in 2014/15);
- using inspection to secure improved risk control – 89% of dutyholders who responded to our survey stated they had taken action as a result of an inspector's visit, similar to the previous year;
- focusing on improving the timeliness of investigating fatal accidents – seeing a 30% improvement since 2013/14;
- sustaining our timely completion of non-fatal RIDDOR investigations, with 90% completed within 12 months of the incident;
- holding to account those who failed to meet their obligations to protect people from harm – with legal proceedings instituted in over 650 cases, and convictions secured in circa (c) 95% of cases heard;
- delivering the best performance in relation to assessing plant protection products across all European member states. We are completing c85% of assessments within legislative deadlines, whereas the next best performance is 30%. In addition, the volume of assessments we are undertaking is almost double the number of any other member state;
- ensuring the potential for harm within major hazard sectors (eg offshore, chemicals, explosives) is minimised by visiting >95% top-category major hazard installations and delivering extensive intervention programmes focused on key areas of risk;

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1 [www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1516](http://www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1516).

2 [www.hse.gov.uk/strategy/strategy-document.htm](http://www.hse.gov.uk/strategy/strategy-document.htm).

- demonstrating our effective financial stewardship – living within our financial allocation of taxpayer funding as agreed with the Department for Work and Pensions (DWP), our sponsoring department;
- taking forward our longer term plans to evolve our regulatory role and maintain trust in HSE as an independent regulator – focusing on investment in our capability, people knowledge and tools – as detailed in the actions we have taken to mitigate our key challenges (pages 45-46);
- improving our staff engagement index from 2014/15, with improvements seen across all themes of the People Survey.

**Table 1** Key performance measures<sup>3</sup>

		2014/15	2015/16
<b>Operational</b>	Health and safety regulations on the statute books (baseline 2011/12: 201)	90	79
	% of milestones in plan delivered	80%	83%
	% of fatal investigations completed within 12 months of receiving primacy	61%	70%
	% of non-fatal RIDDOR investigations completed within timescale	90%	90%
	% of biocide and pesticide evaluations processed within legislative deadlines	83%	85%
	Major hazard safety case reports and assessments completed within agreed timescale	82%	80%
	Major hazard applications for licences, approvals and notifications processed within agreed timescales	83%	97%
<b>Customer</b>	Took action as a result of an HSE visit (Dutyholder survey <sup>4</sup> )	89%	89%
	Users of HSE website who got what they wanted	81%	84%
<b>People</b>	Attendance (annual working days lost per FTE)	7.50	7.24
	Engagement index	50%	55%
<b>Financial</b>	Live within financial allocation of taxpayer funding agreed with DWP	Yes	Yes

<sup>3</sup> All figures are provisional at the time of publication and based on live operational data.

<sup>4</sup> Aggregated figure across all surveys and sectors.

## Financial review

The financial year ended 31 March 2016 included continued financial challenge through Spending Round 2013 and consolidated the £90 million (40% real term) savings in government funding delivered between 2011/12 and 2014/15. HSE continued with the freeze on cost-recovery rates charged to industry in 2015/16<sup>5</sup> and funded some self-investment to sustain regulatory excellence and make sure HSE has the required people and capability both now and in the future.

HSE's net operating expenditure has reduced by a further £3.7 million in 2015/16, which includes a total expenditure outturn within 0.3% of budget and an increase in income of £8.8 million (10.9%).<sup>6</sup> Modernisation of the information technology infrastructure and use of IT is a priority for HSE, evidenced by some significant capital investment in 2015/16.

Staff costs represent 62% of HSE's total operating expenditure and average staff numbers have marginally reduced from 2014/15 but with a small increase in frontline inspectors through recruitment success in some specialist disciplines. The increase in staff costs reflects the 1% pay increase, additional employers' pension contributions and a one-off adjustment to the annual leave accrual (£1.2 million) to align the calculation with the HSE human resources (HR) policy.

Operating expenditure is in line with 2014/15 with inflationary pressures, investment in IS/IT and expenditure directly linked to income generation offset by further economies and efficiencies. HSE has significantly reduced its communications/publications costs and delivered additional accommodation savings. Further rationalisation of the estate, digitally enabling services and reducing the cost and complexity of business processes are the main focuses of HSE in driving future operational efficiency and effectiveness.

Total income increased from £80.9 million in 2014/15 to £89.7 million in 2015/16, mainly through fees and charges. The main points to note are:

- fee for intervention (FFI) income increased by £4.6 million through consistent levels of proactive inspection and increased incident investigation activity in accordance with HSE's enforcement decision-making frameworks;
- additional offshore safety activity (£1.9 million) due to the implementation of the Offshore Directive; the deadline for non-production installations to transition to safety cases by July 2016; and the level of reactive effort on offshore incidents;
- costs awarded on prosecution cases have increased by £3.6 million due to a high volume of high-value cases heard by the courts and costs awarded in 2015/16. Internal controls were also strengthened in this area to make sure the bill of costs submitted to the courts reflected the full cost to HSE.

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5 2015/16 was the final year of the freeze on cost-recovery rates.

6 This includes FFI income of £3706k payable to the Consolidated Fund.



## **Going-concern basis**

Adoption of the going-concern basis is referred to in Note 18 of the Accounts (page 92).

## Looking forward

Our 2016/17 Business Plan<sup>7</sup> was published in April 2016 and outlines what HSE will be delivering over the forthcoming year.

Our **key commitments** and priorities for 2016/17 are as follows:

### **Leading and engaging those who undertake or influence health and safety. Through guidance, raising awareness and leadership we will seek to change behaviour.**

Our priorities will be to:

- bring together our existing evidence on work-related ill health and publish our ill-health strategy to prioritise our future activities;
- review the effectiveness of our communications with Small and Medium Sized Enterprises (SMEs) and identify subsequent actions needed;
- refresh and publish our sector strategies;
- develop a revised approach to creating and publishing guidance, ensuring it is proportionate, meets the needs of users and makes best use of digital channels;
- identify and actively engage with significant initiatives linking to the themes of *Helping Great Britain work well* that are led by others.

### **Ensuring that the regulatory framework remains effective and that we are delivering the government's regulatory reform agenda and Business Improvement Target.**

Our priorities will be to:

- undertake post-implementation reviews of key areas of regulation;
- produce a set of options to support the deregulatory agenda, including a proposal on risk assessment and a review of the legislative requirements for plant and equipment inspection.

### **Securing effective management and control of risk through a variety of interventions with businesses.**

Our priorities will be to:

- engage with SMEs affected by REACH<sup>8</sup> registration deadlines;
- commence work to digitally enable the provision of asbestos licensing;
- target inspection activity on risk reduction, including sustaining focus on health risks;
- sustain improvement in the timely completion of investigations;

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7 [www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1617.pdf](http://www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1617.pdf).

8 Registration, evaluation, authorisation and restriction of chemicals.



- refresh, test and launch our communications materials relating to inspection and enforcement.

**Reducing the likelihood of low-frequency, high-impact catastrophic incidents and the potential for extensive harm to workers and the public.**

Our priorities will be to:

- focus on leadership, worker involvement, competence and asset integrity – key elements across all major hazard sectors;
- embed the new Offshore Directive regime, SEVESO III Directive<sup>9</sup> and COMAH 2015 Regulations through the respective joint Competent Authorities, and complete the reassessment of safety cases and safety reports. Also to proactively engage with industry bodies and other regulators across all of the major hazards sectors to ensure ongoing focus on safe production and improved major hazard management, while keeping abreast of industry changes and responding accordingly.

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9 Legislation relating to the control of onshore major accident hazards involving dangerous substances.

# SECTION 1 Performance – Analysis

## How we monitor performance

HSE has a robust performance framework using a series of key performance indicators.

Performance is reviewed monthly by Management Board, supported by a more detailed review on a quarterly basis by both Management Board and HSE Board. Performance is considered from operational, financial, stakeholder and people perspectives. Where it is not meeting expectations, actions are agreed (for example timeliness of fatal investigations), the cause is understood and lessons are learned.

## Our performance

The following section provides further detail of HSE's delivery and performance, aligned to the core aims of the 2015/16 plan.

## Core aim A: Lead others to improve health and safety in the workplace

### Key deliverables

- Published the new **Helping Great Britain work well** system strategy in February 2016. Acknowledging the importance of taking co-ordinated action, HSE brought together hundreds of key players this year to develop and launch a new strategy for the health and safety system – *Helping Great Britain work well*. The strategy is helping set the direction for all those involved in the health and safety system, showing how proportionate risk management not only protects people but also enables innovation, productivity and growth.

We undertook extensive engagement in developing the strategy, engaging with more than 900 stakeholders in face-to-face discussions and reaching an estimated 13 million through social media. On the day of the launch, *#HelpGBWorkWell* social media activity resulted in more than 2.3 million opportunities to see the message. The strategy website was visited 5000 times in the first 48 hours, with over 2000 downloading the full strategy document.

- Focusing on **risk reduction**, we secured improvements in health and safety management in more premises than in 2014/15. We took action to **control serious risks** in c8300 visits (compared to c7600 visits in 2014/15) which were identified in the course of completing c18 000 targeted inspections.

We responded to several very serious and demanding incidents during 2015/16 and undertook extensive training of new inspectors to increase our regulatory capability and capacity. As a result, we carried out fewer inspections than originally planned. However, we plan to return to delivering 20 000 inspections in 2016/17.

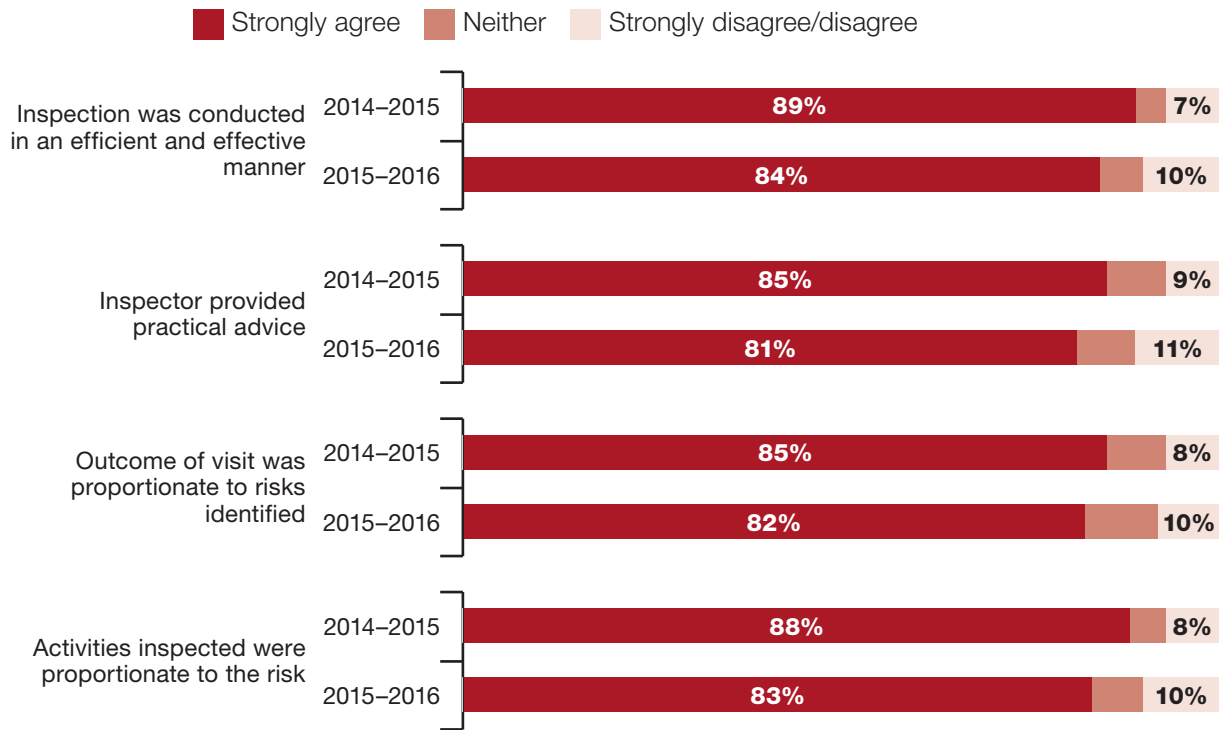
Examples of work **targeting priority risks** included visits to:

- asbestos removal sites to assess whether licensed contractors were complying with their licence conditions;
  - wood mills to assess standards of control for preventing dust explosions and secure compliance following an incident involving a number of fatalities;
  - stonemasons to assess the controls for preventing exposure to respirable crystalline silica, following HSE events to raise awareness of the health risk and the precautions expected.
- Obtained feedback from a sample of dutyholders who had received an inspection visit (see Figure 2). The results continue to indicate a **high level of satisfaction** with HSE and the way we conduct inspections. As we now have two years' data, during 2016/17 we will begin to consider the results in more detail to identify any areas for improvement.

Of particular note:

- 89% of respondents stated they had taken action as a result of a visit (2014/15: 89%);
- 63% of dutyholders stated their impression of HSE had changed for the better (2014/15: 58%).

**Figure 2** Responses to dutyholder survey



2015/16 results based on 767 responses (2003 issued)  
 2014/15 results based on 656 responses (1555 issued)

- Targeted **small construction refurbishment sites** during a month-long inspection drive in September, during which 692 enforcement notices and 983 notifications of contravention had to be served where there was a material breach of the law. Inspectors dealt both with immediate risks, such as work at height and risks from worker exposure to silica dust and asbestos which can cause long-term health problems. Health and safety breaches were further followed up with clients and designers to help them understand their duties under the Construction (Design and Management) Regulations (CDM) 2015.
- Delivered a range of **sector events to raise health and safety awareness** which received positive feedback:
  - 73% of respondents<sup>10</sup> attending HSE’s agriculture events had significantly increased their understanding of potential causes of accidents within the farming industry;
  - 68% of respondents<sup>11</sup> attending HSE’s construction events agreed that they would be making workplace health and safety changes following the event.

