



The Health and Safety  
Executive  
**Annual Report  
and Accounts 2016/17**



# The Health and Safety Executive **Annual Report and Accounts 2016/17**

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Schedule 2 to the Health and Safety at Work etc Act 1974.

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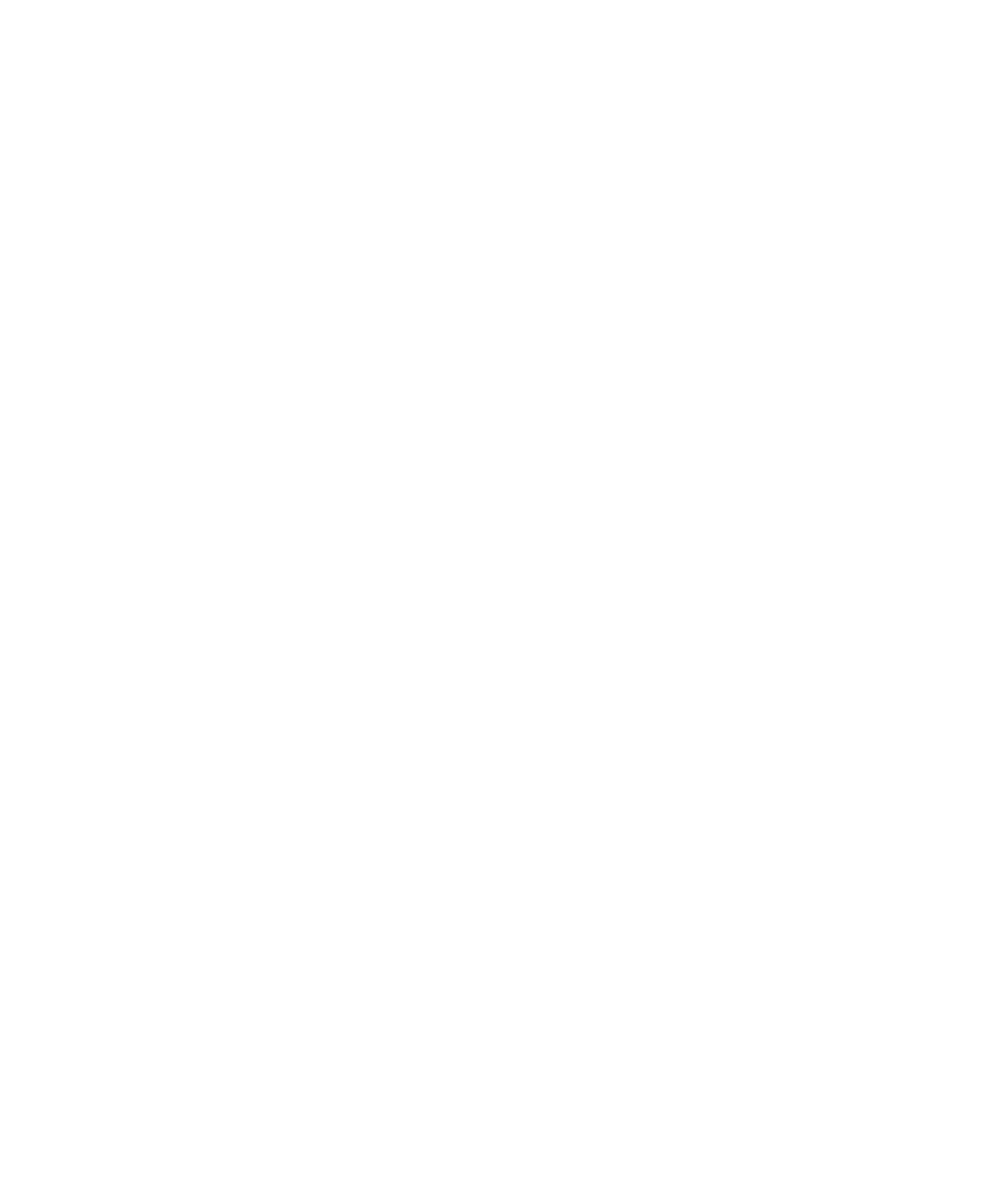
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# Performance - Overview

## Overview summary

This overview section provides a short summary about what HSE does, our purpose, the key risks to the achievement of our objectives (refer to Table 6) and how we have performed during the year.

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

As we look back on 2016/17, we can reflect on another busy and productive year.

Alongside HSE's direct interventions to reduce work-related risks across Great Britain, we have been encouraged by more than 100 practical commitments from employers, industry groups and trade unions that take forward our Helping Great Britain work well (HGBWW) strategy. Building that shared focus and collective ownership, across the nations and regions of Britain, is making a difference to saving lives and to supporting innovation, productivity and economic growth.

Notwithstanding Britain's world leading performance on occupational safety and health, we all remain acutely aware of the need for continued improvement. Our latest statistics show 144 workers were fatally injured and 1.3 million people suffered from a work-related illness. These are people, not numbers. Lives are cut short – as in Nechells, Birmingham, where a wall collapse killed five – and individuals, families and friends suffer. They are a tragic reminder of the importance and challenge of our work.

We have continued to take a leadership role in our actions to:

- lead and engage with others to improve workplace health and safety;
- provide an effective regulatory framework;
- secure effective management and control of risk;
- reduce the likelihood of low-frequency, high-impact catastrophic incidents.

This annual report reflects many achievements through the year, including:

- completing fatal incident investigations more quickly, enabling duty holders to act more swiftly to prevent further harm and provide answers to bereaved families. Since 2013/14 we have doubled the proportion of these investigations completed within 12 months of HSE becoming the lead investigator;
- targeting our inspections to improve risk management. Our focused activity on construction, asbestos and silica dust and other priorities is helping to drive up standards in workplaces across Britain and holding employers to account;
- assessing more than 2500 applications for biocide and pesticide active substances and products as the Competent Authority for biocides, pesticides, detergents and industrial chemicals. For those due for completion in 2016/17, more than 89% were processed within deadlines – more than any other EU member state;

- completing a range of interventions to ensure safe operations at onshore and offshore major hazard sites. This included taking formal action to tackle issues, ensuring dutyholders better manage the risks they create;
- setting our future approach to tackling the key issues in many of Britain's leading industries through the launch of 19 sector plans and a comprehensive three-year strategy for health at work, and then engaging on these through more than 240 related events;
- continuing to live within our means, while investing in IT, digital and science which enable us to be even more productive and effective. This includes finding further efficiencies through procurement and estates, and growing new sources of external funding through research, products and services that support HSE's overall purpose of preventing work related ill health, injuries and death.

The health and safety system in Great Britain is well established. Finding new ways to improve and better manage workplace risks is not easy, but these achievements show we can.

We want to pay particular tribute to our colleagues in HSE, whose professionalism, hard work and commitment continues to protect millions of workers and support thousands of businesses. It is their expertise that forms the foundation for our future plans and investments, and their capability that catalyses action in support of even healthier, safer workplaces. We look to the future with confidence.

**Martin Temple CBE**

Chair  
Health and Safety Executive

**Dr Richard Judge**

Chief Executive and Accounting Officer  
Health and Safety Executive

## Performance overview

Great Britain has a health and safety record to be proud of. We are one of the safest places in the world to work in. Nonetheless, the plateaus we see in our health and safety statistics<sup>1</sup> are also a stark reminder of the challenges we face in continuing to improve Britain's performance.

The benefits of continual improvement are substantial: for workers, a healthier and safer workplace; for businesses, productivity and innovation; and for the wider economy, reducing the £14 billion impact of work-related injuries and ill health, together with enabling the growth opportunities that come with creating a more attractive place to do business.

**Figure 1** Health and safety statistics



1 [www.hse.gov.uk/statistics/overall/hssh1516.pdf?pdf=hssh1516](http://www.hse.gov.uk/statistics/overall/hssh1516.pdf?pdf=hssh1516)

## **What we do**

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

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

We look for ways to engage as widely as possible with those who undertake, or influence, workplace occupational health and safety across Great Britain. Our aim is to demonstrate leadership and act as a catalyst to produce positive behaviour change that helps our strategy, HGBWW. This highlights priority themes which continue to be reflected in our actions. Our emphasis is on:

- focused engagement and collaboration across networks of individuals and organisations with a strong interest in improving work-related health and safety. This includes employees and employers, trade unions, industry associations, professional institutions and third-sector bodies, alongside other government agencies and regulators;
- specific campaign activity to achieve tangible improvements in awareness and action on the key issues and themes set out in our strategies;
- providing guidance and support materials which are accessible and tailored to the circumstances of the users;
- developing science and evidence to support our regulatory activities, and providing access to our know-how, specialist facilities and research to enable improved occupational health and safety performance.

Our health and work and sector plans, which we will be launching in the early part of 2017/18, detail the top priorities for the next three to five years and the actions we will be taking to help Great Britain work well.

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

### ***Provide an effective regulatory framework***

We ensure our regulation stays proportionate, consistent, modern and effective. We seek to make legislation easier to understand without reducing standards, and aim to improve dutyholder performance and compliance.

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

Our primary focus is preventing harm to workers, but our regulatory interest extends to cover the impact of work activities on the general public, consumers and the environment. We use evidence-based inspection, together with a variety of

other interventions to secure effective management and control of risk from a wide range of hazards.

Where risks are not being effectively managed, we provide advice and take fair and firm enforcement action including prosecution to secure proportionate and sensible improvements. When necessary, we publicly hold to account those who fail to meet their obligations to protect people from harm.

This approach supports growth and a level playing field for those who invest to manage the risks they create and deters those who do not meet their obligations or who deliberately break the law.

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

Great Britain has many highly specialised industries which provide essential products and services. Not only are they strategically important to the country's economy and social infrastructure but, if the risks are not properly managed, they can cause great harm to their workers, the environment and the public.

A single incident can have catastrophic consequences and also undermine whole sectors by eroding public trust and society's acceptance of complex, high-hazard activities.

HSE continues to regulate these sectors effectively, through a combination of assessment, licensing specific higher-risk activities, and planned inspections and investigations. These interventions are designed to provide assurance that the risks associated with major hazards are being properly managed.

## Performance summary

This annual report details what we have done to fulfil our responsibilities as the independent regulator and prime mover in the health and safety system, as outlined in our 2016/17 Business Plan.

This section provides a synopsis of our performance – further detail can be read on pages 18–33.

Our highlights include:

- sustained improvements in the timeliness of investigating fatal incidents. This has enabled us to get dutyholders to act more swiftly to prevent further harm and provide effective support to bereaved families and friends by providing information sooner on the causes and consequences. 78% of investigations into fatal incidents were completed within 12 months of primacy<sup>2</sup> in 2016/17 compared to 63% in 2015/16 and 41% in 2013/14;
- completing c20 000 (p)<sup>3</sup> inspections of workplaces, reducing risk, particularly to health, in selected high risk industries and activities. Our regulatory action prevented harm and secured improved management of serious risk in over 9000 (p) workplaces inspected, more than in the last two years (2015/16: 7800; 2014/15: 7200);
- continuing to investigate all incidents and accidents which meet HSE's incident selection criteria – with over 4500 (p) investigations commencing in 2016/17;
- holding to account those who failed to meet their obligations to protect people from harm – with legal proceedings instituted in over 540 cases, and convictions secured in 95% of cases heard;
- continuing to improve our performance in responding to health and safety concerns raised to us, with over 74% dealt with within agreed timescales (2015/16: 70%);
- using inspection to secure improved risk control – we had a positive impact when we inspected whether we had to take enforcement action or not and 89% of dutyholders who responded to our survey said they had taken action as a result of an inspector's visit;
- improving the timeliness of our processing of major hazard applications for licences, approvals and notifications with 99% (2015/16: 97%) processed within agreed timescales;
- delivering our statutory advice to required standards and timescales for 100% of planning applications, and over 99% of hazardous substances consent applications, despite a significant increase in volume in 2016/17;
- those in the health and safety system embracing the HGBWW strategy with 80 organisations/bodies making over 100 commitments to improve health and safety in their workplaces and industries;

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2 Primacy is when one party to the investigation takes the lead, with the other parties working jointly and in parallel.  
3 Provisional.

- the development of 19 sector plans, which cover the relevant employment sectors and will set the basis for our regulatory activities over the coming years, and our new Health and Work strategy, aimed at tackling the continuing high level of occupational ill health;
- launching programmes of shared research with other organisations to establish the knowledge to prevent incidents from happening;
- continuing to support overseas governments through their agencies to improve health and safety at work;
- delivering 98% of the milestones published in our 2016/17 Business Plan;
- demonstrating effective financial stewardship, living within our financial allocation of taxpayer funding as agreed with the Department for Work and Pensions (DWP), our sponsoring department.

## Financial review

The financial year ended 31 March 2017 was the first year of the Spending Review (SR) 2015 period through which HSE is required to deliver further real term savings of £30 million by 2019/20.

In responding to this financial challenge, HSE is seeking to maintain current levels of its core regulatory activities including permissioning, inspection, investigation and enforcement. We are committed to ensuring value for money for the taxpayer by reducing our reliance on government funding while continuing to improve the efficiency and effectiveness of our delivery. We will also sustain HSE's position as a high-performing regulator that enables improvements in health and safety outcomes while being resilient and responsive to external influences.

The main elements of HSE's financial strategy to live within the reduced government funding across the SR period include:

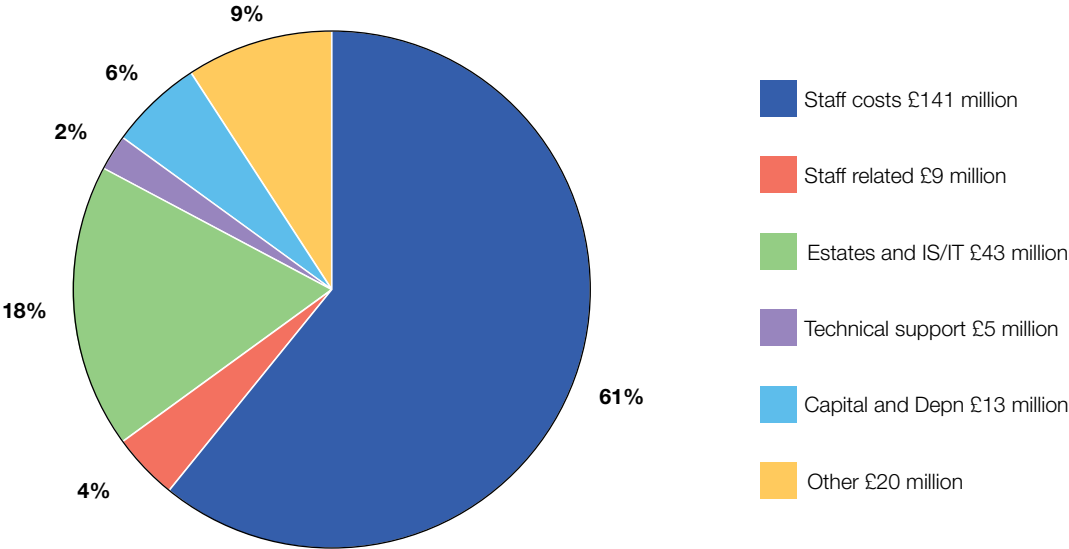
- driving out further efficiency and effectiveness improvements through HSE's Efficiency Programme while investing in enablers that support increased productivity;
- growing commercial income through the provision of discretionary services or products which make use of HSE's facilities and expertise;
- moving towards full-cost recovery for HSE's fees and charges regimes.

