



# HSE Annual Report and Accounts **2018/19**



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# Performance – Overview

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This overview section provides a short summary about what HSE does, our purpose, the key risks to achieving our objectives and how we have performed during the year.

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

The recent independent Tailored Review concluded that HSE is ‘a well-respected and well-structured organisation that fulfils its statutory objectives effectively’. It highlighted that much work had been done within HSE to:

- consider the recommendations from the Triennial and other reviews;
- implement change where required;
- meet the efficiency challenge required by the 2015 Spending Review.

2018/19 has been another busy and productive year. We have:

- continued to influence and engage with stakeholders, to create and share knowledge and awareness of health and safety risks;
- encouraged behaviour change through assessments and direct interventions including inspections and investigations;
- targeted long-standing problems such as work-related ill health and helped smaller businesses to manage risks proportionately;
- maintained a strong focus on face-to-face intervention in high(er) risk work activities;
- worked collaboratively with other regulators where our interests align;
- held people to account and taken enforcement action when they fail to manage work-related risk.

Our science, engineering and analytical capability has played a big role in complementing our policy and operational activities. It is internationally recognised for developing and supporting practical solutions to workplace health and safety problems.

We know we will need to continue to evolve our regulatory approach to face fresh challenges or to address existing problems in new ways. Later in 2019 we intend to publish a new strategy setting out our ambitions for 2020 and beyond.

In specific areas we have:

- supported government-wide activities on European Union (EU) matters – preparing any necessary changes to the chemicals regimes and to health and safety legislation to ensure there is no reduction in standards following the UK's exit from the EU;
- contributed to the government's fundamental reform of the building safety system following the Grenfell Tower disaster and continued to provide advice and expertise to the Metropolitan Police Service-led criminal investigation.

This annual report reflects some of the many achievements made during the year but does not capture all that we do – nor does it fully reflect the pride we feel for the continued commitment, professionalism and hard work of all our colleagues within our organisation. It is through their efforts and enthusiasm that we can, and will, continue to protect people from the impact of poor risk management of health and safety in the workplace and support businesses throughout England, Scotland and Wales.



**Martin Temple CBE**  
Chair















**David Snowball**  
Acting Chief Executive and  
Accounting Officer



## Performance overview

Our health and safety statistics<sup>1</sup> are a reminder of the challenges we face in continuing to improve Britain's performance.

**Figure 1** Health and safety statistics

 <p><b>1.4 million</b></p> <p>Work-related ill health cases (new or long-standing) in 2017/18</p> <p><i>Source: Estimates based on self-reports from the Labour Force Survey, people who worked in the last 12 months</i></p>	 <p><b>0.6 million</b></p> <p>Work-related stress, depression or anxiety cases (new or long-standing) in 2017/18</p> <p><i>Source: Estimates based on self-reports from the Labour Force Survey, people who worked in the last 12 months</i></p>	 <p><b>0.5 million</b></p> <p>Work-related musculoskeletal disorder cases (new or long-standing) in 2017/18</p> <p><i>Source: Estimates based on self-reports from the Labour Force Survey, people who worked in the last 12 months</i></p>
 <p><b>9.7 billion</b></p> <p>Annual costs of new cases of work-related ill health in 2016/17, excluding long latency illness such as cancer</p> <p><i>Source: Estimates based on HSE Costs to Britain Model</i></p>	 <p><b>0.6 million</b></p> <p>Non-fatal injuries to workers in 2017/18</p> <p><i>Source: Estimates based on self-reports from the Labour Force Survey</i></p>	 <p><b>71,062</b></p> <p>Non-fatal injuries to employees reported by employers in 2017/18</p> <p><i>Source: RIDDOR</i></p>
 <p><b>144</b></p> <p>Fatal injuries to workers in 2017/18</p> <p><i>Source: RIDDOR</i></p>	 <p><b>5.2 billion</b></p> <p>Annual costs of workplace injury in 2016/17</p> <p><i>Source: Estimates based on HSE Costs to Britain Model</i></p>	 <p><b>30.7 million</b></p> <p>Working days lost due to work-related ill health and non-fatal workplace injuries in 2017/18</p> <p><i>Source: Estimates based on self-reports from the Labour Force Survey</i></p>
 <p><b>12,000</b></p> <p>Lung disease deaths each year estimated to be linked to past exposures at work</p> <p><i>Source: Counts from death certificates and estimates from epidemiological information</i></p>	 <p><b>2,595</b></p> <p>Mesothelioma deaths in 2016, with a similar number of lung cancer deaths linked to past exposures to asbestos</p> <p><i>Source: Counts from death certificates and estimates from epidemiological information</i></p>	 <p><b>15.0 billion</b></p> <p>Annual costs of work-related injury and new cases of ill health in 2016/17, excluding long latency illness such as cancer</p> <p><i>Source: Estimates based on HSE Costs to Britain Model</i></p>