10 Based on 2188 responses.

11 Based on 2090 responses.

- Continued to tackle **health and safety myths** which lead to confusion about legal responsibilities and undermine confidence in an effective regulatory regime. We published responses to 39 new cases<sup>12</sup> in which dutyholders misrepresented a sensible and proportionate approach to managing risk. In the light of findings from research conducted by Exeter University, we have also worked to tackle underlying causes with stakeholders.
- Launched a **revised COSHH essentials**<sup>13</sup> package in June 2015 to comply with the latest EU regulations.<sup>14</sup> The package provides advice on what to do to control exposure to hazardous substances in the workplace. The site has had over 209 000 visits since its launch.
- Our **Beware Asbestos campaign**, which began during 2014/15, won awards<sup>15</sup> from the Institute of Promotional Marketing and UK Public Sector Communications Awards, in June and July 2015, in recognition of an innovative campaign that had a positive impact on attitudes and knowledge and changed behaviours.
- Continued to deliver the **Estates Excellence programme**, which reached over 1200 SMEs during the year. Since its introduction in 2010, the programme has offered free support to over 6700 businesses across Britain.
- Published c90 **research reports**<sup>16</sup> and peer-reviewed publications, as well as our annual *Science review*,<sup>17</sup> highlighting the benefits and value of our work on the workplace health and safety system through a wide range of case studies.
- Supported the **UK response to the outbreak of Ebola** in West Africa. The advice and effort provided by HSE specialists helped in the successful treatment of many Ebola patients and the protection of health workers.
- **Supported overseas governments** through their agencies to improve health and safety at work. Examples include:
  - hosting a high-profile three-week attachment of six Singapore Ministry of Manpower (MOM) major hazard installation inspectors to gain knowledge and skills in applying a safety case system. This was the first project undertaken under a Memorandum of Understanding (MoU) between HSE and Singapore MOM;
  - undertaking a project funded by the UK Foreign & Commonwealth Office Prosperity Fund to assist the recently created hydrocarbon industry regulator in Mexico (ASEA) in developing an implementation plan for the offshore sector;

12 [www.hse.gov.uk/contact/myth-busting.htm](http://www.hse.gov.uk/contact/myth-busting.htm).

13 COSHH = Control of Substances Hazardous to Health Regulations.

14 [www.hse.gov.uk/coshh/essentials/index.htm](http://www.hse.gov.uk/coshh/essentials/index.htm).

15 [www.news.hse.gov.uk/?s=campaign](http://www.news.hse.gov.uk/?s=campaign).

16 [www.hse.gov.uk/research/rrhtm/index.htm](http://www.hse.gov.uk/research/rrhtm/index.htm).

17 [www.hse.gov.uk/research/index.htm](http://www.hse.gov.uk/research/index.htm).

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- providing advice to Hong Kong on approaches to improving health and safety in the construction industry, including our rationale for the changes made to the CDM regulations, to inform planned changes;
  - land use planning advice to the government of Gibraltar for the location of a new liquefied natural gas storage facility for a new power station.
- Delivered **training and seminars** to help dutyholders comply with regulations and improve the health and safety of their workers. Over 192 events were delivered, engaging c3000 attendees. Examples include:
    - 235 delegates attended training on the role of the principal designer under CDM regulations;
    - ListenUP – the Inaugural European Conference on Hearing Conservation – attracted 130 attendees from across the world.

## Core aim B: Provide an effective regulatory framework

### Key deliverables

- **Regulatory reform:** In the last parliament we delivered reform which saw a shift to a simpler, more modern set of legislation<sup>18</sup> by removing or improving around 84% of health and safety regulations. To help businesses find straightforward help on what they need to do we reviewed and clarified guidance – reducing the number of pages by over 60% – and redesigned our website. Over the coming year we will take forward proposals to remove unnecessary regulatory burdens without reducing standards to further contribute to the government’s deregulatory agenda.
- The COMAH<sup>19</sup> regulations 2015 were brought into force in June 2015 with revised guidance. To support a requirement in the new regulations, the **COMAH public information database was launched**, enabling members of the public to access necessary information input by COMAH operators. Since its launch, there has been steady use of the search facility by enquirers.
- Brought the **CDM regulations 2015** into force in April 2015. The regulations were supported by guidance, produced by HSE and industry, updated webpages and digital tools aimed at assisting small builders. Throughout the year, HSE has engaged with stakeholder groups for designers, SMEs, clients and health and safety professionals to provide support and advice on the practical implementation of CDM 2015.
- Brought the new **Safety Case regulations 2015** into force in July 2015 for the safety of offshore oil and gas operations in Great Britain (including coverage of Northern Ireland territorial waters). The Department of Energy and Climate Change (DECC) and HSE have since formed the new Offshore Safety Directive Regulator (OSDR) to act as the joint competent authority responsible for overseeing compliance with this new regulatory regime.
- Agreed a high-level MoU with the **Oil and Gas Authority (OGA)** to enhance the regulation of the offshore industry. The MoU seeks to promote effective co-operation and communication while recognising and respecting the different regulatory and legal frameworks within which each organisation operates.

The principal purpose of collaborative working is to enhance the effectiveness of HSE’s and OGA’s operational and policy delivery, in the complementary areas of asset stewardship and asset integrity. This will be achieved through a common understanding of good regulatory practice, regular sharing of knowledge in areas of mutual interest and close co-operation on activities/projects of strategic or commercial relevance.

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18 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/397237/bis-14-p96b-ninth-statement-of-new-regulations-better-regulation-executive.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/397237/bis-14-p96b-ninth-statement-of-new-regulations-better-regulation-executive.pdf).

19 Control of Major Accident Hazards.

- Following extensive consultation, **new regulations with supporting guidance for the self-employed<sup>20</sup>** came into force in October 2015. The guidance was developed with input from end users, helping to make sure it was fit for purpose.
- In our role as **Competent Authority for biocides, pesticides, detergents and industrial chemicals<sup>21</sup>** we completed c1700(p)<sup>22</sup> evaluations for new and existing active substances for biocides and pesticides applications, 88% of which were processed within the required legislative deadlines.

Our performance in assessing **plant protection products** is rated the best across all European member states. We are completing c85% of assessments within legislative deadlines whereas the next best performance is 30%. In addition, the volume of assessments we are undertaking is almost double the number of any other member state.

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20 [www.hse.gov.uk/self-employed/index.htm](http://www.hse.gov.uk/self-employed/index.htm).

21 In addition to its contribution to occupational health and safety, HSE delivers operational policy and operation of regulatory schemes for pesticides, biocides and general chemicals regulation. Much of this is led by the Department for Environment, Food and Rural Affairs (Defra), which includes consideration of the health of workers, consumers, the general public and the effects on the environment.

22 (p) indicates provisional data at the time of publication.



## Core aim C: Secure compliance with the law

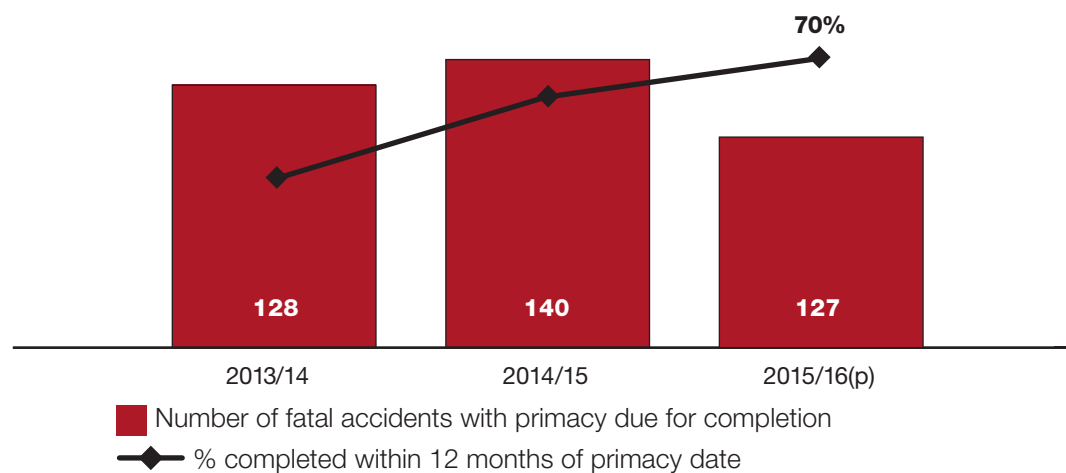
### Key deliverables

#### Investigation of fatal RIDDOR<sup>23</sup> incidents:

- Continued to focus on improving the timeliness of our completion of **fatal investigations**. Actions taken include revised guidance and new IT products to support enhanced case review, evidence management, report writing and recording – with performance improving to 70% of investigations completed within 12 months of HSE receiving primacy compared to 61% in 2014/15 (see Figure 3).

We have also focused on completing long-standing investigations from earlier years and the number of ongoing fatal investigations continuing for more than 12 months has reduced by 35% (ie where HSE has received primacy and is leading the investigation).

**Figure 3** Investigations of fatal RIDDOR incidents completed within 12 months of HSE receiving primacy<sup>24</sup>



- Worked with all the signatories of the **Work-related Deaths Protocol** to produce a revised version, emphasising the importance of joint investigation and avoiding delay. The new protocol was published in February with an amended practical guide.

The protocol now confirms that a prosecution decision should normally be reached within three years of an incident and HSE is leading development of more efficient case handover processes. Our target for 2016/17 is for 80% of RIDDOR fatal investigations to be completed within 12 months of receiving primacy.

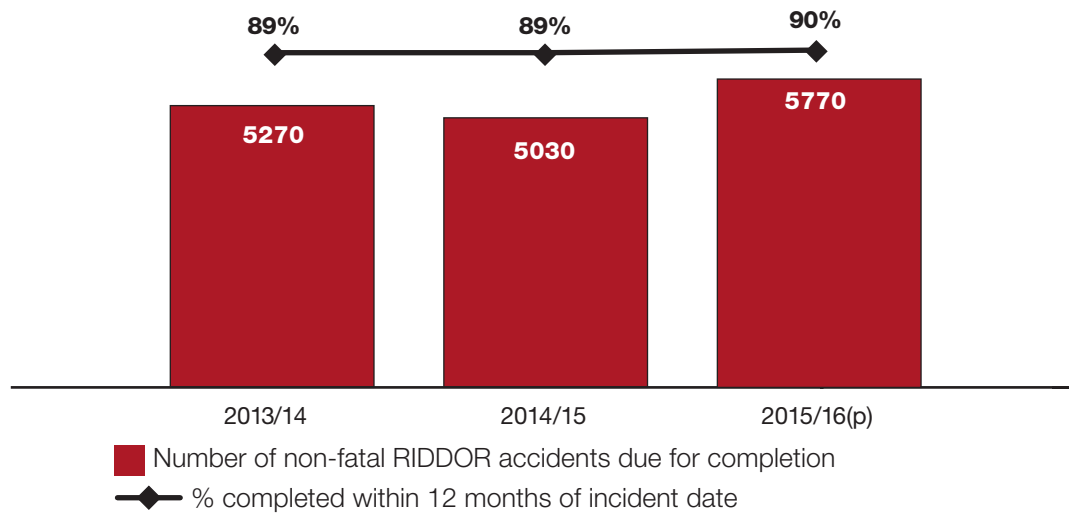
<sup>23</sup> Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

<sup>24</sup> Primacy is when one party to the investigation takes the lead, with the other parties working jointly and in parallel. The date when primacy was transferred to HSE has only been recorded since 2013/14 so earlier comparators are not available.

### Investigation of non-fatal RIDDOR incidents and concerns:

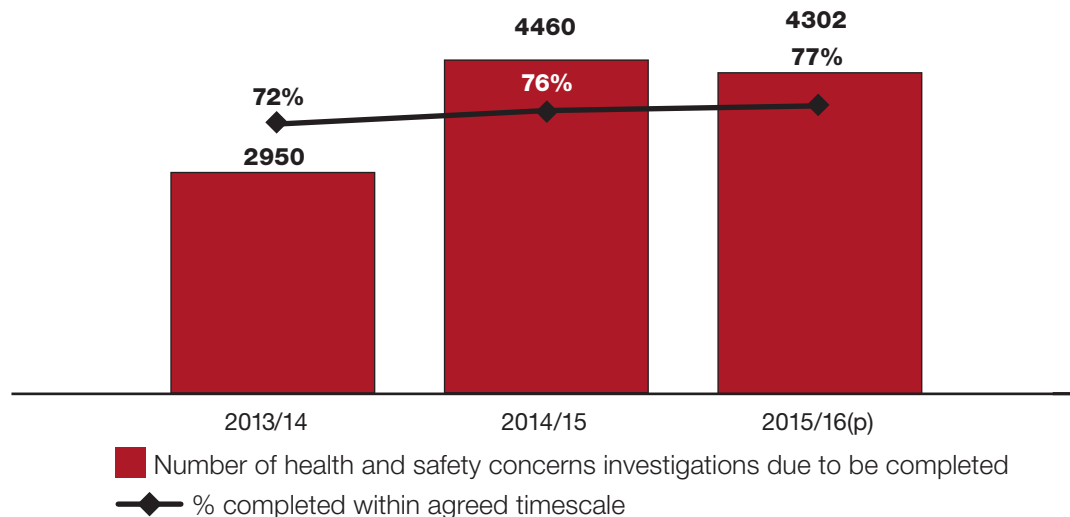
- Over 5770(p) mandatory investigations of **non-fatal reportable incidents** meeting HSE's selection criteria were due to be completed in 2015/16, of which 90% were completed within agreed timescales (see Figure 4).

**Figure 4** Investigations of non-fatal RIDDORs



- The focus on long-standing investigations has also resulted in a 17% reduction in the number ongoing for more than 12 months.
- Of those non-fatal RIDDORs selected for mandatory investigation during the year, HSE has already taken action in c2000 cases to reduce risk and/or hold dutyholders to account for their health and safety failings. This figure is expected to increase as ongoing investigations are brought to a conclusion.
- We are improving our performance in handling **health and safety concerns** raised by employees or members of the public through enhanced training, processes and recording, and in 2015/16:
  - over 4300 concerns were investigated by inspectors and 75% were completed within agreed timescales, which is comparable to prior years and in line with HSE's target (see Figure 5);
  - around 7700 concerns were followed up by our Concerns and Advice Team or staff in regional offices, with 66% being completed within 21 days. Prior year like-for-like comparisons are not available due to a change in data collection during the year.