During 2016/17, HSE has:

- invested in improvements to modernise our IT infrastructure to ensure resilience;
- delivered significant procurement savings, eg new contracts for provision of Pesticides Analytical Services and mobile phones alone have saved in excess of £700 000;
- implemented the first stages of the Estate Strategy within the agreed principles:
  - ensuring we are located in the most appropriate locations to deliver our business;
  - rationalising our overall use of space, sharing government facilities, securing lower cost leases and working with Government Property Unit to achieve best value for money;
- completed a voluntary exit scheme which resulted in 48 agreed staff departures;
- continued the growth in our commercial income although market conditions have meant the increase was lower than originally planned;
- marginally increased cost-recovery rates and completed activity-based analysis to provide greater transparency and understanding of our cost drivers.



**Figure 2** HSE expenditure 2016/17



This breakdown is based on total expenditure, including capital and depreciation and indicates how we have utilised our total resources.

We are increasing the use of digital techniques to modernise how we interact internally with dutyholders and the public. HSE continues to improve financial management performance and develop digital tools to support this. Our work has been recognised externally by the winning of a Public Finance Innovation Award 2017 for our digitisation in finance initiative.

## Looking forward

Our 2017/18 Business Plan<sup>4</sup> was published in March 2017 and outlines what HSE will be delivering over the forthcoming year. The **key commitments** and priorities for 2017/18 are as follows:

### **Leading and engaging with those who undertake or influence workplace health and safety. Through leadership and acting as a catalyst we will seek to change behaviour.**

Our priorities will be:

- establish and begin delivery of a comprehensive three-year Health and Work programme to reduce levels of work-related stress, musculoskeletal disorders and occupational lung disease;
- use our knowledge of small and medium-sized enterprises (SMEs) and their risk profile to target groups where we can have the most impact, introducing new approaches to enable them to manage health and safety sensibly and proportionately;
- further embed a broader ownership of health and safety through accelerating our HGBWW campaign, and engage with relevant stakeholders to obtain buy-in to the priorities in our sector plans;
- better enable employers/dutyholders to understand how to manage health and safety risks through an enhanced website and more user-focused content;
- reinforce our links with other regulators, with a specific focus on sharing technical expertise and enhancing our regulatory intelligence networks through use of modern data analytics.

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

Our priorities will be:

- manage and, where necessary, update or simplify our regulatory framework and approach in line with government policy;
- contribute to the government work on the UK's exit from the European Union, including preparing for any necessary changes to the chemicals regime;
- begin to develop the evidence base and outline proposals that will address 'blue tape' issues (where businesses and others place excessive and disproportionate health and safety burdens upon each other).

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4 [www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1718.pdf](http://www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1718.pdf)

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

Our priorities will be:

- deliver around 20 000 proactive inspections to prevent harm, with increasing use of campaigns that focus these inspections on specific issues and activities found in high-risk industries, including a sustained focus on health risks;
- sustain improvements to the timely completion of investigations and explore, in collaboration with others, further actions which will positively impact on pace;
- improve how we share learning and influence dutyholders to amplify the impact of our interventions and enforcement action;
- further improve the timeliness of decisions on applications for authorisation of biocides and pesticides;
- provide support to UK-based companies, particularly SMEs, with REACH<sup>5</sup> 2018 registration responsibilities;
- begin to digitise the provision of our services, starting with radiological protection registration and licensing, and asbestos licensing.

## **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:

- work with stakeholders, including trade associations, on strengthening leadership and worker engagement across all the major hazard sectors;
- participate in the UK's agenda on dealing with security risks, including cyber-security;
- develop our regulatory approaches to decommissioning and ageing infrastructure; and to ensure the integrity of new assets and emerging technologies;
- deliver targeted interventions focusing on the control of high-consequence risks from cooling towers, fairgrounds and major construction projects.

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations.

During this two-year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

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5 Registration, evaluation, authorisation and restriction of chemicals.

# Performance - Analysis

## Performance analysis

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

Performance is reviewed monthly by the Management Board,<sup>6</sup> 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, 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 2016/17 plan.

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

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

### Key deliverables<sup>7</sup>

- The **HGBWW**<sup>8</sup> strategy, launched last year, has been embraced by those in the health and safety system. We have engaged with industry, trade unions and other groups, 80 of whom have made over 100 commitments to improve health and safety in their workplaces and industries, identifying 11 partners who have signed up for shared research projects to support HGBWW.
- Produced 19 **sector plans**<sup>9</sup> which cover the relevant employment sectors and will set the basis for our regulatory activities over the coming years. They refresh and update existing sector strategies and we have sought the views of stakeholders through a combination of online and social media activities, events and a series of bespoke regional roadshows. This engagement will culminate in the first annual conference in autumn 2017.
- Developed and begun to engage on our new **Health and Work strategy**, aimed at tackling the continuing high level of occupational ill health, focusing on work-related stress and mental health, musculoskeletal disorders and occupational lung disease. With an estimated 1.3 million workers suffering from a work-related illness during 2015/16, stakeholders have identified this as an area of concern. We are building collaborative working relationships with government and other bodies to ensure they help make a positive change to make a real difference.
- Conducted research into the attitudes, behaviours and perceptions of **SMEs** to inform improvements in the user's experience and better align with the specific needs of different types of SME. This work will help us to provide more effective, accessible and streamlined guidance material, enabling SMEs to fulfil their health and safety responsibilities.
- Delivered a range of **events to raise awareness and help dutyholders comply with regulations** and improve health and safety within the workplace, including:
  - active support of Working Well Together (WWT),<sup>10</sup> an industry-led health and safety initiative targeting workers from small businesses, that includes training events across England, Scotland and Wales on higher-risk activities (eg asbestos risks and working at height) to reduce deaths, injuries and ill health in the construction industry;

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7 All data (except the prior year figures where quoted) in this section is based on live operational information at the time of drafting and is therefore subject to change.

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

9 [www.hse.gov.uk/aboutus/strategiesandplans/sector-plans/index.htm](http://www.hse.gov.uk/aboutus/strategiesandplans/sector-plans/index.htm)

10 [wwt.uk.com/eventsall/9/2014.aspx](http://wwt.uk.com/eventsall/9/2014.aspx)

- feedback from WWT events shows 81% of those who said they would make health and safety changes have gone on to do so, and 56% have noticed health and safety improvements in their workplace;
  - held joint webinars with HM Revenue and Customs (HMRC) for SME employers in the construction sector, targeting expanding businesses, to give basic health and safety advice. Feedback indicated the health and safety elements were particularly helpful.
- Published 113 **research reports and peer-reviewed publications**, as well as our Annual science review<sup>11</sup> highlighting the benefits and value of our work on workplace health and safety through a wide range of case studies.
- Supported **overseas governments** through their agencies to improve health and safety at work. Examples include:
    - providing technical advice to the Colombian government as the country applies to join the Organisation for Economic Co-operation and Development. A particular focus has been on the implementation of the Globally Harmonised System of Classification and Labelling of Chemicals;
    - continuing work with the Singapore government, providing technical advice that was used to produce quantified risk assessment guidelines for major hazards in a country with a high density of major hazard installations.
- Developed a programme of **shared research**, working with other organisations on scientific investigations to identify hazards and mitigate risks prior to work taking place.
- Delivered **training and seminars** to help dutyholders comply with regulations and improve the health and safety of their workers. Over 240 events were delivered, engaging over 3000 attendees. In addition:
    - NEBOSH and HSE have jointly developed two specialist Occupational Safety and Health qualifications in Process Safety Management, aimed at managers working in high-hazard industries such as oil and gas, chemicals, plastics and pharmaceuticals;
    - the Stress Summit, held in London in March 2017, attracted more than 200 delegates from across all sectors, providing evidence and understanding of HSE's latest thinking, as well as learning that delegates could take back into their businesses.

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11 [www.hse.gov.uk/research/content/science-review-2017.pdf](http://www.hse.gov.uk/research/content/science-review-2017.pdf)

## Provide an effective regulatory framework

### Key deliverables

- Progressed work to place **more emphasis on risk control** and less on written assessment without reducing standards. Consultation on the proposed revisions emphasised that small businesses in particular needed clearer messages about how to manage risks. Consultees told us that dutyholders needed to understand more about how to correctly interpret what is required to ensure proportionate compliance with health and safety legislation. This has provided insight for a wider review of key HSE guidance for small businesses which will allow us to:
  - develop clearer messages about risk management to target SME audiences better;
  - focus HSE guidance on proportionate compliance with health and safety legislation;
  - develop an improved user journey, based on robust insight research and user testing.
- Continued to maintain and **improve the domestic regulatory framework**, including:
  - completed post-implementation review of Control of Asbestos Regulations (CAR) 2012;
  - implemented Electromagnetic Fields Directive with the Control of Electromagnetic Fields at Work Regulations 2016;
  - replaced Dangerous Substances in Harbour Areas Regulations with shorter, simpler regulations.
- We continue to meet our **European Union (EU) health and safety obligations** while the United Kingdom (UK) remains a member of the EU and we will support the government's preparations for negotiations and the detailed arrangements that will be required to make the UK ready for exit from the EU. We continue to interact closely with key external stakeholders (eg trade bodies, unions) to understand wider perspectives, including preparation for any necessary changes to the chemicals regime.

## Secure effective management and control of risk

### Key deliverables

- As the **Competent Authority for biocides, pesticides, detergents and industrial chemicals** we completed over 2500 (p) applications for biocide and pesticide active substances and products. For those due for completion in 2016/17, over 89% were processed within the required legislative deadlines.
- A **review by the independent EU auditors** concluded that the UK receives more applications and completes more of these within the legal deadline than any other member state. This involves not only completing applications for new products, notably for SMEs with generic products when compared with other member states, but also where existing products are reviewed to modern standards for both human health and the environment.
- Only businesses licensed by HSE can carry out work with the **highest risk forms of asbestos**. In 2016/17, 209 licences were granted following assessments, and 13 were refused. We also conducted over 1000 inspections of licensed asbestos work taking enforcement action where evidence showed that work was being carried out unsafely. In one case, a supervisor who deliberately breached a live asbestos enclosure and failed to treat contaminated waste correctly and risked spreading asbestos, was prosecuted, fined and given a suspended jail sentence.
- Focusing on **risk reduction**, we secured improvements in health and safety management in more premises than in the previous two years. We took action to control serious risks in over 9000 (p) visits (2015/16: 7800, 2014/15: 7200) which were identified in the course of completing c20 000 (p) targeted inspections.
- Undertook an inspection programme aimed at **reducing outbreaks of legionnaires' disease** through sustained risk management and control, following up a similar programme in 2013/14. The results indicate **a substantial improvement** in the management of Evaporative Cooling Systems, particularly at sites we had inspected previously. In particular:
  - inspectors did not need to take action to reduce risks in three-quarters of the interventions, which is significantly better than 1-in-3 interventions requiring action in 2013/14;
  - two-thirds of sites where inspectors had previously taken action did not require any action this time, and for the third that had not sustained improvements, only 6% warranted the serving of an improvement notice compared to 100% in 2013/14.
- Undertook over 880 inspections in the **construction industry to tackle potential exposure to respirable crystalline silica (RCS)** and secure the control of risk through enclosing processes, dust suppression/extraction, provision of effective RPE,<sup>12</sup> and improved awareness and training of workers. At these

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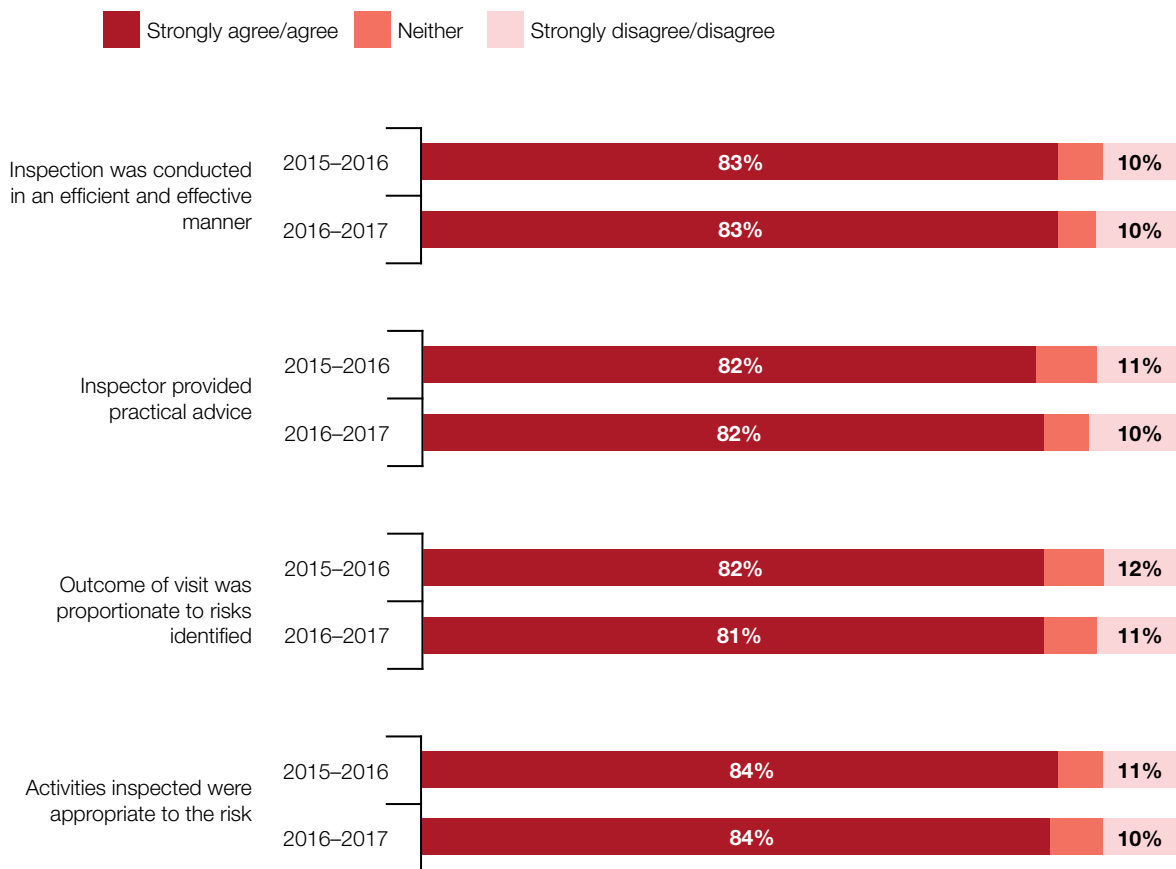
12 Respiratory protective equipment.



inspections, 108 enforcement notices were served to ensure established industry standards were in place and the risk of serious ill-health effects was reduced.