**Figure 5** Health and safety concerns investigated



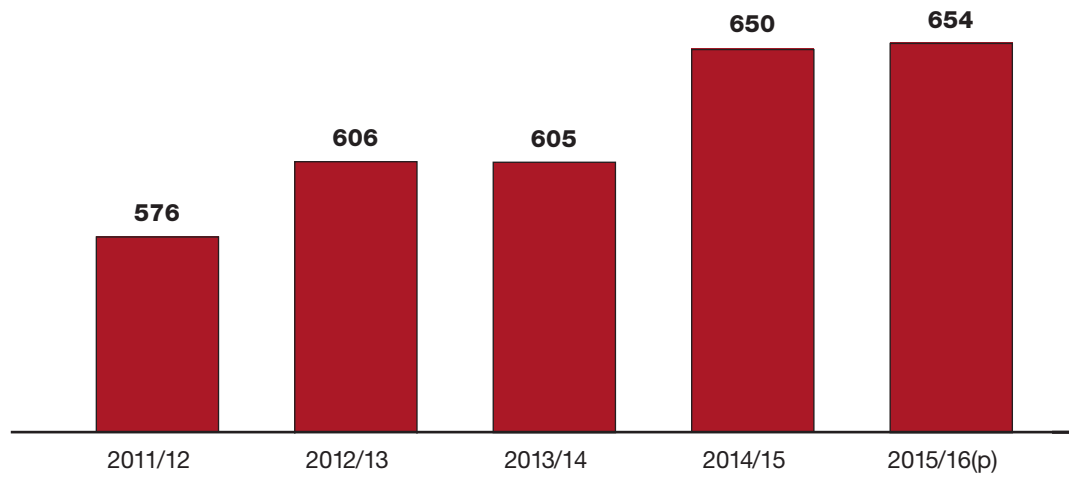
- In line with HSE's Enforcement Policy Statement and Enforcement Management Model,<sup>25</sup> over 5700(p) improvement notices and 2900(p) prohibition notices were served to reduce risks and protect people from harm.
- The number and percentage of cases successfully prosecuted by HSE,<sup>26</sup> **holding those who failed to meet their obligations to account**, are shown in Figures 6 and 7.<sup>27</sup> Several high-profile and long-running investigations were concluded during the year with significant fines imposed by the courts. There have been six prosecutions resulting in fines of over £1 million and 40 HSE prosecutions resulting in custodial and community service/rehabilitation orders, 17 of which related to domestic gas safety.

25 [www.hse.gov.uk/enforce/emm.pdf](http://www.hse.gov.uk/enforce/emm.pdf).

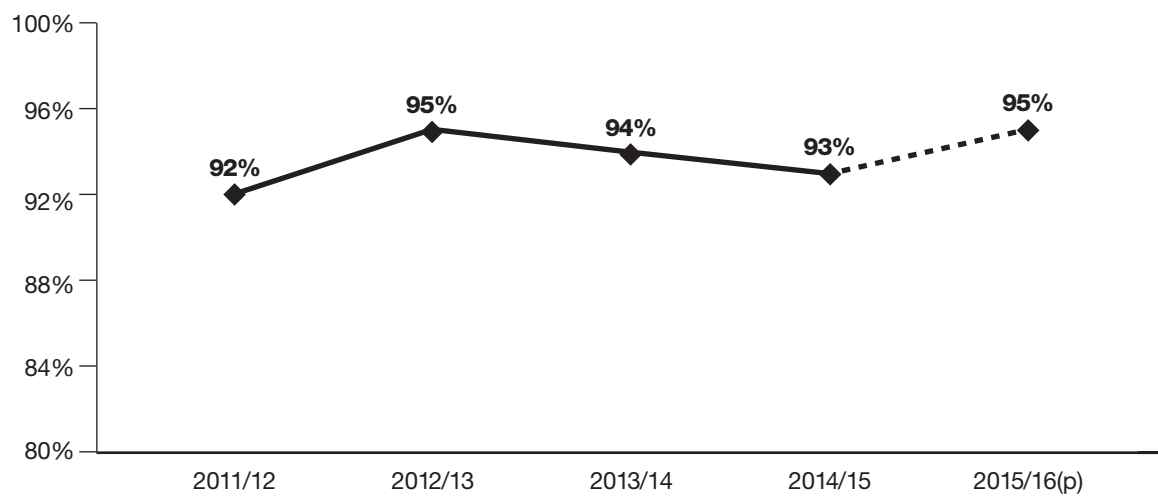
26 Details of all prosecution cases which resulted in a conviction can be viewed at [www.hse.gov.uk/prosecutions](http://www.hse.gov.uk/prosecutions).

27 In Figures 6–7 the data up to 2014/15 has been sourced from the official Health and Safety Statistics at [www.hse.gov.uk/statistics/overall/hssh1415.pdf](http://www.hse.gov.uk/statistics/overall/hssh1415.pdf) and 2015/16 is based on live operational data. The official statistics on enforcement notices and prosecutions for 2015/16 will be published in autumn 2016.

**Figure 6** Number of cases for which legal proceedings have been instituted by HSE and in Scotland the COPFS<sup>28</sup>



**Figure 7** Conviction rate for cases heard



28 Crown Office and Procurator Fiscal Service.

## Core aim D: Reduce the likelihood of low-frequency, high-impact catastrophic incidents

### Key deliverables

- Assessed over 90(p) **dutyholder submissions (safety cases and safety reports)** against agreed standards to ensure new or continued safe operation of major hazard installations, with 80% completed within timescales.
- Visited over 1200(p) **major hazard sites** (2014/15: >1000 sites), including COMAH sites, offshore installations, gas pipeline operators, biological agent operators, explosives and mines, delivering a range of interventions to ensure safe production. Targeted inspections were undertaken at 95% of all highest hazard sites, including 149 of the highest hazard (category A) COMAH sites, and all 11 of the laboratories handling the most hazardous (category 4) biological agents (eg Ebola virus).
- Identified over 3200(p) **major hazard health and safety issues** that required formal improvement action by the dutyholder. Our inspectors continued to provide advice and monitored deadlines for completion by the dutyholder to ensure such issues were actioned satisfactorily to minimise any potential for harm.
- Improved the timeliness of our processing of major hazard **applications for licences, approvals and notifications** with 97% (2014/15: 83%) processed within agreed timescales.
- Continued to provide specialist technical input to the **liquefied petroleum gas (LPG) pipework replacement programme**. Since the programme's introduction, pipework at over 4400 high-priority industrial/commercial sites and c6000 low-priority sites identified by HSE has been replaced or otherwise addressed by LPG suppliers. The final HSE/industry report on the overall safety in the LPG industry is due to be published later in 2016.
- December 2015 marked 10 years since the **Buncefield explosion**. The COMAH Strategic Forum (CSF) published a report outlining the improvements and ongoing work in prevention and control equipment, leadership and management relating to process safety control at fuel storage terminals.
- Transformed delivery of our **land use planning service** to developers, planning authorities and others (eg agents, architects and landowners). Safety advice on proposed developments near major hazard sites and pipelines can now be accessed through a website application.<sup>29</sup> Since launch in summer 2015, this application has been used over 700 times by businesses and over 180 times by planning authorities for more than 1500 planning applications.

We also launched a consultancy pre-application service to provide information, advice and expertise for developers and others.

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29 [pa.hsl.gov.uk/](http://pa.hsl.gov.uk/).

## Delivery of our planned milestones

When we published our 2015/16 Business Plan we committed ourselves to delivering a wide-ranging set of actions as our contribution to improving health and safety performance.

In summary, 83% of planned milestones have been delivered.

Table 2 sets out all the milestones from the plan, and indicates those we have delivered and those which are still in progress. All those in progress will now be delivered during 2016/17.

**Table 2** Business Plan milestones

Key:

- Delivered
- In progress – delay agreed by Management Board and HSE Board; will be delivered in 2016/17

Business Plan milestone	Status
<b>Aim A: Lead others to improve health and safety in the workplace</b>	●
Publish a suite of health and safety statistics	○
<i>Chronic obstructive pulmonary disease (COPD)</i> – final assessment of a large-scale epidemiological study to establish the principal causes of COPD	●
Report on the relationship between shift work and disease	●
Report on the development of a methodology for the evaluation of workload in process safety industries	●
Report on the development of a rapid detection method for Legionella	●
Review and, if necessary, update <i>The health and safety of Great Britain</i> Be part of the solution	○
Develop and publish HSE's three to five-year strategy for work-related ill health, which will integrate HSE's activities on occupational cancer, respiratory disease and other ill-health conditions	●
Undertake 1000 inspections to asbestos-licensed contractors and removal operators to provide assurance of the competence of those participating in those activities	●
Roll out the 'priority local inspection (PLI) identification pilot project' across all divisions to improve our targeting of places to inspect	●
Publish data on local authority interventions and prosecutions during 2014/15	●
Deliver the 2015/16 programme of theme-based reviews of guidance including:	
◆ public services	●
◆ fire and rescue services	●
◆ docks and ports	●
◆ hospitality and catering	●

Update and launch <i>COSHH essentials</i> e-tool	●
Launch a new web-based 'Dust Hub' designed to simplify and improve access for dutyholders to guidance on occupational dust	●
Publish updated <i>Asbestos essentials</i> task sheets	●
Evaluate the success of the Beware Asbestos campaign	●
Subject to the findings of the evaluation, commence work on potential for future campaign activity	●
Deliver a further six roll-outs of Estates Excellence with the aim of reaching 800 SMEs and explore delivery via a 'community interest company'	●
Agree a three-year health and safety plan for forestry with the Forest Industry Safety Accord (FISA) to improve the health and safety performance of the forestry industry	○
Support FISA working groups to develop strategies for behavioural change in the forestry industry	●
With the Chemical & Downstream Oil Industry Forum (CDOIF) take forward the development of approaches to tackle high rates of occupational disease including:	●
◆ to publish a summary, outlining the main findings from the report into incidents, prevalence and relative risks due to chemical exposure in the chemical industry	●
◆ to carry out the second phase of research and produce a report looking into the further underlying causes of exposure in the problem areas identified by the initial research	●
Commission and deliver insight research to enhance our knowledge of the agriculture industry	○
Publish research on safety leadership standards in the ports industry and agree an action plan to improve leadership with the Logistics Forum	○
Undertake the annual review to evaluate Gas Safe Register's performance against the key performance indicators	●
Review interfaces with other regulators and, where appropriate, update MoU to make sure they reflect best practice and clear accountability	●
<b>Aim B: Provide an effective regulatory framework</b>	
Implement the new COMAH Regulations	●
Review all health and safety explosives legislation to deliver an integrated suite of updated legislation and underpinning guidance	●
Complete the review of the Dangerous Substances in Harbour Areas Regulations (DSHAR) 1987	●
Take on responsibility for licensing SAPO <sup>30</sup> sites on behalf of DEFRA <sup>31</sup> and the devolved administrations	●
Deliver a revised code of practice on the use of plant protection products	○
Complete arrangements for assisting businesses to transition into the COMAH regime	●
Review and develop revised hazardous substance consent arrangements, working with DCLG. <sup>32</sup> Agree the approach and scope within government and business	●

30 Specified Animal Pathogens Order.

31 Department of Environment, Food and Rural Affairs.

32 Department for Communities and Local Government.

Embed the new CDM Regulations, which come into force in April 2015 and ensure understanding of, and compliance with, CDM 2015, particularly among clients, small businesses, health and safety professionals and designers	●
Implement the Offshore Installations (Offshore Safety Directive) (Safety Case etc) Regulations 2015, including the setting up of a joint offshore competent authority with DECC	●
Implement the requirements from the recast of Civil Use Explosives Directive 93/15 to incorporate market surveillance	●
Conduct a review of the impact of the UK agriculture sector of EC Regulation 1107/2009 concerning plant protection products to press the Commission for risk-based safety assessment criteria rather than hazard-based criteria	●
Implement, under EC Regulation 1107/2009, requirements for comparative assessment of pesticides	●
Provide training and workshops to help industry understand better the application and evaluation process and improve the quality of applications	●
<b>Aim D: Reduce the likelihood of low-frequency, high-impact catastrophic incidents</b>	
In response to Lord Gill's ICL Inquiry report:	
◆ ensure that metallic LPG pipework giving rise to the most significant risks is replaced or managed to make sure that it is fit for purpose	●
◆ deliver a survey of commercial customer awareness of LPG responsibility	●
◆ produce a final HSE/industry report on the overall safety in the LPG industry	○



## Sustainable development: Environmental, social and community issues

**Impact assessments:** HSE continues to consider the impact of its policies and intervention techniques on the wider environment through impact assessments.

**Apprenticeship programme:** HSE continues to employ apprentices<sup>33</sup> – a core element of the government's drive to improve vocational training and increase access to job opportunities.

**Volunteering in the local community:** A wide range of employees across HSE are involved in voluntary activities in roles such as school governors, magistrates and reservists in the armed forces.

**Sustainable development:** HSE seeks to comply with all applicable legal and other relevant requirements that relate to our environmental aspects, official codes of practice and, as far as practicable, accepted best practice in environmental management. HSE's long-term aim is to continually reduce its environmental impact. This has been accelerated as a result of an ongoing internal strategy to reduce 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;
- purchasing supplies, wherever possible, 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 the government's environmental policy;
- completing environmental assessments against all IT alterations and projects, the results of which influence whether the change or project is implemented;
- operating an environmental management system certified to ISO14001:2004 international standards at our laboratory in Buxton;
- sourcing materials and assets that comply with government buying standards. We continue to assess our key suppliers' corporate environmental, social and economic responsibilities to manage supply chain risk, including sustainability.

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33 Numbers included within staffing figures in Table 13.

## HSE's Sustainability Report

Detailed information on HSE's environmental performance can be found in our Sustainability Report at [www.hse.gov.uk/aboutus/reports/sustainability-report-2016.htm](http://www.hse.gov.uk/aboutus/reports/sustainability-report-2016.htm).

A summary of HSE's performance at March 2016 against the Greening Government Commitments (GGC) is provided in Table 3.

**Table 3** Performance against GGC

		<i>2016 government reduction target</i>	<i>Reduction at 31 March 2016</i>
<b>CO<sub>2</sub></b>	Greenhouse gas emissions	25%	26%
	Waste	25%	44%
<b>H<sub>2</sub>O</b>	Water	NA%	23%
	Paper	NA%	13% <sup>34</sup>
	Domestic flights	20%	40%

### **Dr Richard Judge**

Chief Executive and Accounting Officer  
Health and Safety Executive  
8 June 2016

<sup>34</sup> HSE has been purchasing 100% recycled paper (a fully closed loop system) as standard since April 2012 and all printers are set to double-sided printing as default. We have reduced our usage by 13% during the year.