- Delivered a targeted **construction refurbishment campaign with a health focus** to 1840 sites and inspected the work of 2235 contractors. 49% of sites were found to be below standard, resulting in 741 enforcement notices and 1059 notifications of contravention – an 8% increase on the 2015 refurbishment campaign. Nearly 60% of the improvement notices served related to the control of health risks, predominantly asbestos, silica and welfare. In 2017, use of social media to communicate findings and promote learning from the campaign by a wider section of the industry will be evaluated.
- Maintained a high level of **positive feedback** in relation to how we conduct our inspections, as obtained from a sample of dutyholders who had received an inspection visit (see Figure 3). Of particular note: 89% of respondents stated they had taken action as a result of a visit (2015/16: 89%).

**Figure 3** Responses to dutyholder survey



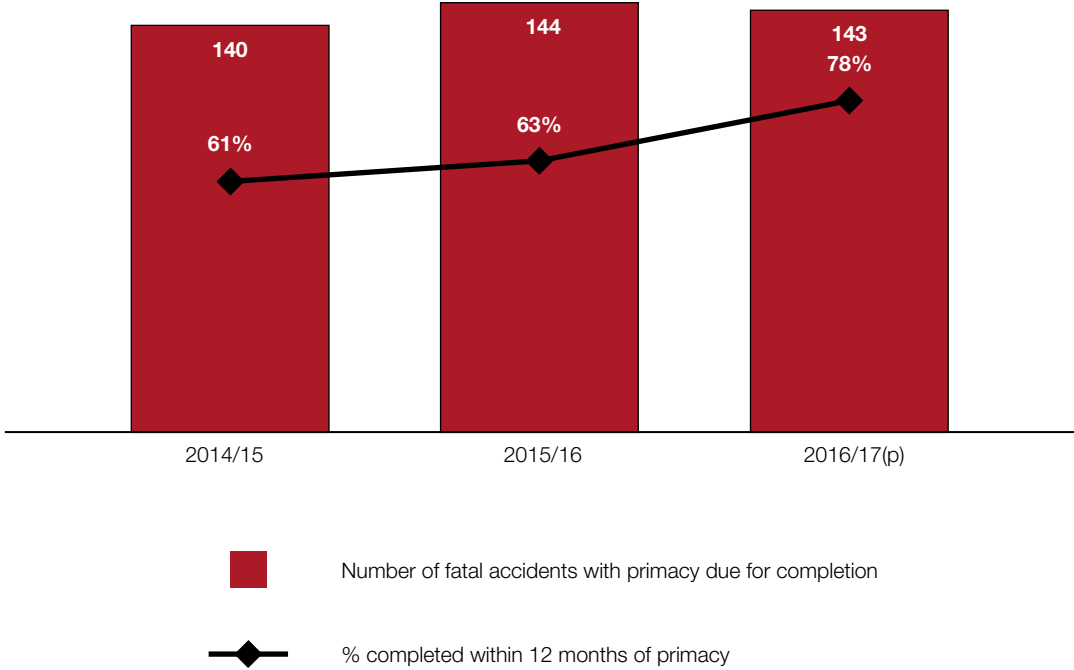
2015/16 results based on 767 responses (2003 issued)

2016/17 results based on 745 responses (2233 issued)

### Investigation of fatal RIDDOR<sup>13</sup> incidents

- Sustained improvements in the **timeliness of investigating fatal accidents**, with 78% completed within 12 months of HSE receiving primacy. This means that in 4 out of 5 cases families and friends of people killed in work-related deaths are receiving the outcomes of our investigations within 12 months.
- HSE also continued its **major incident investigations** into the Bosley Mill explosion and the collapse of Didcot A Power Station, working jointly with the police under the Work Related Deaths Protocol. In 2016/17, HSE was also part of the multi-agency operation at Didcot to safely demolish the standing structure and locate the missing workers.

**Figure 4** Investigations of fatal RIDDOR incidents completed within 12 months of HSE receiving primacy

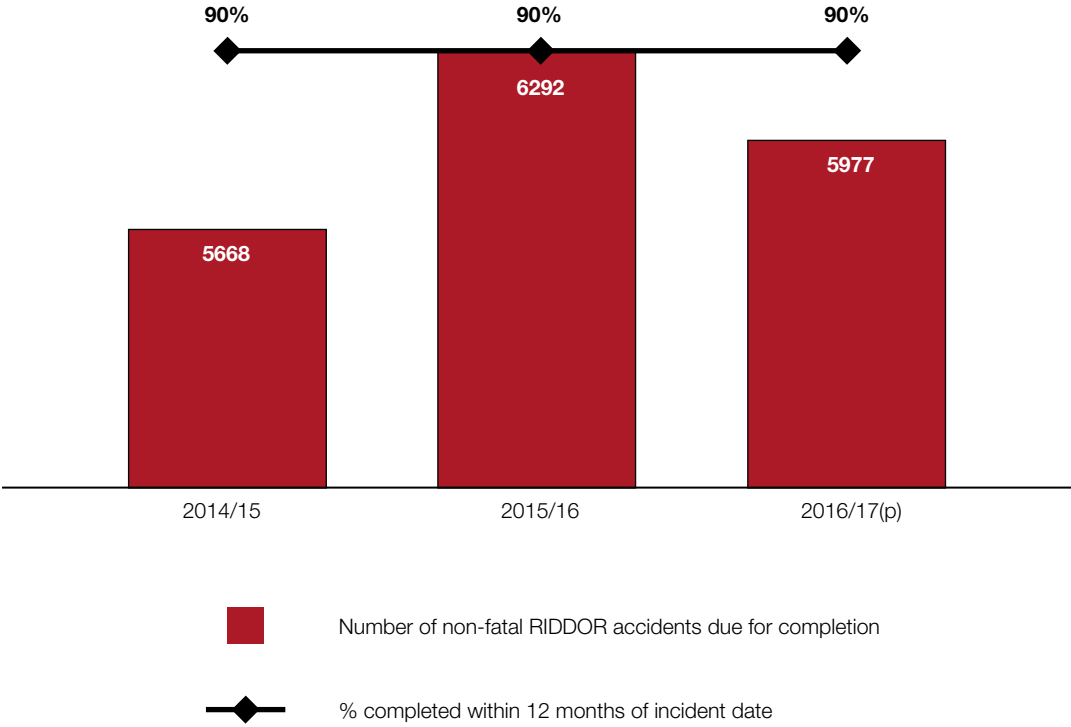


13 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

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

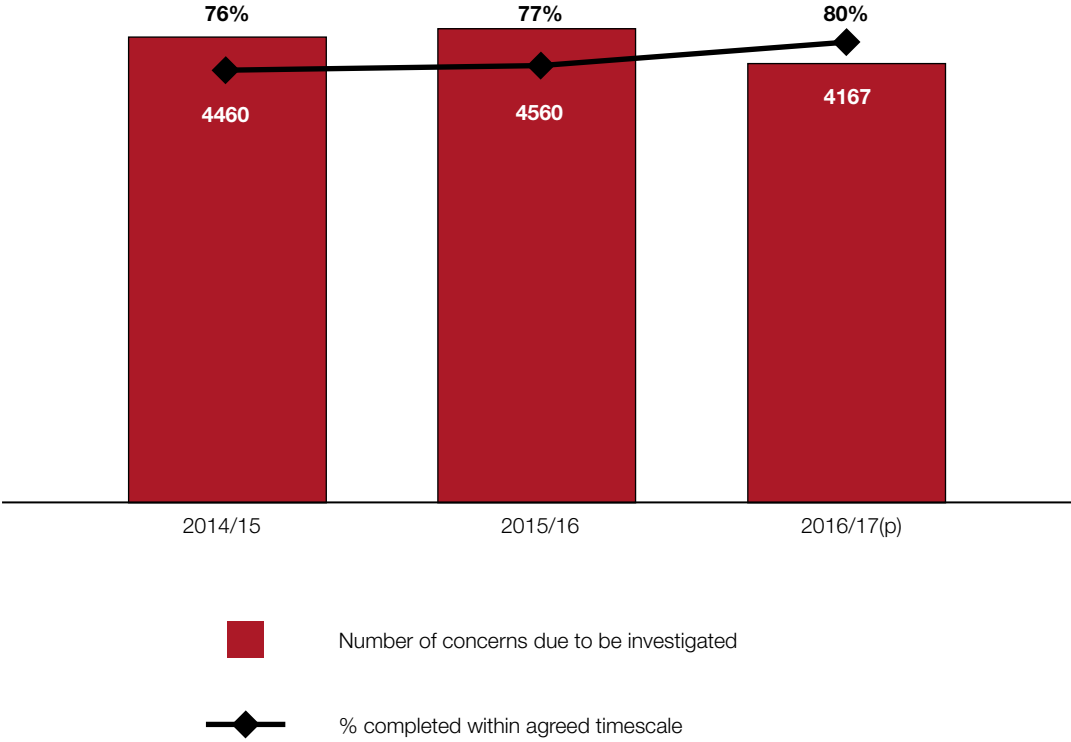
- Over 5950 (p) mandatory **investigations of non-fatal reportable** incidents meeting HSE’s selection criteria were due to be completed in 2016/17, of which 90% were completed within agreed timescales (see Figure 5).

**Figure 5** Investigations of non-fatal RIDDORs



- Of those non-fatal RIDDORs investigated during the year, HSE has **already taken action** in over 2400 (p) 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.
- Through enhanced training, processes and recording we continued to improve our performance in handling **health and safety concerns** raised by employees or members of the public, in 2016/17:
  - over 5750 (p) concerns were followed up by our Concerns and Advice Team or staff in regional offices with c69% being completed within 21 days (an improvement of 3% compared to 2015/16);
  - over 4150 (p) concerns were investigated by inspectors and 80% were completed within agreed timescales, (a 3% improvement on 2015/16) – see Figure 6.

**Figure 6** Health and safety concerns investigated



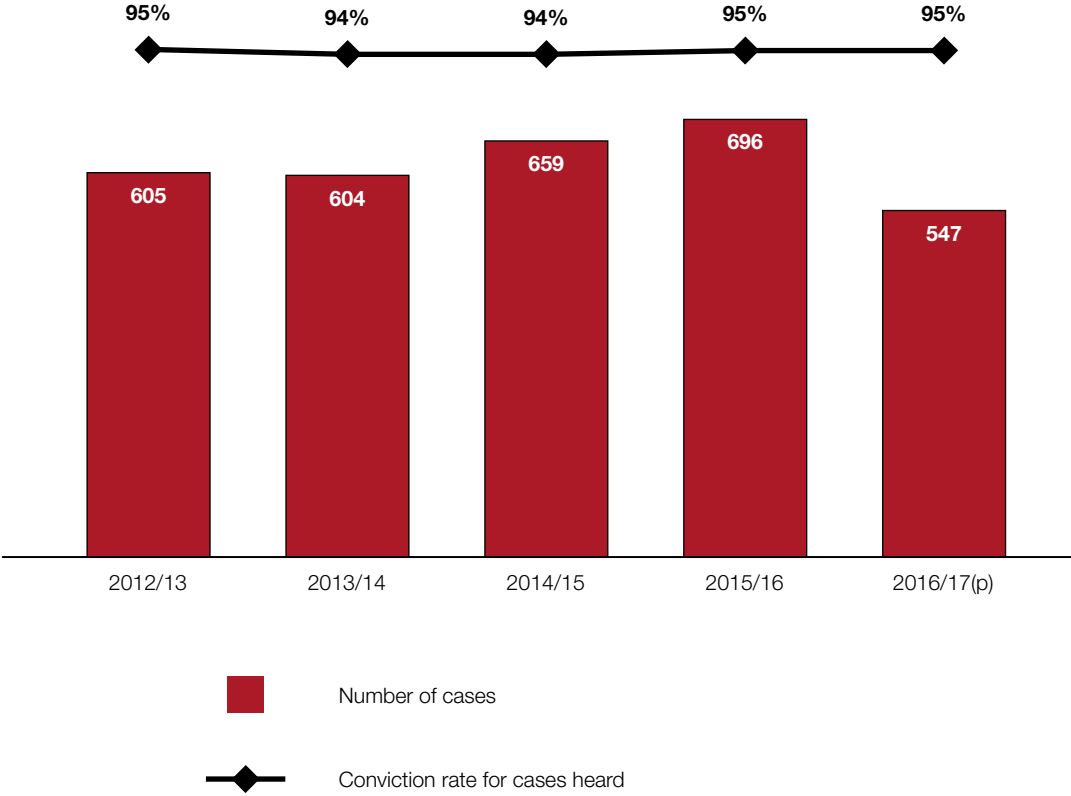
- In line with HSE’s Enforcement Policy Statement and Enforcement Management Model,<sup>14</sup> over 6700 (p) improvement notices and 2850 (p) prohibition notices were served to reduce risks and protect people from harm. Over a third of the improvement notices related explicitly to health issues, which demonstrates our focus on improving health in the workplace.

**Prosecutions and legal proceedings**

- The number and percentage of cases successfully prosecuted by HSE,<sup>15</sup> **holding those who failed to meet their obligations to account**, are shown in Figure 7.<sup>16</sup> There have been 11 prosecutions resulting in fines of over £1 million and 82 HSE prosecutions resulting in custodial and community service/rehabilitation orders.

14 [www.hse.gov.uk/enforce/emm.pdf](http://www.hse.gov.uk/enforce/emm.pdf)  
 15 Details of all prosecution cases which resulted in a conviction can be viewed at [hse.gov.uk/prosecutions](http://hse.gov.uk/prosecutions).  
 16 Figure 7 data up to 2015/16 sourced from official Health and Safety Statistics as [www.hse.gov.uk/statistics](http://www.hse.gov.uk/statistics) while 2016/17 is based on live operational data. The official statistics on enforcement notices and prosecutions for 2016/17 will be published in autumn 2017.