# SECTION 2 Accountability – Corporate governance report

## The Directors' report

### HSE structure

HSE is led by a non-executive Board which, up to 31 March 2016, was chaired by Dame Judith Hackitt. 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, Dr Richard Judge, and the Management Board (MB). Further details on HSE's organisational structure can be found on our website.<sup>35</sup>

### Managing conflicts of interest

Information on how we manage conflicts of interest can be found in the Governance statement on page 43.

### HSE whistleblowing policy

HSE is compliant with Cabinet Office policy guidelines and has appropriate arrangements in place for whistleblowing and reporting fraud. 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.

The Audit and Risk Assurance Committee (ARAC) reviewed HSE's policies and guidance in February 2015, raising no concerns and no issues of significance were reported during 2015/16. In this respect we consider our policies for whistleblowing and fraud to be effective.

### Personal data-related incidents

There were no personal data-related incidents recorded by HSE that required formal reporting to DWP or the Information Commissioner's Office in 2015/16.

### 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.

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35 [www.hse.gov.uk/aboutus/hseboard/organisationchart.pdf](http://www.hse.gov.uk/aboutus/hseboard/organisationchart.pdf).

The Parliamentary and Health Service Ombudsman (PHSO) is responsible for investigating formal complaints made by the public against government departments. The data in Table 4 is taken from the latest available PHSO annual analysis of the complaints it received about HSE during 2014/15.<sup>36</sup>

**Table 4** Complaints received by the PHSO about HSE in 2014/15

Enquiries received	Complaints assessed	Complaints resolved through intervention	Complaints accepted for investigation	Investigations upheld or partly upheld	Investigations not upheld
24	9	0	5	0	3

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

In 2015/16, HSE received over 4480 FOI requests of which 95% were responded to within the 20-day target.

### Recruitment practice

Recruitment into HSE is conducted in line with the Civil Service Commissioners' Recruitment Code. We operate systems and procedures that meet the Code and ensure that recruitment is carried out on the basis of fair and open competition and selection on merit. The systems and procedures are subject to periodic internal and external audits (the most recent being in 2013) in addition to the annual completion of a 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.

HSE continued to operate a general recruitment freeze announced by the civil service, except for a small number of permitted dispensations to deliver or support priority operational work.

### Employee health and safety

Our priorities over the past 12 months have been on activities to further reduce ill health and to ensure management of risks associated with driving, lone working and site inspection. These priorities, and our future strategy, have been informed by feedback from a safety climate survey that we ran during the year.

We have started to re-align and refresh health and safety roles across HSE to reflect new organisational structures, in particular the full integration of laboratory activities within HSE while ensuring that we sustain our external accreditation.

36 [www.ombudsman.org.uk/reports-and-consultations/reports/parliamentary/complaints-about-uk-government-departments-and-agencies,-and-some-uk-public-organisations-2014-15/8](http://www.ombudsman.org.uk/reports-and-consultations/reports/parliamentary/complaints-about-uk-government-departments-and-agencies,-and-some-uk-public-organisations-2014-15/8).

We have raised awareness of work-related stress as a potential issue, at a time of considerable organisational change and workload pressures. This involved enhancing the provision of support to line managers, and included guidance and advice on the topic as an integral part of our management development programme.

**Table 5** Health and safety incidents in HSE during 2015/16

Event category	<b>Reported in 2015/16</b>	Reported in 2014/15	Reported in 2013/14
Accident <sup>37</sup>	<b>37</b>	43	44
Incident <sup>38</sup>	<b>69</b>	87	125
Ill health <sup>39</sup>	<b>67</b>	52	68

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

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

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

## Statement of the Executive's and the 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 reasonable 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 relevant accounting and disclosure requirements.

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, including his responsibilities for 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 the Accounting Officer is aware, there is no relevant audit information of which HSE's auditors are unaware. The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HSE's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## Governance statement

This Governance statement sets out HSE's governance, risk management and internal control arrangements. It applies to the 2015/16 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 2011 and which remains in force, 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.

HSE undertook a review of its governance arrangements against the Code's requirements during 2015/16 and concluded that it is 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 the year. This document is available on HSE's website.<sup>40</sup>

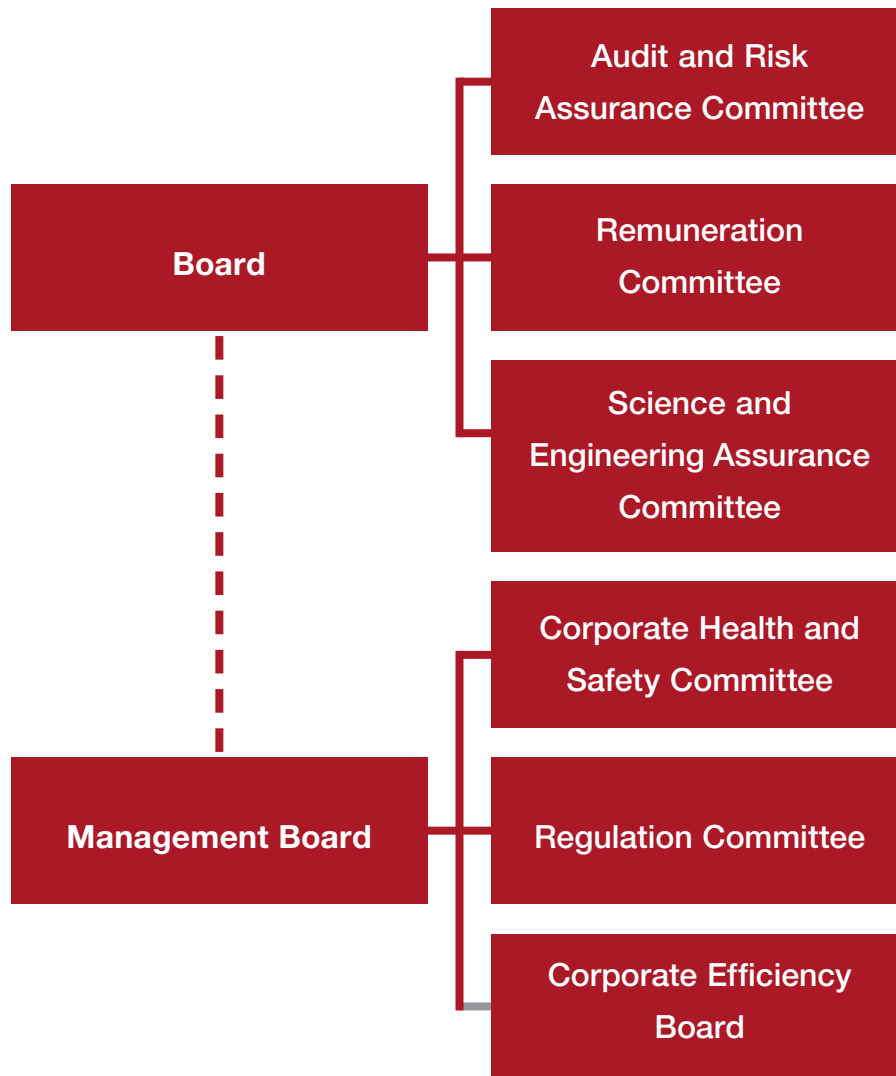
DWP formally exercises its stewardship of HSE through quarterly meetings of a Sponsorship Board at which senior officials from both bodies review HSE's operational and financial performance, key risks and emerging issues. Additionally, HSE submits monthly data to DWP on its forecast for and use of resources.

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

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40 [www.hse.gov.uk/aboutus/howwework/management](http://www.hse.gov.uk/aboutus/howwework/management).

**Figure 8** HSE's governance structures



In recognition of the importance of maintaining appropriate levels of staff and skills, the HSE Board have agreed to establish a People and Capability Committee to provide assurance on strategic workforce planning, succession plans and talent management. This will be implemented during 2016/17.

Similarly, in recognition of the part science and research plays in helping HSE to deliver its objectives, a Science and Engineering Assurance Committee has been put in place from April 2016.



## HSE Board

The 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. Biographies of board members are available on HSE's website.<sup>41</sup>

Dame Judith Hackitt's tenure as Chair of the Board came to an end on 31 March 2016. George Brechin was appointed as interim Chair from 1 April 2016, and Martin Temple took up the substantive post as Chair on 1 May 2016.

The Board is primarily responsible for establishing and delivering HSE's strategic aims and objectives consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State. During the year, the key areas of focus for the Board have been:

- producing and communicating the new strategy for the health and safety system of Great Britain, *Helping Great Britain work well*;
- ongoing simplification of the regulatory framework whilst maintaining standards;
- scrutinising the health and safety performance in Great Britain;
- exercising effective governance of HSE.

Regular standing agenda items at board meetings included:

- challenging operational performance and risks to delivery, ensuring that key activities and milestones are on track;
- ensuring the continued implementation of HSE's financial strategy through scrutiny of HSE's financial performance;
- the Chief Executive's report, highlighting issues of note, including verbal updates on employee issues.

The Board and its sub-committees used a range of management information to monitor performance and support its discussions. This information included data on HSE's financial position, human resources, health and safety key performance indicators and risk. Internal controls are in place to ensure the integrity and quality of the data supplied allows informed business decisions.

During the year, the Board met nine times. In line with its policy of openness and transparency, it conducted as much of its business in public as possible. Agendas, papers and minutes of public board meetings are available on HSE's website.<sup>42</sup>

The Board undertook a self-effectiveness review during 2015/16. Board members and key HSE senior managers completed a questionnaire on the creating and running of an effective Board, strategic foresight and performance management. The review recognised that there had been improvements to board effectiveness, such as better use of its time in focusing on governance and performance monitoring. It concluded that it remained effective and continued to operate in line with current good practice.

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41 [www.hse.gov.uk/aboutus/hseboard/biographies/board.htm](http://www.hse.gov.uk/aboutus/hseboard/biographies/board.htm).

42 [webcommunities.hse.gov.uk/connect.ti/HSEmeetings/groupHome](http://webcommunities.hse.gov.uk/connect.ti/HSEmeetings/groupHome).

As part of its external engagement function and helping to understand the health and safety approach of specific sectors, the Board also visited Tata Steel in Rotherham and Babcock Marine (Rosyth) Ltd in Scotland.

### **Audit and Risk Assurance Committee (ARAC)**

ARAC comprises two non-executive directors of the HSE Board and two independent external members, with a standing invitation open for DWP to send an observer to each meeting.

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.

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 effectiveness of the integration of the Science Directorate's risk management and governance arrangements;
- monitored the actions taken to strengthen controls in relation to prosecution income (which received unsatisfactory assurance in 2014/15);
- continued with its series of more in-depth challenges ('deep dives') into specific areas of risk management, with a particular focus on information security and information technology.

Its terms of reference were reviewed and considered to still be 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.

## Remuneration Committee

The committee comprises the Chair and two non-executive directors. A standing invitation is made to the Permanent Secretary of DWP.

The committee's role is to set the framework for remuneration and performance of the HSE Chief Executive, to assess and approve pay awards across roles at senior civil service (SCS) level and to assure implementation of pay policies across HSE.

This committee met once during the financial year to:

- assess the relative contribution and performance of its SCS members;
- approve pay awards across roles at SCS level to ensure increase to SCS pay bill was within the centrally determined budget;
- provide assurance on the implementation of HSE pay policies for all other roles.

## Management Board

Chaired by the Chief Executive, the Management Board<sup>43</sup> provides leadership for people across HSE and effective operational and regulatory management. It is responsible for day-to-day decision making and for implementing HSE's strategy, policy and operational programmes. It is the main interface with the non-executive directors on the HSE Board.

The Management Board meets formally once a month and is supported by the:

- Corporate Health and Safety Committee – responsible for promoting the safety and well-being of HSE's employees, contractors and visitors;
- Regulation Committee – responsible for providing oversight on policy and handling for all HSE regulatory policy work (domestic, EU and wider international);
- Corporate Efficiency Board – responsible for considering all significant expenditure cases and ensuring compliance with government spending controls.

From April 2016 there are two new committees in place – People and Capability and Investment and Infrastructure. Both will involve a broader group of HSE senior managers.

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43 Management Board membership can be viewed at [www.hse.gov.uk/aboutus/hseboard/biographies/smt.htm](http://www.hse.gov.uk/aboutus/hseboard/biographies/smt.htm).

**Table 6** Board and committee attendance during 2015/16

<b>Name</b>	<i>Board</i>		<i>Audit and Risk Assurance Committee</i>		<i>Remuneration Committee</i>	
	<i>A</i>	<i>B</i>	<i>A</i>	<i>B</i>	<i>A</i>	<i>B</i>
Judith Hackitt DBE <sup>44</sup>	9	9			1 (C)	1
Nick Baldwin <sup>45</sup>	9	8				
Jonathan Baume <sup>46</sup>	9	9				
George Brechin OBE <sup>47</sup>	9	9				
Isobel Garner <sup>48</sup>	9	8	4	4	1	1
Paul Kenny KBE	9	7				
John Morgan <sup>49</sup>	9	9				
Frances Outram <sup>50</sup>	9	9	4 (C)	4	1	1
Sarah Pinch	9	9				
Martyn Thomas CBE	9	9				
Sarah Veale CBE <sup>51</sup>	7	6				

***Independent members of the Audit and Risk Assurance Committee***

Graham Aitken	4	4
Kash Pandya	4	4

A – Maximum number of meetings the individual could have attended.

B – Number of meetings the individual attended.

C – Chair.

44 Dame Judith Hackitt's appointment came to an end on 31 March 2016.

45 Nick Baldwin attends HSE's board meetings in his capacity as Chair of the Office for Nuclear Regulation (ONR), a former in-house agency of HSE. On 1 April 2014 ONR became a separate legal entity. ONR enforces HSWA legislation (and relevant statutory provisions thereof) on GB nuclear sites, and other sites falling within its purposes under the Energy Act 2013.

46 Jonathan Baume's appointment came to an end on 31 March 2016. He was subsequently reappointed for a period of two months from 1 April 2016.

47 George Brechin's appointment came to an end on 31 March 2016. He was subsequently reappointed for a period of two months from 1 April 2016 and was appointed as interim Chair from that date.

48 Isobel Garner was appointed Chair of ARAC on 13 February 2016.

49 John Morgan's appointment came to an end on 31 March 2016.

50 Frances Outram retired as Chair of ARAC on 12 February 2016.

51 Sarah Veale's appointment came to an end on 31 December 2015.

## Managing conflicts of interest

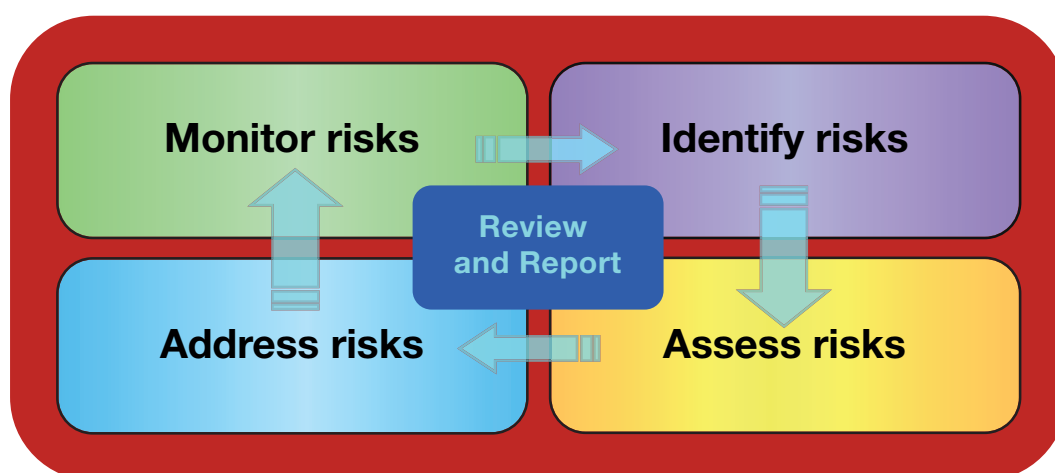
We actively manage risks associated with potential conflicts arising from our commercial activities. All non-executive directors are required to declare any personal or business interest in a register of interests.<sup>52</sup> In addition, they are asked to declare any potential conflicts of interest at each board and committee meeting and this is recorded in the minutes, along with any action taken.

## 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 9.

**Figure 9** Business risk management cycle



HSE's approach to business risk management aligns with how we manage our activities, allocate resources and measure and review our performance. Risk registers are used to record identified risks to the delivery of objectives at a corporate level, within directorates and, where appropriate, at individual programme/project level.

Risks are evaluated using a risk assessment matrix of likelihood and impact, which provides a colour-coded rating on the severity of each risk. This allows risks to be prioritised by highlighting those that are the most significant. Dependent on their rating, risks are escalated and relegated through the hierarchy of risk registers in HSE to ensure that they are managed by the appropriate level of the business.

The HSE corporate risk register contains the most significant risks facing HSE in the delivery of its objectives, and which require corporate oversight in line with the risk appetite set by the Board.

52 A register of interests is available at [www.hse.gov.uk/aboutus/hseboard/biographies/board.htm](http://www.hse.gov.uk/aboutus/hseboard/biographies/board.htm).

## Monitoring and reporting on risks

The register is part of integrated risk and performance reporting which emphasises 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 Sponsorship Board receive reports which enable 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.

HSE's 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. For example, ARAC has continued with its programme of more detailed reviews of directorate risk management processes.

## 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.

Like all organisations, HSE faces risks related to day-to-day operational activities, managing its people, finances, data security and change and it is recognised that should risks materialise, they may have an impact on HSE's reputation.

## Key risks to our delivery

The most significant risks faced by HSE which could impact on the delivery of our objectives are outlined in Table 7, together with the actions we have taken in 2015/16 as mitigation.

**Table 7** The risks to our performance: what they are and the action we are taking

<i>Principal risk</i>	<i>Mitigating action includes:</i>
<p><b>Sustaining regulatory excellence</b></p> <p>HSE is founded upon fair, proportionate, consistent and well-targeted regulatory practice.</p> <p>Failure to deliver an effective regulatory function would have a significant impact and we must not be complacent in continuing to regulate to the highest of standards.</p>	<p>Our performance is regularly reviewed by the Management Board and HSE Board. Where performance is not meeting expectations, we make sure that action is taken (for example, timeliness of fatal investigations) and that the cause is understood and lessons are learned.</p> <p>Specific actions in 2015/16 include:</p> <ul style="list-style-type: none"> <li>● delivered a series of workshops reinforcing our staff’s operation of our regulatory approach</li> <li>● implemented new tools to support effective investigation and evidence management</li> <li>● engaged with staff across HSE to develop our priority scientific research areas</li> <li>● commenced a programme of work to review how we use intelligence and engage local knowledge to target inspections (‘Going to the right places’).</li> </ul> <p>We also continued to invest in our core capabilities, including the recruitment of specialists, scientists and new regulatory inspectors.</p>
<p><b>Investing in people and capability</b></p> <p>Effective leadership is critical to successful delivery of our ambition, strategy and plans.</p> <p>We must also maintain a capable, high-performing and adaptable workforce. Analysis indicates that there are skills and capability gaps, particularly in specialist areas, as well as succession planning against a backdrop of an ageing workforce.</p>	<p>Over the last year we have:</p> <ul style="list-style-type: none"> <li>● directed additional funding to support targeted continuing professional development</li> <li>● introduced a structured development programme for new managers which has been positively received</li> <li>● piloted operational delivery training programmes for support teams</li> <li>● undertaken the work to launch new Leadership Programmes in April 2016</li> <li>● begun to strengthen our capabilities in engagement, insight and IT</li> <li>● agreed future investment in digital capability</li> <li>● continued to invest in our core capability, including the recruitment of specialists, scientists and trainee regulatory inspectors to ensure ongoing delivery of our core regulatory functions.</li> </ul>

<b>Principal risk</b>	<b>Mitigating action includes:</b>
<p><b>Growing our commercial activities</b></p> <p>Capitalising on our know-how and specialist facilities in the UK and internationally to generate commercial income is an important element of HSE's strategy.</p> <p>Not only does it bring financial benefit – which supports sustained investment in capability, knowledge and tools – commercial activity enables us to learn from approaches elsewhere.</p> <p>Sustaining increasing levels of commercial incomes will be challenging, particularly given the current difficult market conditions in a number of sectors.</p>	<p>Actions taken include:</p> <ul style="list-style-type: none"> <li>● agreed commercial strategy focusing on greater use of our flagship facilities through shared research, development of products and services and strategic partnerships with UK and international governments</li> <li>● established a process and team to capture and develop new commercial ideas from across HSE</li> <li>● established a new International team</li> <li>● identified opportunities for shared research in a number of areas, including industry, academia and with other regulators.</li> </ul>
<p><b>Driving operational efficiency and effectiveness</b></p> <p>We are committed to ensuring value for money by reducing our reliance on taxpayer funding while continuing to improve the efficiency and effectiveness of our delivery.</p> <p>Our challenge is to drive operational efficiency improvements across HSE through better use of information and technology, simpler processes and a continuing focus on value for money.</p>	<p>During 2015/16 we:</p> <ul style="list-style-type: none"> <li>● strengthened our in-house IT capability</li> <li>● made progress in improving our IT infrastructure, including a number of network improvements and hosting a number of 'IT labs' to address local concerns</li> <li>● established an efficiency programme to deliver £10–£15 million. Commenced a review of time recording with a view to simplifying it for staff while providing the information to manage the business</li> <li>● agreed to invest in developing modern, digitally enabled services.</li> </ul>

Although the above are the key challenges we face, HSE also sees 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.

### **Ministerial directions**

No ministerial directions were given in 2015/16.



## **Significant lapses of protective security**

There were no significant lapses recorded during 2015/16.

## **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 management board members, internal audit and other governance reports. To inform my overall opinion, I considered the following sources of assurance:

### **Management Board Letters of Assurance**

All 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. Their conclusions on effectiveness were informed by findings from business assurance teams where appropriate.

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.

In particular, I noted:

- the positive actions to strengthen controls relating to prosecution income and, as referenced earlier, ARAC has had oversight of this issue;
- action is in hand to deliver more realistic, intelligence-based activity plans;
- plans are in place to improve IT infrastructure to enable us to deliver our services in a more efficient manner.

A number of management board members presented to an Assurance Panel, which included the Head of Internal Audit and Director of Finance, 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 2016/17 and progress will be monitored.

### **Shared Services Connected Limited (SSCL) assurance**

SSCL continues to deliver transactional financial, employee-related HR, payroll and procurement services to HSE as part of a wider service to Government. I have received and considered the letter of assurance from the Director, 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 Grant Thornton UK LLP (the Service Auditor). The report examined SSCL's description of its core services to government and the suitability of the design and operating effectiveness of controls to achieve stated control objectives. In summary, the ISA's opinion was:

- the description provided by SSCL fairly presents the core services provided to Government from 1 April 2015 to 31 March 2016;
- the controls related to the control objectives stated in the description reviewed were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period 1 April 2015 to 31 March 2016;
- the controls tested (information technology; human resources; payroll; finance and accounts; procurement and change management), which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period 1 April 2015 to 31 March 2016.

I have also received additional independent assurance that the ISAE 3402 can be relied upon. An internal audit by SSCL's internal auditors concluded that, overall, a sound and robust control framework appears to be in place that facilitates comprehensive arrangements over the design of the ISAE 3402 process that is managed effectively by SSCL.

### **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 framework.

In 2015/16, no audits received an unsatisfactory audit opinion and two received limited assurance. Internal Audit's overall opinion is that HSE's system of governance, risk management and internal control provide moderate assurance relating to the effective and efficient achievement of its objectives.


Internal Audit highlighted that there was a potential security risk arising from information systems and information technology issues identified in relation to patch management. As previously reported within HSE's principal risks (refer to pages 45–46), HSE has made progress in improving its IT network and infrastructure.

### **National Audit Office**

The National Audit Office produced its *Report to those charged with governance* on completion of their audit of the 2015/16 financial statements.

### **Audit and Risk Assurance Committee**

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**

I have considered the evidence provided to me to produce the Annual Governance Statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee.

I made such enquiries as necessary and 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.

**Dr Richard Judge**  
Chief Executive and Accounting Officer  
Health and Safety Executive  
8 June 2016

# SECTION 2 Accountability – Remuneration and staff report

## 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 Commission 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.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

### Remuneration policy

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

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 (ie board members) of HSE.

**Table 8** Remuneration (this information is subject to audit)

**Single total figure of remuneration**

	Salary (£'000)		Bonus payments (£'000)		Taxable expenses and other benefits in kind to nearest £100		Pension benefits (to nearest £1000) <sup>53</sup>		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>Chief Executive</b>										
Dr Richard Judge*	<b>160-165</b>	55-60	<b>10-15</b>	-	-	-	<b>141 000</b>	17 000	<b>315-320</b>	70-75
		(160- 165)								
		**FYE								
<b>Acting Chief Executive/Deputy Chief Executive</b>										
Kevin Myers CBE <sup>54</sup>	-	135-140	-	10-15	-	18 800	-	85 000	-	255-260

\*The Pensions Benefit is a notional figure that accounts for changes in future pension payments (following retirement) over a standard 20 year period. The figure reported for 2015/16 is dominated by a one-off uplift that reflects an approximately £7k increase in accrued annual pension, on Dr Judge's promotion to the role of HSE Chief Executive, over that 20 year period. The single total figure for remuneration (£315k to £320k) includes this notional pensions benefit of £141k.

\*\*Full year equivalent

53 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.

54 Kevin Myers was Acting Chief Executive from 1 September 2013 until 9 November 2014 and Deputy Chief Executive from 10 November 2014. The post of Deputy Chief Executive ceased to exist from 1 April 2015, at which point he became the Director General, Regulation.

	Salary (£'000)		Bonus payments (£'000)		Taxable expenses and other benefits in kind to nearest £100		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Judith Hackitt DBE <sup>55</sup>	<b>85-90</b>	105-110	<b>10-15</b>	5-10	<b>800</b>	1 110	<b>95-100</b>	115-120
Nick Baldwin <sup>56</sup>	-	-	-	-	-	-	-	-
Isobel Garner	<b>15-20</b>	15-20	-	-	<b>400</b>	400	<b>15-20</b>	15-20
David Gartside <sup>57</sup>	-	5-10	-	-	-	300	-	5-10
Paul Kenny KBE <sup>58</sup>	<b>15-20</b>	15-20	-	-	-	-	<b>15-20</b>	15-20
Frances Outram	<b>15-20</b>	15-20	-	-	<b>1 400</b>	1 800	<b>15-20</b>	15-20
Sarah Pinch	<b>15-20</b>	0-5	-	-	<b>1 100</b>	100	<b>15-20</b>	0-5
Martyn Thomas CBE	<b>15-20</b>	5-10	-	-	<b>500</b>	300	<b>15-20</b>	5-10
Professor Richard Taylor <sup>59</sup>	-	5-10	-	-	-	300	-	5-10
Sarah Veale CBE <sup>60</sup>	<b>10-15</b>	15-20	-	-	<b>200</b>	500	<b>10-15</b>	15-20
Jonathan Baume	<b>15-20</b>	15-20	-	-	<b>400</b>	400	<b>15-20</b>	15-20
George Brechin OBE <sup>61</sup>	<b>15-20</b>	15-20	-	-	<b>300</b>	1 100	<b>15-20</b>	15-20
John Morgan <sup>62</sup>	<b>15-20</b>	15-20	-	-	<b>800</b>	900	<b>15-20</b>	15-20

*HSE makes a contribution to Dame Judith Hackitt's private pension arrangements disclosed in Table 9. There are no pension benefits for remaining board members.*

55 Dame Judith Hackitt's appointment came to an end on 31 March 2016.

56 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.

57 David Gartside's appointment came to an end on 10 October 2014.

58 Sir Paul Kenny's reimbursement of salary and expenses is paid direct to his employer (GMB Trade Union), who has responsibility for reporting any tax liability.

59 Professor Richard Taylor's appointment came to an end on 30 September 2014.

60 Sarah Veale's appointment came to an end on 31 December 2015.

61 George Brechin's appointment came to an end on 31 March 2016. He was subsequently reappointed for a period of two months from 1 April 2016 and was appointed as interim Chair from that date.