**Figure 7** Number of cases for which legal proceedings have been instituted by HSE and in Scotland the COPFS<sup>17</sup>



17 Crown Office and Procurator Fiscal Service.

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

### Key deliverables

- Completed a range of interventions to ensure safe production at **major hazard sites**, including COMAH<sup>18</sup> sites, offshore installations, gas pipeline operators, biological agent operators, explosives and mines. This included:
  - identification of over 2600 (p) **issues** where formal corrective action was required. Tackling these issues improves dutyholders' management of major accident hazards. Regulatory staff monitors the progress made by dutyholders and, if the necessary improvement does not occur, further enforcement action is considered;
  - improving our regulatory activity following the introduction of **offshore topic performance scores**. The scores are factored into our inspection targeting and prioritisation methodology along with other dutyholder data to determine which operators/installations are inspected.
- Of the 280 (p) dutyholder submissions (**safety cases and safety reports**) due, 83% were completed within agreed timescales and assessed against standards to ensure arrangements were in place for the control of major accident hazards and to limit the consequences should any occur.
- Improved the timeliness of our processing of major hazard **applications for licences, approvals and notifications** with 99% (2015/16: 97%) processed within agreed timescales. This demonstrates HSE's responsiveness as a regulator, provides certainty for dutyholders and assurance to society that inventories are being monitored correctly.
- For 100% of **planning applications**, and over 99% of **hazardous substances consent** applications, we delivered our statutory advice to required standards and timescales, despite a significant increase in volume in 2016/17.
- Completed a fundamental review of HSE's approach to its **licensing of the manufacture and storage of explosives**, with the aim of reducing burdens on business and improving flexibility and efficiency whilst maintaining safety standards. The review identified areas where HSE should undertake further work including modernising HSE's processes and procedures (including digitisation).
- We continue to build competence in developing areas of potential risk to health and safety:
  - keeping pace with changes in the bio-economy, eg in **synthetic biology** through recruitment and training, together with developing a proportionate regulatory approach which allows growth and maintains public reassurance that this is happening safely;

- developing our capability to effectively regulate **onshore shale gas** extraction and through training and upskilling to enable us to keep pace with this emerging technology;
- developing our capability to effectively regulate emerging health and safety risks associated with **cyber-security**, through training and upskilling activity.

## Delivery of our planned milestones

When we published our 2016/17 Business Plan we committed ourselves to delivering a wide-ranging set of actions as our contribution to improving health and safety performance.

In summary, 98% of planned milestones have been delivered. Table 1 sets out all the milestones from the plan, and indicates those we have delivered and those which are still in progress.

**Table 1** Business Plan milestones

Key: ● Delivered ○ Not delivered

Business Plan milestone	Status
<b>Lead and engage with others to improve workplace health and safety</b>	
Present evidence and emerging recommendations on work-related ill health to the Board, to prioritise future activities of HSE	●
Publish HSE's ill-health strategy <sup>19</sup>	●
Publish the annual suite of health and safety statistics <sup>20</sup>	●
Undertake user insight research to baseline the effectiveness of communications with SMEs and present findings and implications to the Board	●
Use this research to produce evidence-based intervention plan which will help SMEs manage risk	●
Review and refresh HSE's sector strategies to align with HGBWW, <sup>21</sup> set priorities for next three years and publish updated sector strategies	●
Develop a revised approach to creating, publishing and refreshing guidance that is proportionate, meets the needs of users and makes best use of digital channels	●
Board to agree principles for HSE's contribution to guidance produced by others (eg trade bodies)	●
Establish new mechanisms for tracking significant actions by others and performance improvements linked to HGBWW and bring recommended approach to the Board for agreement	●
Identify at least three significant initiatives linking to HGBWW themes that are led by others, which HSE will actively engage with	●
Identify at least three new shared research opportunities to share research to support HGBWW	●
Sign up appropriate partners to develop the evidence base through shared research	●

19 [www.hse.gov.uk/strategy/tackling-ill-health.htm](http://www.hse.gov.uk/strategy/tackling-ill-health.htm)

20 [www.hse.gov.uk/STATISTICS/overall/hssh1516.pdf?pdf=hssh1516](http://www.hse.gov.uk/STATISTICS/overall/hssh1516.pdf?pdf=hssh1516)

21 [www.hse.gov.uk/strategy/](http://www.hse.gov.uk/strategy/)



Business Plan milestone	Status
<b>Provide an effective regulatory framework</b>	
Evaluate the implementation of the following regulations by undertaking post- implementation reviews and identify any proposals for regulatory change:	
◆ Asbestos Regulations	●
◆ Biocide and Enforcement Regulations	●
Review and simplify occupational health and safety regulations on chemicals: <sup>22</sup>	
◆ Agree research priorities and programme	●
◆ Complete initial analysis of high-level options to present to Board	●
Deliver options to Board for amendments to the Gas Safety Regulations (1988)	●
Replace the Dangerous Substances in Harbour Areas Regulations (1987) with shorter, simpler regulations	●
Take forward a proposal to place more emphasis on risk control and less on written assessment without reducing standards:	
◆ Publish draft guidance	●
◆ Engage, user test and finalise the guidance	●
Review the benefits and costs of legislative requirements for plant and equipment inspection and associated administrative arrangements. Report on findings and options for improvements:	
◆ Agree research priorities and programme	●
◆ Conduct research and make recommendations to Board	●
Actively contribute to the development of national regulatory frameworks that interface with HSE's remit:	
◆ Sign Memorandum of Understanding (MoU) with Health Inspectorate Wales	●
◆ Develop proposals for taking forward national priorities in Scotland	●
Complete refresh of UK national action plan for sustainable use of pesticides (through DEFRA <sup>23</sup> )	●
Following the UK decision to leave the EU, the HSE Board has removed two planned milestones relating to the EU review of the health and safety acquis	n/a <sup>24</sup>
Lead and negotiate on European Directives, transposing into UK law in line with government policy:	
◆ Implement Electromagnetic Fields Directive	●
◆ Make recommendations to Board on the implementation of the Basic Safety Standards Directive	●
◆ Influence changes of EU reviews of key plant protection active substances	●

22 Specifically the Control of Substances Hazardous to Health Regulations 2002, the Control of Lead at Work Regulations 2002 and the Dangerous Substances and Explosive Atmospheres Regulations 2002.

23 Department for Environment, Food and Rural Affairs.

24 Superseded by vote to leave EU.

<b>Business Plan milestone</b>	<b>Status</b>
<b>Secure effective management and control of risk</b>	
Deliver the UK Competent Authority role in relation to the regulation of plant protection products, biocides and other chemicals (under REACH <sup>25</sup> ) and prepare industry for implementation via an intervention plan to engage with all SMEs affected by REACH registration deadline in 2018	●
Lead a cross-government review to assess the success of the stewardship programme for outdoor second generation anti-coagulant rodenticides	●
Review asbestos licensing processes as a first step in introducing a more digitally enabled online service	●
Confirm the effectiveness of this licensing regime through inspection of up to 1000 asbestos removal projects to evaluate licensee performance	●
Continue to enhance our use of intelligence and risk-based approaches to deliver a targeted programme of around 20 000 proactive inspections (with, and dependent upon, investigatory demand) and face-to-face interventions that secure risk reductions	● See page 22
Sustain inspector focus on major health risks (legionella; silica dust; carcinogens and asthmagens in woodworking; welding fumes; and musculoskeletal disorders in food production) and embed actions within our proactive inspection programme	●
Refresh HSE communications material linked to inspection activity, to explain our approach to reducing risk through face-to-face interventions:	
◆ Overall approach agreed with Board	●
◆ New material user tested and published	●
90% of non-fatal investigations completed within 12 months	● See page 25
80% of fatal investigations completed within 12 months of HSE assuming primacy	○ See page 24
Board to agree refreshed communication materials on HSE enforcement policies, with updates to how we manage complaints and (potentially) fee structures	●
User test and publish the new communication materials	●

25 Registration, Evaluation, Authorisation and Restriction of Chemicals.

<b>Business Plan milestone</b>	<b>Status</b>
<b>Reduce the likelihood of low-frequency, high-impact catastrophic incidents</b>	
Proactively engage with industry bodies and other regulators to ensure ongoing focus on safe production offshore and to coordinate activity within a challenging economic environment	●
Commence publication of offshore inspection scores covering effectiveness of asset management	●
Embed the new Offshore Directive regime, with assessment of safety cases received in line with the agreed transitional programme	●
Deliver a programme of interventions focused on the key risks at all 52 highest category offshore sites, and 98 lower category sites	●
Assess COMAH 2015 compliant safety reports submitted to the joint Competent Authority within 12 months of receipt	●
Deliver a programme of interventions focused on the key risks at circa 500 high-hazard sites (including all circa 160 Category A COMAH sites)	●
Engage at a senior level with the COMAH Strategic Forum (SF), to deliver improved major hazard management across industry and to ensure efficient and effective delivery of the regulatory regime:	
◆ Regular meetings of the COMAH SF and its working groups, taking forward agreed actions	●
◆ With the COMAH SF, develop an updated strategy for the chemical processing, refining, bulk storage and distribution sector	●
Undertake a fundamental review of HSE policies and systems for licensing the manufacture and storage of explosives, taking into account changes in the sector. Publish findings and recommendations	●
Work with stakeholders on governance arrangements for key developments in the biosciences to establish a supportive business environment for synthetic biology, through the Synthetic Biology Leadership Council Governance Subgroup	●
Build on the work of other government departments to assess the potential changes to the risk profile of the major hazards sector from an increased cyber threat. Complete review and publish summary report	●

## 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 minimise its environmental impact against the Greening Government Commitments (GGCs) to be reached by 2020. We have been progressing well against this longer-term aim as a result of an ongoing internal strategy to rationalise and downsize the estate.

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




- implementing energy-saving technologies and initiatives;
- adopting strategies to minimise the environmental impacts of business travel;
- using utilities in a responsible and economic way to minimise negative impacts on the environment;
- managing waste and minimising volumes going to landfill, by re-use and recycling wherever possible;
- 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 ISO 14001:2004 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.

## HSE’s Sustainability report

Detailed information on HSE’s environmental performance can be found in our Sustainability report.<sup>26</sup>

A summary of HSE’s performance at March 2017 against the GGCs to be reached by 2020 is provided in Table 2.

**Table 2** Performance against GGCs compared to the baseline year (2011/12 for paper; 2009/10 for others) and government reduction target (where appropriate)

		<b>Government reduction target to 2020</b>	<b>Progress against reduction target at 31 March 2017</b>
<b>CO<sub>2</sub></b>	Greenhouse gas emissions	32%	<b>28%</b>
	Waste	Continue to reduce <sup>27</sup>	<b>39%</b>
<b>H<sub>2</sub>O</b>	Water	Continue to improve <sup>28</sup>	<b>48%</b>
	Paper	50% <sup>29</sup>	<b>9%</b> <sup>30</sup>
	Domestic flights	30%	<b>29%</b>

**Dr Richard Judge**  
 Chief Executive and Accounting Officer  
 Health and Safety Executive  
 22 June 2017

26 [www.hse.gov.uk/aboutus/reports/](http://www.hse.gov.uk/aboutus/reports/) – the latest Sustainability report will be available from end of June 2017.  
 27 Against 2009/10 baseline at 596.78 tonnes of waste compared to 2016/17 at 363.69 tonnes.  
 28 Against 2009/10 baseline with water at 48 758 litres and 2016/17 25 544 litres.  
 29 Baseline for paper was set in 2011/12 at 26 924 and 2016/17 at 24 538.  
 30 The reduction in paper is at 9% in 2016/17, compared to 13% in 2015/16 – the reduction % should increase going forward into 2017/18 once the new printers have had time to bed in. HSE continues to purchase 100% recycled paper (a fully closed loop system) as standard since April 2012 and all printers are set to double-sided printing as default.

# Accountability - Corporate Governance Report

## Corporate governance report

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

## The Directors' report

### HSE structure

HSE is led by a non-executive Board chaired by Martin Temple. The Board sets the organisation's long-term direction, strategy and objectives. The delivery of these, along with the day-to-day management of HSE, is the responsibility of the Chief Executive, Dr Richard Judge, and the Management Board (MB). Further details on HSE's organisational structure can be found on our website.<sup>31</sup>

### Managing conflicts of interest

Information on how we manage conflicts of interest can be found in the Governance statement on page 48.

### HSE whistleblowing policy

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

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

There were no concerns or issues reported during 2016/17.

### Personal data-related incidents

There were no reportable incidents of lost protected personal data that required formal reporting to the Information Commissioner's Office in 2016/17.

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

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

**Complaints**

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

The Parliamentary and Health Service Ombudsman (PHSO) is responsible for investigating formal complaints made by the public against government departments. The data in Table 3 is taken from the latest available PHSO annual analysis of the complaints it received about HSE during 2015/16.<sup>32</sup>

**Table 3** Complaints received by the PHSO about HSE in 2015/16

Enquiries received	Complaints assessed	Complaints resolved through intervention	Complaints accepted for investigation	Investigations upheld or partly upheld	Investigations not upheld
40	15	0	5	3	4

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

In 2016/17, HSE received over 4430 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 January 2017) 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 has continued to refine and modernise its recruitment marketing, including developing our Employee Value Proposition. This includes greater use of social media marketing, achieving improved value for money. These enhancements have helped HSE fill many of its niche scarce skill specialist engineering vacancies, and help professionalise a number of corporate functions, including IT, digital, communications and HR roles.

32 [www.ombudsman.org.uk/sites/default/files/Complaints\\_about\\_parliamentary\\_departments\\_2015-16.pdf](http://www.ombudsman.org.uk/sites/default/files/Complaints_about_parliamentary_departments_2015-16.pdf)

**Employee health and safety**

We have strengthened our corporate health, safety and wellbeing team to refresh systems, processes and management arrangements. As we progress the alignment of our two safety management systems following the integration of our laboratory, we will adopt a proportionate approach to health and safety management and sustain our accreditation to Occupational Health and Safety Assessment Standard (OHSAS) 18001:2007 for our laboratory activities.

HSE has worked closely with trade union colleagues to develop new governance arrangements for safety management which enable us to draw on our breadth of expertise and facilitate wider employee engagement as we move into 2017/18.

We are working with government departments developing the civil service health and wellbeing priorities, which will be published later in the year. We are developing our own wellbeing strategy to support these priorities – whilst enabling focus on the areas which are important to us – and we will continue to focus on stress, as a potential issue, and the prevention of musculoskeletal disorders. As we align HSE’s workspaces to reflect the future Government Hub strategy we will consider the diversity of our workforce and the availability of suitable workplace adjustments.