62 John Morgan's appointment came to an end on 31 March 2016.

## **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 Table 8.

## **Allowances, taxable expenses and benefits in kind (this information is subject to audit)**

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 2015/16 are based on 2014/15 performance and comparative bonuses for 2014/15 are based on 2013/14 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 2015/16 was £170–175 000 (2014/15: £170–175 000). This was 4.5 times (2014/15: 4.5) the median remuneration of the workforce, which was £38 349 (2014/15: £38 058).

In both 2015/16 and 2014/15, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18 544 to £172 500 (2014/15: £18 294 to £172 500).

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 9** Pension benefits – Chair and Chief Executive (this information is subject to audit)

	<i>Accrued pension at pension age as at 31/3/16 and related lump sum</i>	<i>Real increase in pension and related lump sum at pension age</i>	<i>CETV<sup>63</sup> at 31/03/16</i>	<i>CETV at 31/03/15</i>	<i>Real increase in CETV</i>	<i>Employer contribution to partnership pension scheme</i>
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Judith Hackitt DBE	-	-	-	-	-	21 800
Dr Richard Judge	65-70 Nil lump sum	7.5-10 Lump sum no increase	1 113	911	117	-
Kevin Myers CBE	N/A	N/A	N/A	1 590	N/A	-

Dame Judith Hackitt was not a member of the Principal Civil Service Pension Scheme (PCSPS) and a contribution of 25% of salary was made to a stakeholder pension provider.

For all previous chairs no contribution has been made to a stakeholder pension provider but a pension provision has been set up, in line with IAS 19, on a 'by analogy to the PCSPS' basis, to account for the value of an equivalent fund.

## 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.

63 The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016.



Those who were between 10 years and 13 years and five 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **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 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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](http://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 members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The 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-executive members of the Audit and Risk Assurance Committee (this information is subject to audit)***

Fees and expenses amounting to £6731 (2014/15: £7502) were paid to the independent members of ARAC as shown in Table 10.

**Table 10** Honoraria and expenses paid to independent members of ARAC (this information is subject to audit)

	<b>2015-16</b> <i>Total honoraria and expenses</i> £'000	<i>Total honoraria and expenses</i> 2014-15 £'000
Graham Aitken	<b>3</b>	4
Kash Pandya	<b>4</b>	4

## Staff report

Analysis of staff numbers and costs is provided in Tables 11 to 14 and Figure 10.

**Table 11** Staff costs (this information is subject to audit)

	<i>Permanently employed staff</i> £'000	<i>Others</i> £'000	<b>2015-16</b> <i>Total</i> £'000	2014-15 <i>Total</i> £'000
Wages and salaries	<b>107 729</b>	<b>510</b>	<b>108 239</b>	105 571
Employers' National Insurance	<b>9 150</b>	-	<b>9 150</b>	9 175
Pension costs	<b>22 237</b>	-	<b>22 237</b>	20 702
<b>Total (as reported in the SoCNE)</b>	<b>139 116</b>	<b>510</b>	<b>139 626</b>	135 448
Less recoveries in respect of outward secondments	<b>(124)</b>	-	<b>(124)</b>	(18)
<b>Total net costs</b>	<b>138 992</b>	<b>510</b>	<b>139 502</b>	135 430

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 schemes 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](http://www.civilservicepensionscheme.org.uk)).

For 2015/16, employers' contributions of £22.1 million were payable to the PCSPS (2014/15: £20.6 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 2015/16 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 £107 878 were paid to one or more of the panel of three appointed stakeholder pension

providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5610, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015 (2014/15: £4210, 0.8%), 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.

Contributions due to the partnership pension providers at 31 March 2016 were £8990. Contributions prepaid at that date were £nil.

Five persons (2014/15: six persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £21 775 (2014/15: £23 049).

**Table 12** Staff numbers

The **average** number of full-time equivalent (FTE) persons employed during the year was as follows:

<i>Permanent staff</i>	<i>Other</i>	<b>2015-16 Total</b>	<i>2014-15 Total</i>
2 571	4	<b>2 575</b>	2 582

**Table 13** The total HSE staff in post by full-time equivalents (FTE) and occupational group as at 31 March 2016

<i>Occupational group</i>	<b>31 March 2016</b>	<i>31 March 2015</i>	<i>1 April 2014 (excludes ONR<sup>64</sup>)</i>	<i>31 March 2014 (includes ONR)</i>
Frontline staff (of whom are frontline inspectors) <sup>65</sup>	<b>1 048 (979)</b>	1 047 (972)	1 059 (981)	1 294 (1 216)
Inspectors working in functions other than frontline	<b>58</b>	66	70	102
Other professional or specialist staff	<b>1 108</b>	1 086	1 111	1 260
Other staff (of whom are apprentices)	<b>360 (2)</b>	375 (18)	381 (3)	425 (3)
Contingent labour <sup>66</sup>	<b>2</b>	1	0	0
<b>Total staff<sup>67</sup></b>	<b>2 576</b>	<b>2 575</b>	<b>2 621</b>	<b>3 081</b>

64 ONR became an independent statutory public corporation on 1 April 2014.

65 'Frontline staff' comprises operational and other health and safety inspectors fulfilling frontline roles, and visiting officers who support inspectors in the delivery of key health and safety messages.

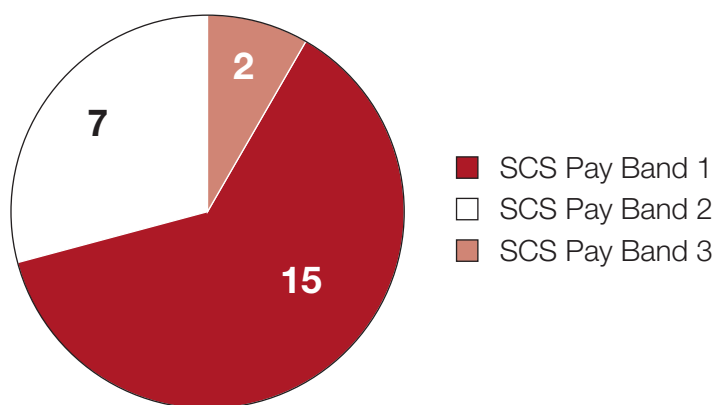
66 'Contingent labour' is defined as temporary staff not on HSE's payroll, which may include agency workers, specialist contractors, interim managers etc.

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

**Table 14** Staff numbers by gender (excluding Chair and contingent labour)

	<i>Male</i>	<i>Female</i>
Management Board	6	3
Senior civil servants	12	3
Other employees	1 343	1 206

**Figure 10** Senior civil servants (excluding Chair)



**Sickness absence data**

The provisional 2015/16 figure for average working days lost is 7.24 per FTE in comparison to 7.5 per FTE in 2014/15.

**Equality and diversity**

HSE is committed to eliminating discrimination and promoting equality in our policies and in our dealings with our staff. We have detailed, comprehensive guidance and information on equality and diversity, including the Equality Act 2010 and a Dignity at Work statement within the People and Capability Directorate guidance site. Equality and diversity is embedded in all our people policies to accommodate specific requirements and reasonable adjustments, including recruitment and learning and development activities.

HSE’s 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 staff aim to create an inclusive culture in which this diversity is fully valued. Progress against our action plan is monitored by senior management, trade unions and four diversity networks, through HSE’s Diversity Steering Group.

Disabled people are employed, in a variety of grades, in HSE offices across Britain with diversity incorporated through all training, career development and management processes. Our occupational health support package is a key tool in helping staff with long-term conditions and disability in the workplace.

We demonstrate our commitment to the ‘public sector equality duty’ by publishing diversity survey statistics for staff in post on our website,<sup>68</sup> including gender statistics for senior civil servants. As at 31 March 2016, the Management Board consisted of six male and three female members.

### Expenditure on consultancy

HSE spent a total of £5724 on consultancy 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 15–17 indicate the number of off-payroll arrangements HSE has had in place.

**Table 15** For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

	<i>Number</i>
<b>Number of existing engagements as of 31 March 2016<sup>69</sup></b>	<b>1</b>
Of which:	
Number that have existed for less than one year at time of reporting	1
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 between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

68 [www.hse.gov.uk/aboutus/reports/diversity.htm](http://www.hse.gov.uk/aboutus/reports/diversity.htm).

69 All existing off-payroll engagements outlined in Table 15 have at some point been subject to a risk-based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

**Table 16** For all new off-payroll engagements, or those that reached six months in duration between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months

	<i>Number</i>
Number of new engagements, or those that reached six months' duration between 1 April 2015 and 31 March 2016	3
Number of the above which include contractual clauses giving HSE the right to request assurance in relation to income tax and National Insurance obligations	3
Of which:	
Number for whom assurance has been received	2
Number for whom assurance has not been received	1 <sup>70</sup>
Number that have been terminated as a result of assurance not being received	0

**Table 17** For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

	<i>Number</i>
Number of off-payroll engagements of board members and/or senior officials with significant responsibility, during the financial year	0 <sup>71</sup>
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	4 <sup>72</sup>

#### **Exit packages (this information is subject to audit)**

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 CSPS. Ill-health retirement costs are met by the pension scheme and are not included in Table 18.

70 Assurance was requested for one individual before the end of the six-month appointment. Assurance was not received but was not followed up as the contract was not extended.

71 As disclosed in the remuneration report, board member Paul Kenny's reimbursement of salary and expenses is paid direct to his employer, (GMB trade union), who have responsibility for reporting any tax liability.

72 The four individuals comprise: the Chief Executive; Director of Planning, Finance and Procurement; Directors of Science and Commercial.

**Table 18** Exit packages

<i>Exit package cost band</i>	<i>Number of departures agreed<sup>73</sup></i>	
	<b>2015-16</b>	<b>2014-15</b>
< £10 000	<b>1</b>	3
£10 000–£25 000	<b>2</b>	2
£25 000–£50 000	<b>1</b>	1
£50 000–£100 000	<b>2</b>	-
£100 000–£350 000	-	-
<b>Total number of exit packages by type</b>	<b>6</b>	6
<b>Total resource cost (£)</b>	<b>216 759</b>	84 315

73 There were no compulsory redundancies during 2014/15 or 2015/16.



# SECTION 2 Accountability – Parliamentary accountability and audit report

## Regularity of expenditure

Claims waived or abandoned include debts where the company has gone into liquidation or administration. One case represents £340 000 (20%) of the total value in 2015/16.

Special payments made by HSE to staff and members of the public amounted to two cases during 2015/16 to the value of £40 000 (2014/15: 14 cases totalling £128 577).

**Table 19** Losses and special payments (this information is subject to audit)

	<b>2015-16</b>	<b>2015-16</b>	<i>Restated</i>	<i>2014-15</i>
	<b>No. of cases</b>	<b>£'000</b>	<i>No. of cases</i>	<i>£'000</i>
Cash losses	<b>32</b>	<b>16</b>	50	14
Claims waived or abandoned	<b>1 065</b>	<b>1 664</b>	1 581	1 026
Fruitless payments	<b>4</b>	<b>1</b>	5	1
Stocks, stores and obsolete publications	<b>36</b>	<b>8</b>	79	2
<b>Total losses</b>	<b>1 137</b>	<b>1 689</b>	1 715	1 043
<b>Special payments</b>	<b>2</b>	<b>40</b>	14	129
<b>Total losses and special payments</b>	<b>1 139</b>	<b>1 729</b>	1 729	1 172

## 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 20** HSE fees and charges (this information is subject to audit)

	<b>2015-16</b>			<b>2014-15</b>		
	<i>Income</i>	<i>Cost</i>	<i>Surplus/</i>	<i>Income</i>	<i>Cost</i>	<i>Surplus/</i>
	<i>£'000</i>	<i>£'000</i>	<i>(deficit)</i>	<i>£'000</i>	<i>£'000</i>	<i>(deficit)</i>
			<i>£'000</i>			<i>£'000</i>
<b>HSE fees and charges</b>						
Biocides and plant protection	<b>13 472</b>	<b>14 360</b>	<b>(888)</b>	12 748	12 590	158
Control of major accident hazards	<b>10 541</b>	<b>12 709</b>	<b>(2 168)</b>	10 654	12 724	(2 070)
Enforcement of offshore safety legislation	<b>17 397</b>	<b>18 404</b>	<b>(1 007)</b>	15 529	16 255	(726)
Fee for intervention	<b>14 706</b>	<b>17 448</b>	<b>(2 742)</b>	10 150	11 943	(1 793)
	<b>56 116</b>	<b>62 921</b>	<b>(6 805)</b>	49 081	53 512	(4 431)
Other HSE fees and charges	<b>1 924</b>			1 726		
<b>Total fees and charges</b>	<b>58 040</b>			50 807		

## Long-term expenditure trends

We need to use finite resources to best effect and to sustain investment in our future. Better management information and confident forecasting will help us to manage risks and to seize opportunities.

Information and technology is an important enabler for productivity improvements and for significantly improving user experience of the services. We will continue to invest significantly in this area and associated capability.

Cash savings will be delivered through improved procurement and contract management. In addition, and while maintaining most of our existing geographic footprint, our estates strategy will see us rationalising our overall use of space, sharing government facilities and securing lower cost leases.

Table 21 sets out HSE's net expenditure plans (resource and capital) for the latest spending review period, compared to the outturn for 2015/16. These figures have been agreed with DWP as part of our funding settlement.

**Table 21** Expenditure plans (net income)

	<b>2015-16</b> <b>(£m)</b>	<b>2016-17</b> <b>(£m)</b>	<b>2017-18</b> <b>(£m)</b>	<b>2018-19</b> <b>(£m)</b>	<b>2019-20</b> <b>(£m)</b>
Forecast taxpayer-funded income to HSE	<b>142.6</b>	140.9	135.6	128.4	128.4

### **Dr Richard Judge**

Chief Executive and Accounting Officer  
Health and Safety Executive  
8 June 2016

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

I certify that I have audited the financial statements of the Health and Safety Executive for the year ended 31 March 2016 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. 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.

### **Respective responsibilities of the Board, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer'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. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Safety at Work etc Act 1974. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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. This includes an assessment of: whether the accounting policies are appropriate to the Health and Safety Executive's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Safety Executive; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that 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.