**Table 4** Health and safety incidents in HSE<sup>33</sup> during 2016/17

Event category	<b>Reported in 2016/17</b>	Reported in 2015/16	Reported in 2014/15
Accident <sup>34</sup>	<b>28</b>	48	55
Incident <sup>35</sup>	<b>171</b>	234	223
Ill health <sup>36</sup>	<b>65</b>	77	62

Our response to an incident in October 2016 at our Buxton site is described in the Governance statement on page 52.

33 Includes Buxton site – data source [www.hse.gov.uk/aboutus/reports/hsinhse1516.pdf](http://www.hse.gov.uk/aboutus/reports/hsinhse1516.pdf).  
 34 Includes specified, over 7-day and minor injuries.  
 35 Includes dangerous occurrence, near-miss, possible dangerous exposure, property damage and verbal abuse.  
 36 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 consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis, unless it is inappropriate to presume that the Executive will continue in operation.

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

### Accounting Officer's statement

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

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

## **Governance statement**

### **Introduction**

This Governance statement sets out HSE's governance, risk management and internal control arrangements. It applies to the 2016/17 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, remains in force and is primarily for ministerial departments. However, arm's length bodies (ALBs) 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 2015/16. This document is available on HSE's website.<sup>37</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.

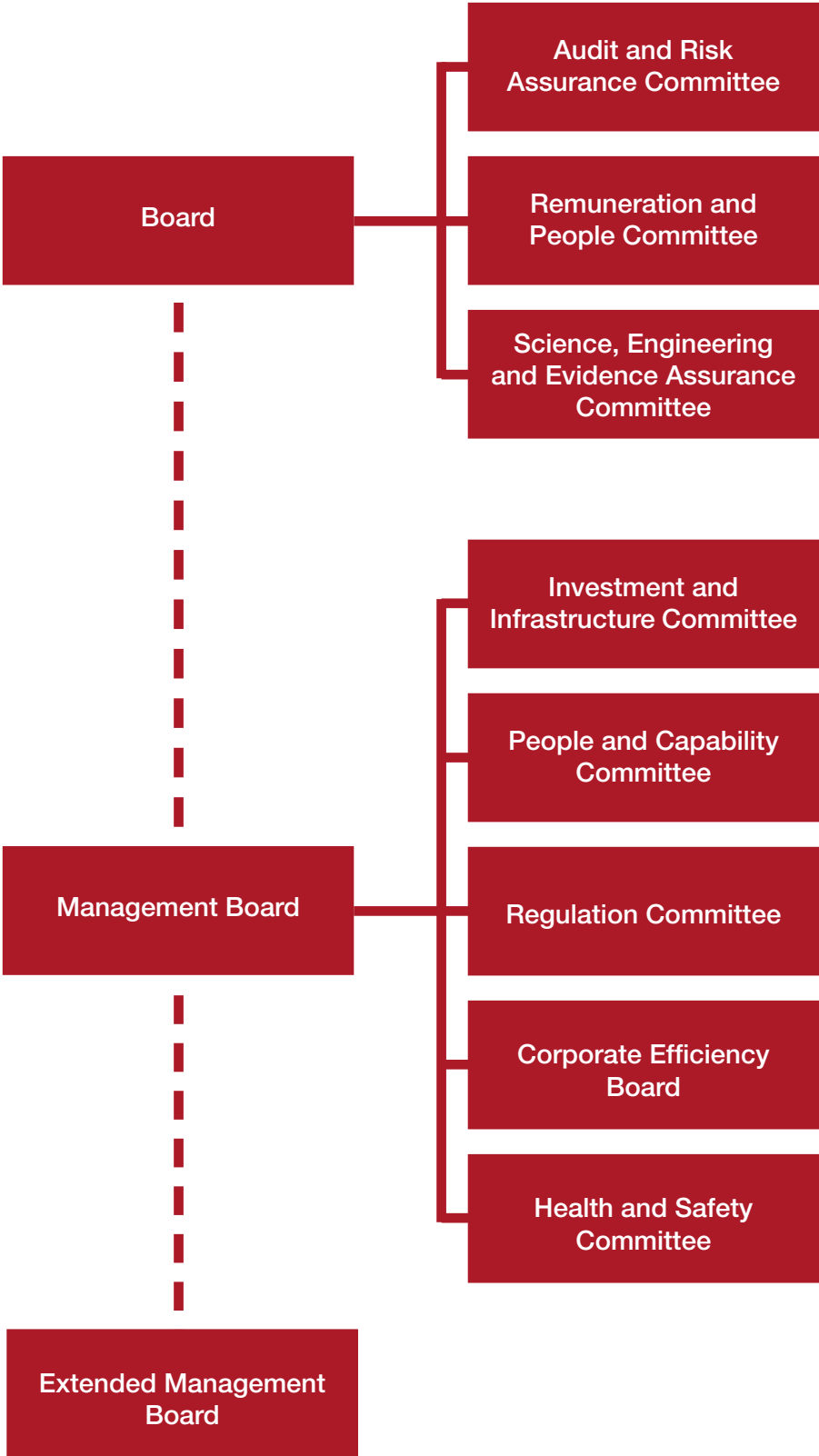
### **Ministerial directions**

No ministerial directions were given in 2016/17.

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37 [www.hse.gov.uk/aboutus/howwework/management/index.htm](http://www.hse.gov.uk/aboutus/howwework/management/index.htm)

**Figure 8** HSE's governance structures



## Governance within HSE

### HSE Board

HSE Board members are all non-executive directors (NEDs) appointed by the Secretary of State and bring together a wide range of backgrounds, skills and expertise. Membership and biographies of board members are available on HSE's website.<sup>38</sup> A total of four new NEDs were appointed during the year 2016/17.

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

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

- engaging with stakeholders to promote collective ownership of the new strategy for the health and safety system of Great Britain, HGBWW;
- overseeing the development of strategies for improving occupational ill-health performance and industry sector plans for improving health and safety performance for priority sectors;
- scrutinising the health and safety performance 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;
- consideration of the Corporate Risk Register;
- ensuring the continued implementation of HSE's financial strategy through scrutiny of HSE's financial performance;
- review and approval of HSE's health and safety policy;
- the Chief Executive's report, highlighting issues of note.

The Board and its 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 (HR); key performance indicators and risk. Internal controls are in place to ensure the integrity and quality of the data supplied, and allow informed business decisions.

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

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

The Board undertook a self-effectiveness review during 2016/17. Board members and key HSE senior managers completed a questionnaire on creating and running an effective Board, strategic foresight and performance management. The responses to the self-effectiveness questionnaire provided clear assurance about the effectiveness of the HSE Board, whilst identifying areas for consideration, ongoing improvement and immediate action. These areas included reviewing the structure of Board meetings and their agendas to ensure appropriate opportunity for consideration of issues and effective decision-making, and taking steps to ensure new Board members have an early understanding of the role of the Board, in particular for legislative issues.

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

ARAC comprises three NEDs of the HSE Board (one of whom is appointed as Chair of ARAC) and two independent external members. Kash Pandya, independent member, retired from office on 31 March 2017.

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

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

The Committee meets this aim by:

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

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

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

- considered the review of HSE management of strategic and operational risks to ensure that it maintained HSE's strong internal control mechanisms;

- continued with its series of deep dives of risk management, with a particular focus on Chemicals Regulation Division, IT transformation and Business Continuity.

Its terms of reference were reviewed and remain fit-for-purpose. A review of the effectiveness of ARAC was undertaken and the outcome confirmed that it is effective and operating in line with current requirements and good practice.

### **Remuneration and People Committee**

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

Key responsibilities are to:

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

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

- Leadership Development and HSE's Wider Development Framework;
- changes to HSE's Performance Management policy;
- the results of the People Survey.

### **Science, Engineering and Evidence Assurance Committee**

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

In delivering its role, the committee provides assurance to the HSE Board by scrutinising and advising on:

- the development and subsequent delivery of a Science and Engineering strategy aligned to HSE's overall strategic objectives;
- the proposed scientific objectives for the coming business year;
- progress against scientific objectives at the end of the business year;
- science and engineering outputs;
- a rolling quinquennial review to ensure that HSE's scientific activity and outputs compare favourably with the work of similar organisations in the UK and overseas.

The inaugural year provided a comprehensive overview of the diverse range of capabilities and its practical application in providing multi-disciplinary solutions.

## Management Board

Chaired by the Chief Executive, the Management Board<sup>39</sup> meets formally once a month, working closely with the HSE Board to drive HSE's long-term performance. The Management Board is accountable to the HSE Board for delivery of its strategy and objectives and to Parliament for effective day-to-day management of HSE.

Key responsibilities of the Management Board are to:

- provide leadership for people across HSE;
- set HSE's strategy and delivery;
- make policy and strategic decisions.

The Management Board is supported by:

- Investment and Infrastructure Committee – responsible for ensuring that major investments (eg information technology) are focused on HSE's goals and intended outcomes are achieved;
- People and Capability Committee – responsible for ensuring that HSE's policies for developing its people and capabilities are taken forward, including responding to employee feedback;
- Regulation Committee – responsible for developing advice on regulatory policies and priorities, and ensures these are implemented effectively;
- Corporate Efficiency Board – scrutinises staffing and expenditure business cases;
- Health and Safety Committee – the main forum for joint consultation between management and unions on health and safety matters affecting HSE's people, contractors and visitors.

## Extended Management Board

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

Key responsibilities of the Extended Management Board are to:

- provide leadership for operational and regulatory performance;
- add frontline and specialist experience;
- decide how to implement Management Board decisions;
- consider reports from its sub-committees as well as finance, performance and risk issues.

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

**Table 5** Board and committee attendance during 2016/17

<b>Board member</b> (Term of office)	Board		Audit & Risk Assurance Committee		People & Remuneration Committee		Science, Engineering & Evidence Assurance Committee	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
Chair: Martin Temple CBE (1 May 2016 – 31 July 2019)	7	7			3	3		
George Brechin OBE <sup>40</sup> (1 Apr 2013 – 31 Dec 2019)	8	8			2	2		
Nick Baldwin <sup>41</sup>	8	7						
Jonathan Baume <sup>42</sup> (1 June 2016 – 31 Dec 2019)	8	8						
Isobel Garner (1 Apr 2015 – 31 July 2017)	8	8	4	4(2 as C)	3	3		
Martyn Thomas CBE (1 Oct 2014 – 30 Sept 2019)	8	8					4	4
Sarah Pinch (1 Oct 2014 – 30 Sept 2019)	8	7						
Kevin Rowan (1 Oct 2016 – 31 July 2021)	5	5						
Ken Robertson (1 Oct 2016 – 31 July 2021)	5	4					2	2
Janice Crawford (1 July 2016 – 31 July 2021)	7	7	2	0				
Susan Johnson OBE (1 June 2016 – 31 July 2021)	7	6	2	2				
Sir Paul Kenny (1 Oct 2013 – 30 Sept 2016)	3	1						
Frances Outram (1 Oct 2013 – 30 Sept 2016)	3	3	2	2 (C)	1	1		

- 40 George Brechin's appointment came to an end on 31 March 2016. He was subsequently reappointed for a period of 2 months from 1 April 2016 and was appointed as interim Chair from that date until 30 April 2016, then reappointed for a period of 3 years 7 months from 1 June 2016.
- 41 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.
- 42 Jonathan Baume's appointment came to an end on 31 March 2016. He was subsequently reappointed for a period of 2 months from 1 April 2016, then reappointed for a period of 3 years 7 months from 1 June 2016.



<b>Board member</b> (Term of office)	Board		Audit & Risk Assurance Committee		People & Remuneration Committee		Science, Engineering & Evidence Assurance Committee	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
<b>Independent members of the Audit and Risk Assurance Committee</b>								
Kash Pandya (1 Apr 2010 – 31 Mar 2017)			4	4				
Graham Aitken (1 Oct 2011 – Ongoing)			4	4				

A – Maximum number of meetings the individual could have attended

B – Number of meetings the individual attended

C – ARAC Chair

Note: Board and ARAC meetings are also attended by HSE's Accounting Officer.

## Managing conflicts of interest

All members are asked to declare any potential conflicts of interest at each board and committee meeting, and this is recorded in the minutes, along with any action taken. All NEDs (and the independent members of ARAC) are required to declare any personal or business interest in a register of interests<sup>43</sup> which is reviewed annually.

## Significant lapses of protective security

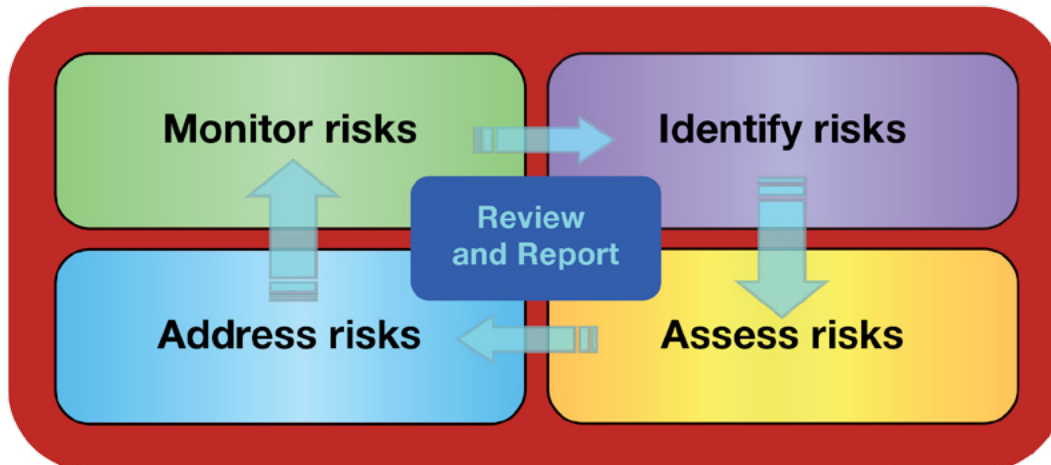
There were no significant lapses recorded during 2016/17.

## 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, whilst 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 during 2016/17 aligned with how we managed our activities, allocated resources and measured and reviewed our performance. Risk registers were 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 were evaluated using a risk assessment matrix of likelihood and impact, which provided a colour-coded rating on the severity of each risk. This allowed risks to be prioritised by highlighting those that were the most significant. Dependent on their rating, risks were escalated and relegated through the

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43 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)

hierarchy of risk registers in HSE to ensure that they were managed by the appropriate level of the business.

The HSE corporate risk register (CRR) contained the most significant risks facing HSE in the delivery of its objectives and which required corporate oversight, in line with the risk appetite set by the Board.

A fundamental review of risk management was undertaken during 2016/17. From 2017/18, there will be separate identification and reporting of strategic, external and operational risks to provide greater clarity and focus, enabling discussion of risks at the most appropriate times and organisational levels.

Strategic and external risks will be considered by the HSE Board and Management Board on a six-monthly basis – this is considered appropriate due to the longer timeframes associated with managing strategic risks. A hierarchy for reporting operational risks will be introduced – with only those risks above certain thresholds being reported to Management Board and HSE Board respectively. We expect the new framework to have been fully embedded and be working effectively during the second half of 2017/18.

### **Monitoring and reporting on risks**

The CRR was part of integrated risk and performance reporting which emphasised 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 received reports which enabled them to:

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

ARAC's function also includes monitoring the management of risk and providing assurance to the HSE Board on the effectiveness of the organisation's risk management processes, eg 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 strategic objectives are outlined in Table 6, together with the actions we have taken in 2016/17 as mitigation.

**Table 6** The risks to our performance – what they are and the action we are taking

<b>Principal risk</b>	<b>Mitigating action includes</b>
<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>	<ul style="list-style-type: none"> <li>● Modernised the approach to learning in the Regulatory Training Programme, using a rich mix of learning interventions, while sustaining quality of the outcome in terms of competent regulators.</li> <li>● Developed our capability to effectively regulate onshore shale gas extraction and dutyholders’ measures to secure cyber-security.</li> <li>● Established and built a behavioural evidence and insight team.</li> <li>● Transformed our communications activities, supported by changes in structure/professional capability.</li> <li>● Produced a foresight report, based on systematic horizon scanning to identify future workplace challenges and prioritise investments.</li> </ul>
<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>Failure would result in the inability to fulfil our statutory obligations or core activities, potentially resulting in reputational damage.</p>	<ul style="list-style-type: none"> <li>● Improved our understanding of equality and diversity and unconscious bias, through our networks and learning and development.</li> <li>● Continued to develop our leadership and management skills by extending HSE’s current development programme to include existing managers and those in senior roles.</li> <li>● Reinvigorated learning and development, covering both professional and support capability, to give us the future skills we need.</li> <li>● Aligned reward strategies with the markets we recruit from, within overall context of civil service practice.</li> <li>● Drove organisational performance with an improved approach to individual performance management.</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>Failure to do this would mean that we are unable to preserve and maintain HSE's philosophy, capacity and capability as an effective risk-based regulator.</p>	<ul style="list-style-type: none"> <li>● Targeted senior level recruitment to bring in commercial expertise.</li> <li>● Restructured Science Directorate to drive a market-led (as opposed to skills-led) approach.</li> <li>● Continued to grow shared research to generate income of £1m in 2016/17.</li> <li>● Developed the concept of a Regulatory Intelligence Hub to capitalise on sharing of data between government departments.</li> <li>● Established links into the Government Digital Service and other departments and tested viability of alternative funding streams for development of a number of IT-related products.</li> </ul>
<p><b>Driving operational efficiency and effectiveness</b></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>Failure to do this would mean that HSE is unable to deliver operational activities/processes or share information effectively and efficiently.</p>	<ul style="list-style-type: none"> <li>● Delivered the next phase of the IT improvement programme to modernise systems, improve users' experience and confidence in systems and address resilience concerns in respect of business continuity.</li> <li>● Created an in-house digital services capability to deliver projects.</li> <li>● Delivered savings from better procurement and contract management in the areas of communications, legal support, storage and logistics.</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.

### **The Accounting Officer's annual review of governance effectiveness**

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

#### **Extended Management Board letters of assurance**

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

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

A number of Management Board and Extended Management Board members presented to an Assurance Panel, which included 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 2017/18 and progress will be monitored.

In particular, I noted that:

- delays in processing HSE's electronic billing files were identified in the last few months of the financial year. The Director of Finance escalated these issues with Shared Services Connected Limited's (SSCL's) CEO and brought the matter to the attention of Cabinet Office (as the Framework Authority). A rectification plan has been put in place and HSE's Shared Services Account Manager is tracking performance in this area;
- following an incident in October 2016 at our Buxton site, action has been taken to comply with a Crown Improvement Notice. A Notification of Contravention was issued in April 2017 detailing four areas for further improvement. All of these areas were identified through the internal investigation. A health and safety Task and Finish group has been set up under the Laboratory Hazards Sub-committee of the Health and Safety Committee who will take forward and share lessons learnt as we implement the improvement actions. The individual involved in the incident has returned to work and is expected to make a full recovery.

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

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

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

PWC's opinion is qualified as there are areas where controls did not work as effectively as SSCL anticipated. For HSE, these areas are information technology; human resources and order to cash (debtors). I can confirm that there is no material impact on the financial statements as a result of these findings.

As a result of these control weakness, HSE will introduce monthly assurance checks to satisfy ourselves that the appropriate action has been taken by SSCL. These checks will commence in June 2017 (after the introduction of the Single Operating Platform) and will continue until I receive assurance that SSCL has put adequate controls in place.

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

- where a control has not been followed an investigation has taken place to understand the cause and remedial action has already taken place or is planned;
- where evidence is missing or not retained SSCL is addressing this by ensuring evidence is retained, procedures are up-to-date and additional management checks are implemented where required;
- SSCL will review and implement any recommended control improvements in order to strengthen the control environment and this is already underway.

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

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

### **Internal Audit assurance**

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

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

Internal Audit's overall opinion is that HSE's system of risk management, governance and internal control provides moderate assurance relating to the effective and efficient achievement of its objectives. Out of a total of 26 assurance reports Internal Audit has issued no unsatisfactory opinions and 4 limited assurance reports (configuration and management of Active Directory, Business Continuity Planning at our Buxton site, Software Licensing and End of Year information assurance process).

Internal Audit noted complementary assurance from the auditors of SSCL and HSE's Business Assurance teams and positive progress in implementing a number of recommendations from previous reviews. Internal Audit also noted the progress being made in addressing previously reported IT vulnerabilities through additional investment.

## **National Audit Office**

The National Audit Office produced its report to those charged with governance on completion of their audit of the 2016/17 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  
22 June 2017



# Accountability - Remuneration and staff report

## Remuneration and staff report overview

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

## Remuneration report

### Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment principles published by the Civil Service Commission<sup>44</sup> specify the circumstances when appointments may be made otherwise.

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

### Remuneration policy

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

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.

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

## 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 7** Remuneration (this information is subject to audit)

### Single total figure of remuneration

	Salary (£'000)	Bonus payments (£'000)	Taxable expenses and other benefit in kind to nearest £100	Pension benefits (to nearest £1000) <sup>45</sup>	Total (£'000)					
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
<b>Chief Executive</b>										
Dr Richard Judge	<b>165-170</b>	160-165	<b>15-20</b>	10-15	-	-	<b>35 000</b>	141 000	<b>215-220</b>	315-320 <sup>46</sup>

\*The change in Dr Judge's salary banding in 2016/17 was due to a 1% pay increase.

45 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.

46 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 pension's benefit of £141k.

**Table 8** Single total figure of remuneration (subject to audit)

	Salary (£'000)		Bonus payments (£'000)		Taxable expenses and other benefits in kind to nearest £100		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
<b>Board members</b> (includes term of office unless previously stated in Table 5)								
Martin Temple CBE	<b>75-80</b>	-	-	-	<b>8 000</b>	-	<b>80-85</b>	-
Dame Judith Hackitt (1 Oct 2007 – 31 Mar 2016)	-	85-90	-	10-15	-	800	-	95-100
George Brechin OBE	<b>15-20</b>	15-20	-	-	<b>300</b>	300	<b>15-20</b>	15-20
Nick Baldwin <sup>47</sup>	-	-	-	-	-	-	-	-
Jonathan Baume	<b>15-20</b>	15-20	-	-	<b>400</b>	400	<b>15-20</b>	15-20
Isobel Garner	<b>15-20</b>	15-20	-	-	<b>400</b>	400	<b>15-20</b>	15-20
Martyn Thomas CBE	<b>15-20</b>	15-20	-	-	<b>200</b>	500	<b>15-20</b>	15-20
Sarah Pinch	<b>15-20</b>	15-20	-	-	<b>600</b>	1 100	<b>15-20</b>	15-20
Kevin Rowan	<b>5-10</b>	-	-	-	<b>200</b>	-	<b>5-10</b>	-
Ken Robertson	<b>5-10</b>	-	-	-	-	-	<b>5-10</b>	-
Janice Crawford	<b>10-15</b>	-	-	-	<b>300</b>	-	<b>10-15</b>	-
Susan Johnson OBE	<b>10-15</b>	-	-	-	<b>100</b>	-	<b>10-15</b>	-
Sir Paul Kenny	<b>5-10</b>	15-20	-	-	-	-	<b>5-10</b>	15-20
Frances Outram	<b>5-10</b>	15-20	-	-	<b>700</b>	1 400	<b>5-10</b>	15-20
John Morgan (1 Mar 2013 – 31 Mar 2016)	-	15-20	-	-	-	800	-	15-20
Sarah Veale CBE (1 Oct 2012 – 30 Sept 2015)	-	10-15	-	-	-	200	-	10-15

47 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.

## Salary

'Salary' includes gross salary; performance pay; overtime; reserved rights to London weighting or London allowances; and recruitment and retention allowances. A performance-related bonus is paid to qualifying members of the senior civil service (SCS). The value of the bonus is dependent on a number of factors and is subject to the total amount of available funds. For the reporting period the total value of the funds available for SCS bonuses was 3.3% of the total SCS pay bill. This presentation is based on payments made in-year by HSE to those in Tables 7 and 8.

## Allowances, taxable expenses and benefits in kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2016/17 are based on 2015/16 performance and comparative bonuses for 2015/16 are based on 2014/15 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 2016/17 was £180–185 000 (2015/16: £170–175 000). This was 4.8 times (2015/16: 4.5) the median remuneration of the workforce, which was £38 196 (2015/16: £38 349).

In both 2016/17 and 2015/16, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19 090 to £182 500 (2015/16: £18 544 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** Chief Executive pension benefits (this information is subject to audit)

	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/17	CETV at 31/03/16	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Dr Richard Judge	65-70 Nil lump sum	0 – 2.5 Lump sum no increase	1 196	1 113	29

## Civil service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3.8% 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death-in-service and ill-health retirement).

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

Further details about the civil service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](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-executives (this information is subject to audit)

Fees and expenses amounting to £7061 (2015/16: £6731) were paid to the independent members of Audit and Risk Assurance Committee as shown in Table 10.

**Table 10** Honoraria and expenses paid to independent members of the Audit and Risk Assurance Committee

	<b>2016-17</b>	2015-16
	<b>Total honoraria and expenses</b>	Total honoraria and expenses
	<b>£'000</b>	£'000
Graham Aitken	<b>3</b>	3
Kash Pandya	<b>4</b>	4

## Staff report

Analysis of staff numbers and costs is provided in Tables 11 to 13 and Figures 10 and 11.

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

	<b>Permanently employed staff</b>	<b>Others</b>	<b>2016-17 Total</b>	2015-16 *restated Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000
Wages and salaries	<b>104 768</b>	<b>567</b>	<b>105 335</b>	108 022
Employers' National Insurance	<b>11 529</b>	-	<b>11 529</b>	9 150
Pension costs	<b>21 977</b>	-	<b>21 977</b>	22 237
Lump sum exit costs	<b>1 899</b>	-	<b>1 899</b>	217
<b>Total (as reported in the SoCNE**)</b>	<b>140 173</b>	<b>567</b>	<b>140 740</b>	139 626
Less recoveries in respect of outward secondments	<b>(85)</b>	-	<b>(85)</b>	(124)
<b>Total net costs</b>	<b>140 088</b>	<b>567</b>	<b>140 655</b>	139 502

\*2015-16 has been restated to capture lump sum exit costs previously categorised within wages and salaries.

\*\*Statement of Comprehensive Net Expenditure.

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

For 2016/17, employers' contributions of £21.9 million were payable to the PCSPS (2015/16: £22.1 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 2016/17 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 £104 291 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition,



employer contributions of £4055, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death-in-service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2017 were £9448. Contributions prepaid at that date were £nil.

Eight persons (2015/16: five persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £35 135 (2015/16: £21 775).

**Table 12** Staff numbers

The average number of full-time equivalent (FTE)

Permanent staff	Other	2016-17 Total	2015-16 Total
2 542	7	<b>2 549</b>	2 575

**Table 13** The total HSE staff in post by full-time equivalents (FTE) and occupational group as at 31 March 2017

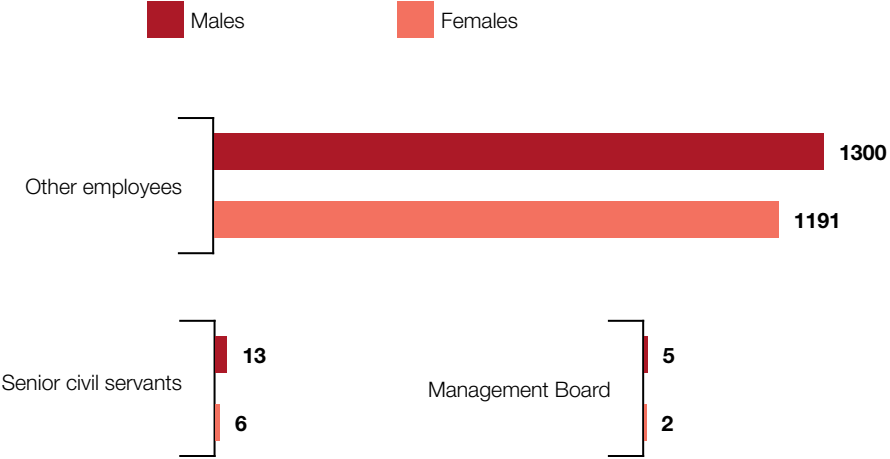
Occupational group	31 March 2017	31 March 2016	31 March 2015
Inspectors and visiting health and safety staff <sup>48</sup>	<b>1 061</b>	1 106	1 113
Other professional or specialist staff	<b>1 105</b>	1 108	1 086
Other staff	<b>351</b>	360	375
(of whom are apprentices)	<b>(30)</b>	(2)	(18)
Contingent labour <sup>49</sup>	<b>7</b>	2	1
<b>Total staff<sup>50</sup></b>	<b>2 524</b>	<b>2 576</b>	<b>2 575</b>

48 Comprises inspectors, visiting officers and regulatory compliance officers.

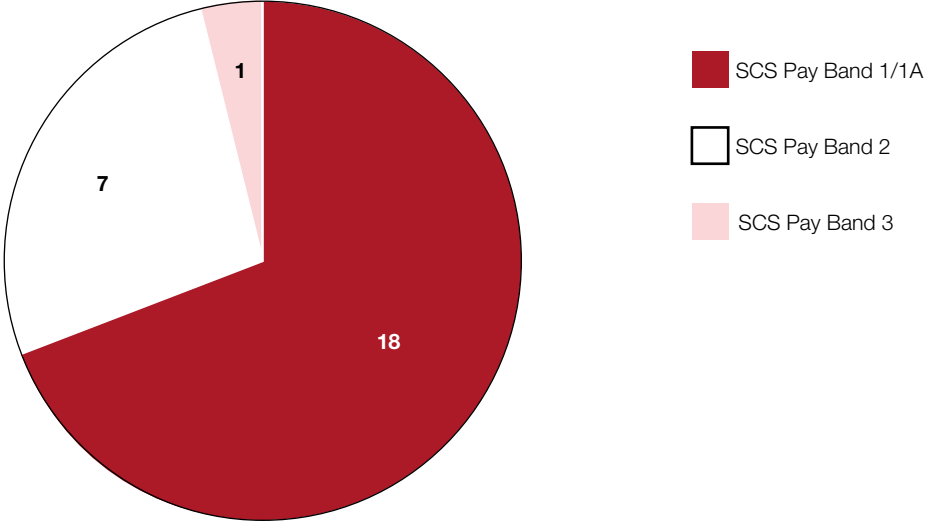
49 'Contingent labour' is defined as temporary staff not on HSE's payroll, which may include agency workers, specialist contractors, interim managers etc.