## 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.

## Opinion on financial statements

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 2016 and of the net expenditure for the year then ended;
- 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 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;
- the information given in the 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

28 June 2016

## SECTION 3 Financial statements

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

(The notes on pages 72-92 form part of these accounts)

	<i>Notes</i>	<b>2015-16</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b>
Staff costs	2	<b>139 626</b>	135 448
Other operating expenditure	3	<b>84 243</b>	83 267
<b>Total operating expenditure</b>		<b>223 869</b>	218 715
Fees and charges	4	<b>(58 040)</b>	(50 807)
Other operating income	4	<b>(31 590)</b>	(29 918)
EU income	4	<b>(110)</b>	(203)
<b>Total income</b>		<b>(89 740)</b>	(80 928)
<b>Net operating expenditure</b>		<b>134 129</b>	137 787
<b>Other comprehensive net expenditure:</b>			
Items which will not be reclassified to net operating costs:			
Net (gain)/ loss on revaluation of property, plant and equipment	5, 3	<b>(2 331)</b>	3 345
Office for Nuclear Regulation transfer of function		-	11 281
<b>Comprehensive net expenditure</b>		<b>131 798</b>	152 413

All income and expenditure for the year ended 31 March 2016 is derived from continuing operations.

The Office for Nuclear Regulation (ONR), formerly an in-house agency of HSE, was established as a statutory public corporation from 1 April 2014. All assets and liabilities relating to the functions carried out by ONR were transferred from HSE to the new body on this date.

## Statement of Financial Position as at 31 March 2016

(The notes on pages 72-92 form part of these accounts)

	Notes	31 March 2016 £'000	31 March 2015 Restated* £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	89 629	87 050
Intangible assets	6	1 112	1 296
Trade and other receivables due after more than one year	7	1 178	1 013
<b>Total non-current assets</b>		<b>91 919</b>	89 359
<b>Current assets</b>			
Inventories		550	717
Trade and other receivables	7	32 058	32 383
Cash and cash equivalents	8	-	138
<b>Total current assets</b>		<b>32 608</b>	33 238
<b>Total assets</b>		<b>124 527</b>	122 597
<b>Current liabilities</b>			
Trade and other payables	9	(34 206)	(30 712)
Provisions	10	-	(72)
Pension liabilities	10	(81)	(82)
<b>Total current liabilities</b>		<b>(34 287)</b>	(30 866)
<b>Total assets less current liabilities</b>		<b>90 240</b>	91 731
<b>Non-current liabilities</b>			
Other payables	9	(99 215)	(100 131)
Pension liabilities	10	(1 250)	(1 333)
<b>Total non-current liabilities</b>		<b>(100 465)</b>	(101 464)
<b>Total assets less total liabilities</b>		<b>(10 225)</b>	(9 733)
<b>Taxpayers' equity</b>			
General fund		(19 600)	(16 905)
Revaluation reserve		9 375	7 172
<b>Total taxpayers' equity</b>		<b>(10 225)</b>	(9 733)

\*Trade and other receivables balances at 31 March 2015 have been reclassified between non-current and current.

### Dr Richard Judge

Chief Executive and Accounting Officer  
Health and Safety Executive  
8 June 2016

### Isobel Garner

HSE Board member  
Health and Safety Executive  
2 June 2016

## Statement of Cash Flows for the year ended 31 March 2016

(The notes on pages 72-92 form part of these accounts)

	Notes	2015-16 £'000	2014-15 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		<b>(134 129)</b>	(137 787)
Adjustments for non-cash transactions	3	<b>8 392</b>	7 721
Decrease in trade and other receivables	7	<b>160</b>	10 584
Less movements in receivables relating to impairments	3	<b>(1 882)</b>	(1 304)
Increase/(decrease) in trade payables	9	<b>2 525</b>	(5 198)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		<b>(1 935)</b>	1 423
Less net payables and receivables balances transferred to ONR for no cash consideration on 1 April 2014		-	(10 438)
Decrease in inventories		<b>167</b>	160
Use of provisions	10	<b>(116)</b>	(88)
<b>Net cash outflow from operating activities</b>		<b>(126 818)</b>	(134 927)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(4 142)</b>	(3 578)
Purchase of intangible assets		<b>(215)</b>	(577)
Proceeds of disposal of property, plant and equipment		<b>240</b>	277
<b>Net cash outflow from investing activities</b>		<b>(4 117)</b>	(3 878)
<b>Cash flows from financing activities</b>			
Funding from DWP		<b>135 012</b>	141 054
Capital element of payments in respect of finance leases and on-statement of financial position PFI contracts	9	<b>(1 972)</b>	(1 750)
<b>Net financing</b>		<b>133 040</b>	139 304
<i>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</i>		<b>2 105</b>	499
Payments of amounts to the Consolidated Fund		<b>(2 296)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	8	<b>(191)</b>	499
<b>Cash and cash equivalents at the beginning of the period</b>	8	<b>138</b>	(361)
<b>Cash and cash equivalents at the end of the period</b>	8	<b>(53)</b>	138



## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

(The notes on pages 72-92 form part of these accounts)

	<i>Notes</i>	<i>(a) General Fund £'000</i>	<i>(b) Revaluation Reserve £'000</i>	<i>Total Reserves £'000</i>
<b>Balance at 31 March 2014</b>		(9 127)	10 753	1 626
Funding from DWP		141 054	-	141 054
Comprehensive net expenditure for the year		(152 413)	-	(152 413)
Movements in reserves:				
– Net gain on revaluation	3, 5	-	(3 345)	(3 345)
Recognised in Statement of Comprehensive Net Expenditure		3 345	-	3 345
Transfer between reserves		236	(236)	-
<b>Balance at 31 March 2015</b>		(16 905)	7 172	(9 733)
<b>Funding from DWP</b>		<b>135 012</b>	<b>-</b>	<b>135 012</b>
<b>Consolidated Fund Extra Receipt payments*</b>		<b>(3 706)</b>	<b>-</b>	<b>(3 706)</b>
<b>Comprehensive expenditure for the year</b>		<b>(131 798)</b>	<b>-</b>	<b>(131 798)</b>
Movements in reserves:				
<b>Additions - Net gain on revaluation</b>	3, 5	<b>-</b>	<b>2 331</b>	<b>2 331</b>
<b>Recognised in Statement of Comprehensive Net Expenditure</b>		<b>(2 331)</b>	<b>-</b>	<b>(2 331)</b>
<b>Transfer between reserves</b>		<b>128</b>	<b>(128)</b>	<b>-</b>
<b>Balance at 31 March 2016</b>		<b>(19 600)</b>	<b>9 375</b>	<b>(10 225)</b>

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 indexation and revaluation adjustments.

\* HM Treasury applied an £11 million cap to Fee for Intervention (FFI) income in 2015-16, which allows HSE to offset this level of income against its operating expenditure. Amounts above this limit are payable to the Exchequer via the Consolidated Fund.

## 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 2015-16 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 context.

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*

All applicable standards, interpretations and amendments that were effective at 31 March 2016 have been adopted in these financial statements. The following standards relevant to HSE have been issued but are not yet effective:

- IFRS 9 Financial Instruments (effective from 1 January 2018)
- IFRS 15 Revenue from Contracts with customers (effective from 1 January 2018)
- IFRS 16 Leases (effective from 1 January 2019)

HSE does not anticipate material impacts upon the financial statements following the introduction of these standards which will be adopted once we are required to do so by the FReM.

#### 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 depreciation and amortisation periods, provisions, early departure costs and impairments.

2.

The recoverability of trade receivables is periodically assessed and HSE recognises an impairment for doubtful debt for those receivables for which partial or full recovery is not probable. This assessment is based on ageing of the receivables and historical trends on recoverability.

2.

### **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, bonuses are accrued in the year to which the performance relates and paid in the following financial year.

2.

2.

2.

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. Revenue is recognised when the services for which revenue is receivable or has been received, have been performed, and the amount of income can be reliably measured. This is assessed using time recording information and estimates of recoverable costs. There are three exceptions:

- Income relating to commercial contracts is recognised when contractual milestones are reached. Where costs have been incurred at year-end but milestones have not been met, the costs are deferred (as work in progress), to the extent that the income is expected to be recognised in a future period.
- 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.

## **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 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:

<i>Asset Category</i>	<i>Capitalisation Threshold</i>	<i>Depreciation/Amortisation Period</i>
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 Early departure costs**

For past early departure schemes, HSE meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. HSE provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 1.37% (2014-15: 1.30%) in real terms.

### **1.12 Pensions**

As explained in the remuneration report, 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.

The appointment of board members is non-pensionable, except for former Chairs. The outgoing Chair is not a member of the PCSPS but a contribution of 25% of her salary was made to a stakeholder pension provider.

Previous Chairs were not members of the PCSPS but 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.

### **1.13 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.

#### **1.14 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.

#### **1.15 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.

#### **1.16 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

	<i>Permanently employed staff</i>	<i>Others</i>	<i>2015-16 Total</i>	<i>2014-15 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	107 729	510	108 239	105 571
Employers' National Insurance	9 150	-	9 150	9 175
Other pension costs	22 237	-	22 237	20 702
<b>Total (as reported in the SoCNE)</b>	<b>139 116</b>	<b>510</b>	<b>139 626</b>	135 448
Less recoveries in respect of outward secondments	(124)	-	(124)	(18)
<b>Total net costs</b>	<b>138 992</b>	<b>510</b>	<b>139 502</b>	135 430

Further detail about the staff costs and the number of persons employed by HSE is included on pages 57-58 of the Accountability Report.



### 3 Operating costs

	Notes	2015-16	2014-15	
		£'000	£'000	£'000
Rentals under operating leases		3 627	3 523	
PFI service charges*		9 666	9 766	
PFI interest charges*		8 355	8 505	
Auditor's remuneration – Statutory Audit		85	93	
Accommodation		9 570	10 260	
Travel and subsistence		7 244	6 686	
IT expenditure and telecoms		10 783	9 790	
Legal costs		8 008	7 895	
Staff development and training		1 494	1 200	
Consultants' fees		6	40	
Publications		1 541	2 884	
Shared Services costs**		2 132	2 036	
Scientific sub-contract technical support		2 106	2 094	
Scientific equipment		2 453	2 048	
Research and development		1 414	1 545	
Pesticides – purchase of samples		1 698	1 520	
Chemical Regulations testing		1 279	1 285	
Other expenditure		4 390	4 376	
<b>Operating expenditure</b>			<b>75 851</b>	75 546
<b>Non-cash items:</b>				
Depreciation and amortisation of non-current assets	5, 6	6 405	6 854	
Impairment of non-current assets	5	31	-	
Reversal of previous losses on revaluation of property		-	(663)	
Loss on disposal of non-current assets		114	13	
Movement in provisions	10	(40)	213	
Movement in impairment of receivables		1 882	1 304	
<b>Total non-cash items</b>			<b>8 392</b>	7 721
<b>Total operating costs</b>			<b>84 243</b>	83 267

\* PFI service and interest charges relate to provision of accommodation for Redgrave Court, Bootle and Laboratory/IT services in Harpur Hill, Buxton.

\*\* 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 DWP.

## 4 Income

HSE's activities include certain chargeable services, each of which is subject to a financial objective of full cost recovery. Information is not supplied as an IFRS requirement but for Fees and Charges purposes.

	2015-16		2014-15	
	£'000	£'000	£'000	£'000
<b>Fees and charges</b>				
Biocides and Plant Protection	13 472		12 748	
Control of major accident hazards	10 541		10 654	
Enforcement of offshore safety legislation	17 397		15 529	
Fee for intervention*	14 706		10 150	
Other fees and charges	1 924		1 726	
<b>Total fees and charges</b>		<b>58 040</b>		50 807
<b>Other operating income</b>				
Prosecutions	8 761		5 162	
Health and Safety Laboratory external customers	11 348		12 899	
Sale of publications	1 605		1 892	
Supply of services to ONR**	6 973		7 078	
Provision of REACH services to Defra***	1 129		1 196	
Other income	1 774		1 691	
<b>Total other operating income</b>		<b>31 590</b>		29 918
EU income	110		203	
<b>Total income</b>		<b>89 740</b>		80 928

\* Fee for Intervention income includes £3 706k payable to the Consolidated Fund.

\*\* Supply of services to ONR includes £3 459k for accommodation. The balance relates to Information Technology and other corporate services.

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

### Major customers

In accordance with IFRS 8, HSE identifies a major customer as individually representing more than 10 per cent of total revenue. In 2015-16 HSE did not receive 10 per cent or more of its revenue from any single customer (2014-15: one).

## 5 Property, plant and equipment

2015-16	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
<i>Cost or valuation opening balance at 1 April 2015</i>	2 841	63 355	14 385	8 206	3 674	17 938	8 523	4	118 926
Reclassifications	-	-	-	-	-	4	-	(4)	-
Additions	-	1 590	185	486	1 022	638	141	2 432	6 494
Revaluations	-	1 347	-	-	-	-	-	-	1 347
Impairments	-	-	-	-	-	(32)	(16)	-	(48)
Disposals	-	-	(542)	(1 965)	(537)	(546)	(363)	-	(3 953)
<b>Balance at 31 March 2016</b>	<b>2 841</b>	<b>66 292</b>	<b>14 028</b>	<b>6 727</b>	<b>4 159</b>	<b>18 002</b>	<b>8 285</b>	<b>2 432</b>	<b>122 766</b>
<i>Depreciation opening balance at 1 April 2015</i>	-	73	7 172	5 518	1 359	13 693	4 061	-	31 876
Reclassifications	-	-	-	-	-	-	-	-	-
Charge	-	1 295	1 454	1 266	462	799	586	-	5 862
Revaluations	-	(984)	-	-	-	-	-	-	(984)
Impairments	-	-	-	-	-	(10)	(7)	-	(17)
Disposals	-	-	(457)	(1 965)	(294)	(532)	(352)	-	(3 600)
<b>Accumulated depreciation at 31 March 2016</b>	<b>-</b>	<b>384</b>	<b>8 169</b>	<b>4 819</b>	<b>1 527</b>	<b>13 950</b>	<b>4 288</b>	<b>-</b>	<b>33 137</b>
<b>Net book value at 31 March 2016</b>	<b>2 841</b>	<b>65 908</b>	<b>5 859</b>	<b>1 908</b>	<b>2 632</b>	<b>4 052</b>	<b>3 997</b>	<b>2 432</b>	<b>89 629</b>
Asset financing									
Owned	2 841	6 942	5 859	1 908	2 632	4 052	2 138	2 432	28 804
On-Statement of Financial Position PFI contracts	-	57 566	-	-	-	-	1 859	-	59 425
Finance lease	-	1 400	-	-	-	-	-	-	1 400
<b>Net book value at 31 March 2016</b>	<b>2 841</b>	<b>65 908</b>	<b>5 859</b>	<b>1 908</b>	<b>2 632</b>	<b>4 052</b>	<b>3 997</b>	<b>2 432</b>	<b>89 629</b>

HSE's headquarters is situated in Redgrave Court, Bootle which was constructed under the Private Finance Initiative and is owned by Bootle Accommodation Partnerships Ltd (BAPL), which provides HSE with serviced accommodation. As the building is situated in an area of social deprivation, the open market value of Redgrave Court (£12 million at the latest revaluation) is significantly lower than the outstanding repayment liability to the contractor (£53.3 million) for the remainder of the 30 year PFI agreement. The construction cost to the contractor was approximately £60 million.