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

**Figure 10** The total HSE staff in post by FTE and gender (excluding Chair and contingent labour)



**Figure 11** Senior civil servants



## **Sickness absence data**

The 2016/17 figure for average working days lost per FTE is 7.69 in comparison to 7.24 per FTE in 2015/16. We have carried out detailed analysis of absence data to identify trends and the extent of compliance with the policy. All HSE directors have been engaged in this process to enable a more detailed understanding of absences in their areas and to agree plans for improving management capability in the area of attendance management with the aim of improving attendance within HSE.

## **Diversity and inclusion**

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 Great 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. HSE signed up to the Disability Confident scheme in November 2016 and is fully committed.

We demonstrate our commitment to the 'public sector equality duty' by publishing diversity survey statistics for staff in post on our website,<sup>51</sup> including gender statistics for senior civil servants. As at 31 March 2017, the Management Board consisted of five male and two female members.

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

## Expenditure on consultancy

There was no consultancy spend during the financial year.

## Expenditure on contingent labour

HSE spent a total of £400 181 on contingent labour during the financial year.

## High paid off-payroll engagements

Following the Review of tax arrangements of public sector appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on their highly paid and/or senior off-payroll engagements. Tables 14–16 indicate the number of off-payroll arrangements HSE has had in place.

**Table 14** For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

	Number
Number of existing engagements as of 31 March 2017 <sup>52</sup>	1
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 for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

52 All existing off-payroll engagements outlined in Table 14 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 15** For all new off-payroll engagements, or those that reached six months in duration between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

	Number
Number of new engagements, or those that reached six months in duration, between 1 April and 31 March 2017	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 <sup>53</sup>
Number for whom assurance has been requested	3
Of which:	
Number for whom assurance has been received	2
Number for whom assurance has not been received	1
Number that have been terminated as a result of assurance not being received	0 <sup>54</sup>

**Table 16** For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

	Number
Number of off-payroll engagements of board members and/or senior officials with significant responsibility, during the financial year	0 <sup>55</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	3 <sup>56</sup>

- 53 All current off-payroll engagements have been assessed using HMRC's 'employment status for tax' tool and arrangements made to deduct tax at source, where appropriate, effective from 6 April 2017.
- 54 The individual for whom assurance has not been received had left HSE prior to assurance being requested. Consequently, the contract did not need to be terminated but details of the individual's engagement with HSE have been passed to HMRC.
- 55 Paul Kenny's reimbursement of salary and expenses was paid directly to his employer (GMB trade union) who has responsibility for reporting any tax liability.
- 56 The three individuals are the Chief Executive; Director of Planning, Finance and Procurement; Director of Science and Commercial.

## Exit packages

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

There was a voluntary exit (VE) scheme during 2016/17, with 48 staff departures agreed prior to 31 March 2017 and the remaining 15 in Table 17 being non-VE scheme exits. At the year-end, not all staff had left but all departures had been formally agreed and the costs have been accrued during 2016/17 and recognised in the SoCNE. There were no compulsory redundancies in 2016/17 (2015/16: nil).

**Table 17** Exit packages (subject to audit)

Exit package cost band	Number of other departures agreed <sup>57</sup>	
	2016-17	2015-16
< £10 000	2	1
£10 000 – £25 000	24	2
£25 000 – £50 000	29	1
£50 000 – £100 000	8	2
£100 000 – £350 000	-	-
<b>Total number of exit packages by type</b>	<b>63</b>	<b>6</b>
<b>Total resource cost £</b>	<b>1 898 702</b>	<b>216 759</b>

57 There were no compulsory redundancies during 2015/16 or 2016/17.

# Accountability - Parliamentary accountability and audit report

## Parliamentary accountability and audit report

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

### Regularity of expenditure

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

Special payments made by HSE to staff and members of the public amounted to five cases during 2016/17 to the value of £31 000 (2015/16: 2 cases totalling £40 000).

**Table 18** Losses and special payments (this information is subject to audit)

	<b>2016-17</b>	<b>2016-17</b>	2015-16	2015-16
	<b>No of cases</b>	<b>£'000</b>	No of cases	£'000
Cash losses	<b>22</b>	<b>9</b>	32	16
Claims waived or abandoned	<b>2 041</b>	<b>1 667</b>	1 065	1 664
Fruitless payments	<b>2</b>	<b>1</b>	4	1
Stock, stores and obsolete publications	<b>4</b>	-	36	8
<b>Total losses</b>	<b>2 069</b>	<b>1 677</b>	1 137	1 689
<b>Special payments</b>	<b>5</b>	<b>31</b>	2	40
<b>Total losses and special payments</b>	<b>2 074</b>	<b>1 708</b>	1 139	1 729

### HSE fees and charges

HSE's activities include certain chargeable services, each of which is subject to a financial objective of full-cost recovery (refer to Table 19).

**Table 19** HSE fees and charges (this information is subject to audit)

	2016-17			2015-16		
	Income £'000	Cost £'000	Surplus/ (deficit) £'000	Income £'000	Cost £'000	Surplus/ (deficit) £'000
<b>HSE fees and charges</b>						
Biocides and plant protection	15 710	15 385	325	13 472	14 360	(888)
Control of major accident hazards	10 675	12 576	(1 901)	10 541	12 709	(2 168)
Enforcement of offshore safety legislation	17 862	18 570	(708)	17 397	18 404	(1 007)
Fee for intervention	14 925	16 636	(1 711)	14 706	17 448	(2 742)
	59 172	63 167	(3 995)	56 116	62 921	(6 805)
Other HSE fees and charges	1 892			1 924		
Total fees and charges	61 064			58 040		

### Long-term expenditure trends

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

HSE's financial strategy encompasses sustaining investment in key enabling areas such as modernisation of information and technology, staff training/development and better use and application of management information.

Savings will be generated through improved procurement and contract management, delivering an estates strategy based on rationalising overall use of space, delivery of operational efficiencies and economies through revised ways of working and growing cost recovery and commercial income.

**Table 20** Expenditure plans (net income)

	2015-16 (£m)	2016-17 (£m)	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)
Forecast taxpayer-funded income to HSE	142.6	140.0	135.6	128.5	128.4

### Dr Richard Judge

Chief Executive and Accounting Officer  
Health and Safety Executive  
22 June 2017



## **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 2017 under the Health and Safety at Work etc Act 1974. The financial statements comprise of 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 Accounting Officer and Auditor**

As explained more fully in the Statement of the Executive's and the Chief Executive's Responsibilities, the Accounting Officer is 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 annual 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 and report.

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 2017 and of 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

26 June 2017

# Financial statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

(The notes on pages 78-98 form part of these accounts.)

	Notes	2016-17 £'000	2015-16 £'000
Staff costs	2	140 740	139 626
Other operating costs	3	83 356	84 243
<b>Total operating expenditure</b>		<b>224 096</b>	223 869
Fees and charges	4	(61 064)	(58 040)
Other operating income	4	(29 729)	(31 590)
EU income	4	(44)	(110)
<b>Total income</b>		<b>(90 837)</b>	(89 740)
<b>Net operating expenditure</b>		<b>133 259</b>	134 129
<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	(20 510)	(2 331)
<b>Comprehensive net expenditure</b>		<b>112 749</b>	131 798

All income and expenditure for the year ended 31 March 2017 is derived from continuing operations.

## Statement of Financial Position as at 31 March 2017

(The notes on pages 78-98 form part of these accounts)

	Notes	31 March 2017 £'000	31 March 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	110 097	89 629
Intangible assets	6	1 284	1 112
Trade and other receivables due after more than one year	7	1 520	1 178
<b>Total non-current assets</b>		<b>112 901</b>	91 919
<b>Current assets</b>			
Inventories		-	550
Trade and other receivables	7	36 356	32 058
<b>Total current assets</b>		<b>36 356</b>	32 608
<b>Total assets</b>		<b>149 257</b>	124 527
<b>Current liabilities</b>			
Trade and other payables	9	(35 749)	(34 206)
Provisions & pension liabilities	10	(148)	(81)
<b>Total current liabilities</b>		<b>(35 897)</b>	(34 287)
<b>Total assets less current liabilities</b>		<b>113 360</b>	90 240
<b>Non-current liabilities</b>			
Other payables	9	(96 816)	(99 215)
Pension liabilities	10	(1 337)	(1 250)
<b>Total non-current liabilities</b>		<b>(98 153)</b>	(100 465)
<b>Total assets less total liabilities</b>		<b>15 207</b>	(10 225)
<b>Taxpayers' equity</b>			
General fund		(14 670)	(19 600)
Revaluation reserve		29 877	9 375
<b>Total taxpayers' equity</b>		<b>15 207</b>	(10 225)

### Dr Richard Judge

Chief Executive and Accounting Officer  
Health and Safety Executive  
22 June 2017

### Isobel Garner

Chair of the Audit Committee  
Health and Safety Executive  
19 June 2017

## Statement of Cash Flows for the year ended 31 March 2017

(The notes on pages 78-98 form part of these accounts)

	Notes	2016-17 £'000	2015-16 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		<b>(133 259)</b>	(134 129)
Adjustments for non-cash transactions	3	<b>8 876</b>	8 392
(Increase)/decrease in trade and other receivables	7	<b>(4 640)</b>	160
Less movements in receivables relating to impairments	3	<b>(1 782)</b>	(1 882)
Increase/(decrease) in trade payables	9	<b>(911)</b>	2 525
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		<b>2 397</b>	(1 935)
Decrease in inventories		<b>550</b>	167
Use of provisions	10	<b>(80)</b>	(116)
<b>Net cash outflow from operating activities</b>		<b>(128 849)</b>	(126 818)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(6 867)</b>	(4 142)
Purchase of intangible assets		<b>(764)</b>	(215)
Proceeds of disposal of property, plant and equipment		<b>381</b>	240
<b>Net cash outflow from investing activities</b>		<b>(7 250)</b>	(4 117)
<b>Cash flows from financing activities</b>			
Funding from DWP		<b>138 181</b>	135 012
Capital element of payments in respect of finance leases and on-statement of financial position PFI contracts	9	<b>(2 137)</b>	(1 972)
<b>Net financing</b>		<b>136 044</b>	133 040
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>(55)</b>	2 105
Payments of amounts to the Consolidated Fund		-	(2 296)
<b>Net increase/(decrease) in cash &amp; cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	8	<b>(55)</b>	(191)
<b>Cash and cash equivalents at the beginning of the period</b>	8	<b>(53)</b>	138
<b>Cash and cash equivalents at the end of the period</b>	8	<b>(108)</b>	(53)

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

(The notes on pages 78-98 form part of these accounts)

	Notes	(a) General Fund	(b) Revaluation Reserve	Total Reserves
		£'000	£'000	£'000
<b>Balance at 31 March 2015</b>		(16 905)	7 172	(9 733)
Funding from DWP		135 012	-	135 012
Consolidated Fund Extra Receipt payments*		(3 706)	-	(3 706)
Comprehensive net expenditure for the year		(131 798)	-	(131 798)
Movements in reserves:				
– Net gain on revaluation	5	-	2 331	2 331
Recognised in Statement of Comprehensive Net Expenditure		(2 331)	-	(2 331)
Transfer between reserves		128	(128)	-
<b>Balance at 31 March 2016</b>		(19 600)	9 375	(10 225)
<b>Funding from DWP</b>		<b>138 181</b>	<b>-</b>	<b>138 181</b>
<b>Comprehensive expenditure for the year</b>		<b>(112 749)</b>	<b>-</b>	<b>(112 749)</b>
<b>Movements in reserves:</b>				
<b>Additions – Net gain on revaluation</b>	5	<b>-</b>	<b>20 510</b>	<b>20 510</b>
<b>Recognised in Statement of Comprehensive Net Expenditure</b>		<b>(20 510)</b>	<b>-</b>	<b>(20 510)</b>
<b>Transfer between reserves</b>		<b>8</b>	<b>(8)</b>	<b>-</b>
<b>Balance at 31 March 2017</b>		<b>(14 670)</b>	<b>29 877</b>	<b>15 207</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 were payable to the Exchequer via the Consolidated Fund. The cap was set at £17 million in 2016-17, with FFI below this level no payment was required 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 2016-17 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 2017 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).

Current assessments indicate that IFRS 9 and 15 will not have a material impact upon the financial statements whilst IFRS 16 will have a material impact. A full assessment of the impact of these standards will be completed in due course when further guidance is provided from HM Treasury. These standards 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 non-current asset revaluations, depreciation and amortisation periods, provisions, early departure costs and impairment.

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.

### **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.

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

In line with IFRS 8 analysis is undertaken to identify whether 10% of income is received from a single customer.

## **1.8 Non-current assets**

### *Property, plant and equipment*

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

### *Land and buildings*

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

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

### *Intangible assets*

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

### *Capitalisation and depreciation/amortisation*

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

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

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

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

### *Revaluation and impairment*

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

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

## **1.9 Financial assets and liabilities**

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

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

## **1.10 Provisions**

Provisions are recognised in accordance with IAS 37 and are valued using the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury.

### **1.11 Pensions**

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.

For previous Chairs (with the exception of Dame Judith Hackitt, where HSE made contributions to a stakeholder pension provider during her service as Chair) arrangements exist whereby HSE makes pension payments analogous to those that would have been made had they been members of the PCSPS. The pension liability is valued each year using published actuarial assumptions and the full amount calculated is treated as a provision.

### **1.12 Leases**

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

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

### **1.13 Private Finance Initiative (PFI) transactions**

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector.