Cushman & Wakefield and Carter Jonas provide HSE with a professional and independent valuation service. Cushman & Wakefield undertook valuations of Redgrave Court as at 31 December 2014, all land and building assets on the Buxton site as at 31 March 2016, and of the freehold property at Carlisle at 31 December 2013. Carter Jonas undertook a valuation of Priestley House, Basingstoke at 31 March 2016. In each case, the valuations were in accordance with the Appraisal and Valuation Standards of RICS.

2014-15	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
<i>Cost or valuation closing balance at 31 March 2014</i>	2 618	72 201	21 085	7 281	4 193	17 296	8 640	587	133 901
<i>Assets transferred to ONR at 1 April 2014</i>	-	-	(444)	(17)	(676)	(8)	(145)	-	(1 290)
Reclassifications	(11)	597	115	-	-	-	-	(701)	-
Additions in year	-	494	45	1 287	887	909	164	118	3 904
Revaluations in year	234	(9 937)	-	-	-	-	-	-	(9 703)
Disposals during year	-	-	(6 416)	(345)	(730)	(259)	(136)	-	(7 886)
<b>Balance at 31 March 2015</b>	2 841	63 355	14 385	8 206	3 674	17 938	8 523	4	118 926
<i>Depreciation closing balance at 31 March 2014</i>	-	5 490	12 271	4 551	1 616	13 137	3 624	-	40 689
<i>Depreciation transferred to ONR at 1 April 2014</i>	-	-	(178)	(15)	(204)	(7)	(42)	-	(446)
Reclassifications	-	-	-	-	-	-	-	-	-
Charge in year	-	1 604	1 479	1 327	406	822	612	-	6 250
Revaluations in year	-	(7 021)	-	-	-	-	-	-	(7 021)
Disposals during year	-	-	(6 400)	(345)	(459)	(259)	(133)	-	(7 596)
<b>Accumulated depreciation at 31 March 2015</b>	-	73	7 172	5 518	1 359	13 693	4 061	-	31 876
<b>Net book value at 31 March 2015</b>	2 841	63 282	7 213	2 688	2 315	4 245	4 462	4	87 050
Asset financing									
Owned	2 841	6 668	7 213	2 688	2 315	4 245	2 503	4	28 477
On-Statement of Financial Position PFI contracts	-	56 614	-	-	-	-	1 959	-	58 573
<b>Net book value at 31 March 2015</b>	2 841	63 282	7 213	2 688	2 315	4 245	4 462	4	87 050

## 6 Intangible assets

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

2015-16	<i>Websites</i>	<i>Purchased software licences</i>	<i>Internally developed software</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation at 1 April 2015</b>	<b>171</b>	<b>4 945</b>	<b>77</b>	<b>369</b>	<b>5 562</b>
Reclassifications	-	-	330	(330)	-
Additions in year	-	346	-	13	359
Disposals	-	(121)	-	-	(121)
<b>Balance at 31 March 2016</b>	<b>171</b>	<b>5 170</b>	<b>407</b>	<b>52</b>	<b>5 800</b>
Amortisation at 1 April 2015	171	4 047	48	-	4 266
Charge in year	-	481	62	-	543
Disposals	-	(121)	-	-	(121)
<b>Accumulated amortisation at 31 March 2016</b>	<b>171</b>	<b>4 047</b>	<b>110</b>	<b>-</b>	<b>4 688</b>
<b>Net book value at 31 March 2016</b>	<b>-</b>	<b>763</b>	<b>297</b>	<b>52</b>	<b>1 112</b>

2014-15	<i>Websites</i>	<i>Purchased software licences</i>	<i>Internally developed software</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2014	169	5 136	58	87	5 450
Reclassification	2	(2)	-	-	-
Additions in year	-	278	19	282	579
Disposals	-	(467)	-	-	(467)
Balance at 31 March 2015	171	4 945	77	369	5 562
Amortisation at 1 April 2014	146	3 943	40	-	4 129
Charge in year	25	571	8	-	604
Disposals	-	(467)	-	-	(467)
Accumulated amortisation at 31 March 2015	171	4 047	48	-	4 266
Net book value at 31 March 2015	-	898	29	369	1 296

## 7 Trade receivables and other current assets

	<b>31 March 2016</b>	<i>31 March 2015</i>
	<b>£'000</b>	<i>Restated*</i>
		<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	<b>18 083</b>	16 631
Deposits and advances	<b>240</b>	234
Accrued income	<b>10 937</b>	11 373
Prepayments	<b>1 488</b>	3 000
VAT	<b>1 310</b>	1 145
	<b>32 058</b>	32 383
<b>Amounts falling due after more than one year</b>		
Other prepayments	<b>30</b>	59
Trade receivables	<b>1 056</b>	861
Deposits and advances	<b>92</b>	93
	<b>1 178</b>	1 013
<b>Total</b>	<b>33 236</b>	33 396

The trade receivables balance at 31 March 2016 is stated net of provision for impairment, which amounts to £3 263k (31 March 2015: £2 520k).

\* Balances of £510k at 31 March 2015 have been reclassified from 'amounts falling due within 1 year' to 'amounts falling due after more than one year' to better reflect the timing of expected payments from customers.

### Intra-government balances

	<b>31 March 2016</b>	<b>31 March 2016</b>	<i>31 March 2015</i>	<i>31 March 2015</i>
	<b>Amounts falling due within one year</b>	<b>Amounts falling due later than one year</b>	<i>Amounts falling due within one year</i>	<i>Amounts falling due later than one year</i>
	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>
Balances with other central government bodies	<b>3 458</b>	-	2 818	-
Balances with local authorities	<b>227</b>	-	266	-
Balances with NHS trusts	<b>141</b>	-	126	-
Balances with public corporations and trading funds	<b>1 415</b>	-	1 768	-
<b>Subtotal: intra-government balances</b>	<b>5 241</b>	-	4 978	-
Balances with bodies external to government	<b>26 817</b>	<b>1 178</b>	27 405	1 013
<b>Total receivables at 31 March</b>	<b>32 058</b>	<b>1 178</b>	32 383	1 013

## 8 Cash and cash equivalents

	<i>31 March 2016</i>	<i>31 March 2015</i>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	<b>138</b>	(361)
Net change in cash and cash equivalent balances	<b>(191)</b>	499
<b>Balance at 31 March*</b>	<b>(53)</b>	138

\* Balance is held entirely with Government Banking Service and the overdraft position is disclosed within Trade Payables.

## 9 Trade and other payables

	<i>31 March 2016</i>	<i>31 March 2015</i>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Taxation and social security	<b>2 717</b>	2 669
Pension contributions	<b>2 465</b>	2 337
Trade payables	<b>1 219</b>	1 462
Other payables	<b>53</b>	188
Accruals and deferred income	<b>22 111</b>	21 094
Capital accruals	<b>1 862</b>	766
On-Statement of Financial Position PFI contracts	<b>2 136</b>	1 972
Finance lease	<b>1</b>	-
Balance with Government Banking Service	<b>53</b>	-
Payable to the Consolidated Fund*	<b>1 410</b>	-
Early departure liability	<b>179</b>	224
	<b>34 206</b>	30 712
<b>Amounts falling due after more than one year</b>		
Imputed finance lease element of on-Statement of Financial Position PFI contracts	<b>97 712</b>	99 848
Finance lease	<b>1 399</b>	-
Other payables	<b>2</b>	1
Early departure liability	<b>102</b>	282
	<b>99 215</b>	100 131
<b>Total</b>	<b>133 421</b>	130 843

\* HM Treasury applied an £11 million cap to FFI income in 2015-16, which allows HSE to offset this level of income against its operating expenditure. Amounts above this limit are payable to the Exchequer via the Consolidated Fund.

## Intra-government balances

	<b>31 March 2016</b>	<b>31 March 2016</b>	<i>31 March 2015</i>	<i>31 March 2015</i>
	<b>Amounts falling due within one year</b>	<b>Amounts falling due later than one year</b>	<i>Amounts falling due within one year</i>	<i>Amounts falling due later than one year</i>
	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>
Balances with other central government bodies	5 707	-	7 160	-
Balances with local authorities	4	1 399	12	-
Balances with NHS trusts	108	-	179	-
Balances with public corporations and trading funds	26	-	96	-
<b>Subtotal: intra-government balances</b>	<b>5 845</b>	<b>1 399</b>	7 447	-
Balances with bodies external to government	28 361	97 816	23 265	100 131
<b>Total trade and other payables at 31 March</b>	<b>34 206</b>	<b>99 215</b>	30 712	100 131



## 10 Provisions for liabilities and charges

<b>2015-16</b>	<b><i>Chairs' pensions by analogy</i></b>	<b><i>Other</i></b>	<b><i>Total</i></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2015	1 415	72	1 487
Provisions not required written back	(3)	(37)	(40)
Utilised in year	(81)	(35)	(116)
<b>Balance at 31 March 2016</b>	<b>1 331</b>	<b>-</b>	<b>1 331</b>
<b>Expected timing of future payments</b>			
Falling due within one year	81	-	81
Falling due after more than one year	1 250	-	1 250

<b>2014-15</b>	<b><i>Chairs' pensions by analogy</i></b>	<b><i>Other</i></b>	<b><i>Total</i></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2014	1 352	10	1 362
Provided in year	143	70	213
Utilised in year	(80)	(8)	(88)
Balance at 31 March 2015	1 415	72	1 487
<b>Expected timing of future payments</b>			
Falling due within one year	82	72	154
Falling due after more than one year	1 333	-	1 333

### ***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 outgoing Chair received a contribution towards a private pension and therefore is not included in this provision.

## 11 Capital commitments

	31 March 2016	31 March 2015
<i>Contracted commitments at 31 March not otherwise included in these financial statements</i>	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	<b>930</b>	638
Intangible assets	<b>79</b>	8
	<b>1 009</b>	646

### 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 2016	31 March 2015
Not later than one year	<b>3 778</b>	2 290
Later than one year and not later than five years	<b>4 802</b>	5 983
Later than five years	<b>1 994</b>	9 379
<b>Total committed</b>	<b>10 574</b>	17 652

#### (ii) Finance leases

	31 March 2016
<b>Gross liabilities</b>	
Not later than one year	<b>147</b>
Later than one year and not later than five years	<b>588</b>
Later than five years	<b>6 495</b>
<b>Total gross liabilities</b>	<b>7 230</b>
Less: interest element	<b>(5 830)</b>
<b>Present value of obligations</b>	<b>1 400</b>

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. The building has been reclassified as a finance lease from 2015-16 having previously been treated as an operating lease. This revised treatment has been applied prospectively from 31 March 2016, the date on which a valuation of the building has been obtained. Accordingly, comparative figures have not been restated.

## 12b Rental income from sub-leases

As at 31 March 2016 HSE had granted leases for land and buildings with rental income expected to be received, which falls due as shown below.

<b>Income from rental under operating leases for the following periods comprise:</b>	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Land</b>	<b>Buildings</b>	<b>Land</b>	<b>Buildings</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	2	3 427	3	3 072
Later than one year and not later than five years	-	7 174	2	10 134
Later than five years	-	-	-	-
<b>Total committed</b>	<b>2</b>	<b>10 601</b>	<b>5</b>	<b>13 206</b>

## 13 Commitments under PFI contracts

HSE has entered into the following two 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 SoCNE in respect of the service element of on-Statement of Financial Position PFI transactions was £9.7 million (2014-15: £9.8 million) and the payments to which HSE is committed are as follows:

	<b>31 March 2016</b>	<i>31 March 2015</i> <i>restated</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>10 805</b>	10 629
Later than one year and not later than five years	<b>43 220</b>	42 514
Later than five years	<b>151 708</b>	159 904
<b>Total committed</b>	<b>205 733</b>	213 047

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

Total obligations for the following periods comprise:

<i>Gross liabilities</i>	<b>31 March 2016</b>	<i>31 March 2015</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>10 326</b>	10 326
Later than one year and not later than five years	<b>41 332</b>	41 304
Later than five years	<b>152 398</b>	162 752
Total committed	<b>204 056</b>	214 382
Less interest element	<b>(104 209)</b>	(112 564)
<b>Present value of obligations</b>	<b>99 847</b>	101 818

<i>Present value of obligations</i>	<b>31 March 2016</b>	<i>31 March 2015</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>2 136</b>	1 971
Later than one year and not later than five years	<b>10 507</b>	9 672
Later than five years	<b>87 204</b>	90 175
<b>Total present value of obligations</b>	<b>99 847</b>	101 818

## **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; IT managed services; and services provided by Shared Services Connected Limited (which are described in Note 3). These commitments relate to service charges, insurance and business rates. The payments to which HSE is committed are as follows:

	<b>31 March 2016</b>	<i>31 March 2015</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>7 349</b>	6 874
Later than one year and not later than five years	<b>6 627</b>	8 570
Later than five years	<b>2 928</b>	3 950
<b>Total committed</b>	<b>16 904</b>	19 394

## 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 provision of internal audit services and sharing of premises costs. HSE has an agreement with Defra for the provision of the Competent Authority function in relation to Plant Protection Products and Detergents. HSE also had material transactions with ONR for which 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.

None of the 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

HSE is defending a small number of claims from employees, a member of the public and a supplier. It is possible that a payment will be made in some cases but there is significant uncertainty about both the timing and amount.

## 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 Going concern

HSE's closing Statement of Financial Position shows a net liability position of £10.2 million as at 31 March 2016. The Board has previously considered this position and in the light of on-going commitment from DWP is content that HSE should continue to prepare the annual accounts on a going-concern basis.

## 19 Events after the reporting period

The result of the referendum on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. Where HSE operations are derived from EU legislation, the implications for that work in the future will start to be assessed.

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.



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