Where HSE has control over PFI assets, or where the balance of risks and rewards of ownership are borne by HSE, the asset is recognised and the liability to pay for it is accounted for as a finance obligation. Contract payments are apportioned between a reduction in capital obligation, an imputed finance lease charge and a service charge.

Where HSE does not have control over the PFI asset and the balance of risks and rewards of ownership are borne by the PFI contractor, the PFI payments are recorded as an expense. Where HSE has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where at the end of the PFI contract a property reverts to HSE, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

#### **1.14 *Contingent liabilities***

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

#### **1.15 *Operating segments***

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

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

## 2 Staff costs

	<b>Permanently employed staff</b>	<b>Others</b>	<b>2016-17 Total</b>	2015-16* Restated Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>104 768</b>	<b>567</b>	<b>105 335</b>	108 022
Employers' National Insurance	<b>11 529</b>	-	<b>11 529</b>	9 150
Pension costs	<b>21 977</b>	-	<b>21 977</b>	22 237
Lump sum exit costs	<b>1 899</b>	-	<b>1 899</b>	217
<b>Total (as reported in the SoCNE)</b>	<b>140 173</b>	<b>567</b>	<b>140 740</b>	139 626
Less recoveries in respect of outward secondments	<b>(85)</b>	-	<b>(85)</b>	(124)
<b>Total net costs</b>	<b>140 088</b>	<b>567</b>	<b>140 655</b>	139 502

Further detail about the staff costs and the number of persons employed by HSE is included on pages 62 and 63 of the Accountability Report.

\*2015-16 has been restated to capture lump sum exit costs previously categorised within Wages and salaries.

### 3 Other operating costs

	Notes	2016-17	2015-16
		£'000	£'000
Rentals under operating leases		3 504	3 627
PFI service charges*		10 144	9 666
PFI Interest and finance lease charges*		8 308	8 355
Auditor's remuneration – Statutory audit		85	85
Accommodation		9 902	9 570
Travel and subsistence		7 451	7 244
IT expenditure and telecoms		10 779	10 783
Legal costs		7 590	8 008
Staff development and training		1 301	1 494
Consultants' fees		-	6
Publications		1 073	1 541
Shared services costs**		1 971	2 132
Scientific sub-contract technical support		1 949	2 106
Scientific equipment		2 792	2 453
Research and development		1 184	1 414
Pesticides – purchase of samples		1 039	1 698
Chemicals Regulation testing		1 217	1 279
Other expenditure		4 191	4 390
<b>Other operating costs</b>		<b>74 480</b>	<b>75 851</b>
<b>Non-cash items:</b>			
Depreciation and amortisation of non-current assets	5, 6	6 590	6 405
Impairment of non-current assets	5	63	31
Loss on disposal of non-current assets		207	114
Movement in provisions	10	234	(40)
Movement in impairment of receivables		1 782	1 882
<b>Total non-cash items</b>		<b>8 876</b>	<b>8 392</b>
<b>Total operating costs</b>		<b>83 356</b>	<b>84 243</b>

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

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

## 4 Income

	2016-17	2015-16
	£'000	Restated*
	£'000	£'000
<b>Fees and charges</b>		
Biocides and Plant Protection	15 710	13 472
Control of major accident hazards	10 675	10 541
Enforcement of offshore safety legislation	17 862	17 397
Fee for intervention	14 925	14 706
Other fees and charges	1 892	1 924
<b>Total fees and charges</b>	<b>61 064</b>	58 040
<b>Other operating income</b>		
Prosecutions	5 393	8 761
Commercial income*	15 514	14 636
Supply of accommodation and core IT to ONR**	6 438	6 210
Provision of REACH services to Defra***	1 407	1 129
Other income	977	854
<b>Total other operating income</b>	<b>29 729</b>	31 590
EU income	44	110
<b>Total income</b>	<b>90 837</b>	89 740

\*Commercial income is earned from discretionary activity (ie for which HSE has no statutory responsibility to provide) undertaken for any external organisation, excluding recharges for accommodation or IS/IT provision to tenants in HSE offices. Commercial income comprises the following income streams which were reported separately until 2015-16: Sales of publications (2015-16 £1 605k); HSL External Customers (2015-16 £11 348); and science and administrative support to ONR (2015-16 £1 683k).

\*\* Supply of services to ONR includes £4 017k for accommodation.

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



## 5 Property, plant and equipment

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

HSE’s headquarters is situated in Redgrave Court, Bootle which was constructed under the Private Finance Initiative (PFI) and is owned by Bootle Accommodation Partnerships Ltd (BAPL), which provides HSE with serviced accommodation. 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 (£52.3 million) for the remainder of the 30-year PFI agreement. The construction cost to the contractor was approximately £60 million.

Jones Lang LaSalle Ltd provide HSE with a professional and independent valuation service and undertook a full revaluation of the PFI buildings at the Buxton Laboratory site as at 31 March 2017. The valuation was based on a depreciated replacement cost (DRC) basis and provides a value of £66.9 million once adjusted for irrecoverable VAT on build costs. This represents an increase of £19.5 million on the Buxton PFI buildings asset value as at 31 March 2016 which was based on a professional valuation, also on a DRC basis, provided by Cushman & Wakefield. The key reason for the increase is due to the respective cost per square metre indices used in each valuation, Cushman & Wakefield used a hybrid rate whilst Jones Lang LaSalle used a higher laboratory specific rate which is considered more appropriate and reflective of the nature of the PFI asset in Buxton.

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

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

2015-16	Land	Buildings	Leasehold improvements	Information technology	Motor vehicles	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation opening balance at 1 April 2015	2 841	63 355	14 385	8 206	3 674	17 938	8 523	4	118 926
Reclassifications	-	-	-	-	-	4	-	(4)	-
Additions in year	-	1 590	185	486	1 022	638	141	2 432	6 494
Revaluations in year	-	1 347	-	-	-	-	-	-	1 347
Impairments	-	-	-	-	-	(32)	(16)	-	(48)
Disposals during year	-	-	(542)	(1 965)	(537)	(546)	(363)	-	(3 953)
<b>Balance at 31 March 2016</b>	2 841	66 292	14 028	6 727	4 159	18 002	8 285	2 432	122 766
Depreciation opening balance at 1 April 2015	-	73	7 172	5 518	1 359	13 693	4 061	-	31 876
Reclassifications	-	-	-	-	-	-	-	-	-
Charge in year	-	1 295	1 454	1 266	462	799	586	-	5 862
Revaluations in year	-	(984)	-	-	-	-	-	-	(984)
Impairments	-	-	-	-	-	(10)	(7)	-	(17)
Disposals during year	-	-	(457)	(1 965)	(294)	(532)	(352)	-	(3 600)
<b>Accumulated depreciation at 31 March 2016</b>	-	384	8 169	4 819	1 527	13 950	4 288	-	33 137
<b>Net book value at 31 March 2016</b>	2 841	65 908	5 859	1 908	2 632	4 052	3 997	2 432	89 629
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>	2 841	65 908	5 859	1 908	2 632	4 052	3 997	2 432	89 629

## 6 Intangible assets

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

2016-17	Websites	Purchased software licences	Internally developed software	Payments on account and assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation at 1 April 2016</b>	<b>171</b>	<b>5 170</b>	<b>407</b>	<b>52</b>	<b>5 800</b>
Additions in year	-	554	-	64	618
Disposals	-	(4)	-	-	(4)
<b>Balance at 31 March 2017</b>	<b>171</b>	<b>5 720</b>	<b>407</b>	<b>116</b>	<b>6 414</b>
Amortisation at 1 April 2016	171	4 407	110	-	4 688
Charge in year	-	371	75	-	446
Disposals	-	(4)	-	-	(4)
<b>Accumulated amortisation at 31 March 2017</b>	<b>171</b>	<b>4 774</b>	<b>185</b>	<b>-</b>	<b>5 130</b>
<b>Net book value at 31 March 2017</b>	<b>-</b>	<b>946</b>	<b>222</b>	<b>116</b>	<b>1 284</b>
2015-16	Websites	Purchased software licences	Internally developed software	Payments on account and assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2015	171	4 945	77	369	5 562
Reclassifications	-	-	330	(330)	-
Additions in year	-	346	-	13	359
Disposals	-	(121)	-	-	(121)
Balance at 31 March 2016	171	5 170	407	52	5 800
Amortisation at 1 April 2015	171	4 047	48	-	4 266
Charge in year	-	481	62	-	543
Disposals	-	(121)	-	-	(121)
Accumulated amortisation at 31 March 2016	171	4 407	110	-	4 688
Net book value at 31 March 2016	-	763	297	52	1 112

## 7 Trade receivables and other current assets

	31 March 2017	31 March 2016
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade receivables*	20 818	18 083
Deposits and advances	334	240
Accrued income	12 436	10 937
Prepayments	1 429	1 488
VAT	1 339	1 310
	<b>36 356</b>	32 058
<b>Amounts falling due after more than one year</b>		
Other prepayments	4	30
Trade receivables	1 474	1 056
Deposits and advances	42	92
	<b>1 520</b>	1 178
<b>Total</b>	<b>37 876</b>	33 236

\*The trade receivables balance at 31 March 2017 is stated net of provision for impairment, which amounts to £3 377k (31 March 2016: £3 263k).

## 8 Cash and cash equivalents

	31 March 2017	31 March 2016
	£'000	£'000
Balance at 1 April	(53)	138
Net change in cash and cash equivalent balances	(55)	(191)
<b>Balance at 31 March*</b>	<b>(108)</b>	(53)

\*Balance is held entirely with Government Banking Service which at 31 March was overdrawn and disclosed within Trade and other payables.

## 9 Trade and other payables

	31 March 2017	31 March 2016 Restated*
	£'000	£'000
<b>Amounts falling due within one year</b>		
Taxation and social security	2 906	2 717
Pension contributions	2 424	2 465
Trade payables	2 399	1 219
Accruals and deferred income	23 848	22 111
Capital accruals	1 602	1 862
On-Statement of Financial Position PFI contracts and Finance Lease	2 315	2 137
Balance with Government Banking Service**	108	53
Payable to the Consolidated Fund***	-	1 410
Other payables	147	232
	<b>35 749</b>	<b>34 206</b>
<b>Amounts falling due after more than one year</b>		
Imputed finance lease element of on-Statement of Financial Position PFI contracts	95 397	97 712
Finance Lease	1 399	1 399
Other payables	20	104
	<b>96 816</b>	<b>99 215</b>
<b>Total</b>	<b>132 565</b>	<b>133 421</b>

\*Early Departure Liability and Other Payables are now aggregated and disclosed as Other Payables.

\*\*Cash and cash equivalents – see Note 8.

\*\*\*HM Treasury applied a £17 million cap to FFI income in 2016-17 (£11 million 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.

## 10 Provisions for liabilities and charges

### ***Provision for retired Chairs' pensions***

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

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

#### **Expected timing of future payments**

Falling due within one year	<b>83</b>	<b>65</b>	<b>148</b>
Falling due after more than one year	<b>1 337</b>	-	<b>1 337</b>

2015-16	Chairs' pension by analogy	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2015	1 415	72	1 487
Provided in year	(3)	(37)	(40)
Utilised in year	(81)	(35)	(116)
Balance at 31 March 2016	1 331	-	1 331

#### **Expected timing of future payments**

Falling due within one year	81	-	81
Falling due after more than one year	1 250	-	1 250

## 11 Capital commitments

	31 March 2017	31 March 2016
<b>Contracted commitments at 31 March 2017 not otherwise included in these financial statements</b>	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	<b>836</b>	930
Intangible assets	<b>298</b>	79
<b>Total commitment</b>	<b>1 134</b>	1 009

## 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 2017	31 March 2016
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>2 458</b>	3 778
Later than one year and not later than five years	<b>3 391</b>	4 802
Later than five years	-	1 994
Total committed	<b>5 849</b>	10 574

### (ii) Finance leases

	31 March 2017	31 March 2016
	<b>£'000</b>	<b>£'000</b>
<b>Gross liabilities</b>		
Not later than one year	<b>147</b>	147
Later than one year and not later than five years	<b>588</b>	588
Later than five years	<b>6 347</b>	6 495
<b>Total gross liabilities</b>	<b>7 082</b>	7 230
Less: interest element	<b>(5 683)</b>	(5 830)
<b>Present value of obligations</b>	<b>1 399</b>	1 400

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



## 12b Rental income from sub-leases

As at 31 March 2017 HSE had granted leases for land and buildings with rental income expected to be received, which falls due as shown below.

Income from rental under operating leases for the following periods comprise:	31 March 2017		31 March 2016 Restated*	
	Land £'000	Buildings £'000	Land £'000	Buildings £'000
Not later than one year	-	4 896	2	5 732
Later than one year and not later than five years	-	7 990	-	13 029
Later than five years	-	804	-	1 620
<b>Total committed</b>	-	<b>13 690</b>	2	20 381

\*31 March 2016 restated to include rent from leases to other government departments.

## 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 Statement of Comprehensive Net Expenditure in respect of the service element of On-Statement of Financial Position PFI transactions was £10.1 million (2015-16: £9.7 million) and the payments to which HSE is committed are as follows:

	<b>31 March 2017</b>	31 March 2016
	<b>£'000</b>	£'000
Not later than one year	<b>11 621</b>	10 805
Later than one year and not later than five years	<b>46 482</b>	43 220
Later than five years	<b>146 803</b>	151 708
<b>Total committed</b>	<b>204 906</b>	<b>205 733</b>

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

Total obligations for the following periods comprise:

	<b>31 March 2017</b>	31 March 2016
	<b>£'000</b>	£'000
Gross liabilities		
Not later than one year	<b>10 326</b>	10 326
Later than one year and not later than five years	<b>41 389</b>	41 332
Later than five years	<b>142 016</b>	152 398
Total committed	<b>193 731</b>	204 056
Less interest element	<b>(96 019)</b>	(104 209)
<b>Present value of obligations</b>	<b>97 712</b>	99 847

	<b>31 March 2017</b>	31 March 2016
	<b>£'000</b>	£'000
Present value of obligations		
Not later than one year	<b>2 314</b>	2 136
Later than one year and not later than five years	<b>11 442</b>	10 507
Later than five years	<b>83 956</b>	87 204
<b>Total present value of obligations</b>	<b>97 712</b>	99 847

## 14 Other financial commitments

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

	<b>31 March 2017</b>	31 March 2016
	<b>£'000</b>	£'000
Not later than one year	<b>8 504</b>	7 349
Later than one year and not later than five years	<b>9 967</b>	6 627
Later than five years	<b>2 768</b>	2 928
<b>Total committed</b>	<b>21 239</b>	16 904

## 15 Related party transactions

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

The Accounting Officer authorised these financial statements for issue on 26th June 2017.