## Who we are

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

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

## HSE Board

The HSE Board sets HSE's overall strategy and objectives within policy frameworks set by the government.

Further information on the Board can be found in the Governance statement on page 48.

## HSE Management Board

Working closely with the HSE Board, senior executives lead HSE and drive its long-term performance. The Management Board is accountable to the HSE Board for effective day-to-day management of HSE. Further information is included in the Governance statement on page 56.

## What we do

Our purpose – to prevent work-related death, injury and ill health – is as valid today as it has always been.

We apply a range of regulatory tools to improve health and safety, bringing together different interventions to achieve impact. We influence and engage stakeholders, create knowledge and awareness of health and safety risks, and encourage behaviour change through assessments and direct interventions including inspections and investigations.

The world and our approach may change but one thing remains the same – the commitment of those who work for HSE to reduce risk, protect people and the environment and to save lives.

Our priorities for the year were outlined in the 2018/19 HSE Business Plan and published in March 2018.

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

In line with the Helping Great Britain work well strategy,<sup>2</sup> we:

- **engage a wide range of stakeholders and dutyholders** as set out in our health strategy and sector action plans;
- **continue our work with local authorities** as co-regulators and build relationships with influential trade associations, academics, unions, professional bodies, representative groups and government agencies (including other regulators);

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2 [www.hse.gov.uk/strategy/assets/docs/hse-helping-great-britain-work-well-strategy-2016.pdf](http://www.hse.gov.uk/strategy/assets/docs/hse-helping-great-britain-work-well-strategy-2016.pdf)

- **provide guidance and advice** that meets the needs of users and encourages proportionate risk management;
- **run insight-led campaigns** to change behaviour and make workplaces safer and healthier;
- **bring together** HSE's world-leading science and research teams with policy and operational specialists to make evidence-based decisions and inform policy makers.

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

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

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

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

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

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

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

HSE operates internationally, working with overseas regulators and other organisations. We contribute to the government's work on the UK's exit from the EU, including preparing any necessary changes to the chemicals regimes and to health and safety legislation to maintain standards.

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

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

HSE comes together to protect people. When things go wrong, we investigate and hold those who are responsible to account, providing answers to those affected and supporting bereaved families.

We bolster our frontline inspection, investigation and enforcement activity with modern communications techniques, including insight-led<sup>3</sup> campaigns focused on changing employer and worker behaviours. Our more complex investigations draw on our science and engineering specialists and facilities to provide a forensic analysis that uncovers the evidence and provides lessons for the future.

We operate permissioning regimes to ensure those working with explosives, gas supplies, and dangerous materials such as asbestos are competent to manage the risks they work with. Our oversight of the chemicals industry enables the safe and sustainable use of thousands of pesticides and biocides.

We look into thousands of health and safety concerns reported to us every year, working with other regulators, the police and local authorities to provide reassurance or take action if needed.

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

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

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

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

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

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

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3 Insight from research and past campaigns is used to target and refine new initiatives and campaigns to provide the best health and safety outcomes.

## Performance summary

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

A synopsis of our performance against the four strategic themes outlined in our 2018/19 Business Plan is highlighted here. Further detail is provided in the Performance analysis on pages 15 to 35.

We delivered the majority of our planned milestones within the business plan as our contribution to improving health and safety performance across Great Britain. Throughout these achievements there was a strong emphasis on working with others to provide an effective regulatory framework, secure effective management and control of risk and reduce the likelihood of low-frequency, high-impact incidents. Our activities this year have included the following highlights:

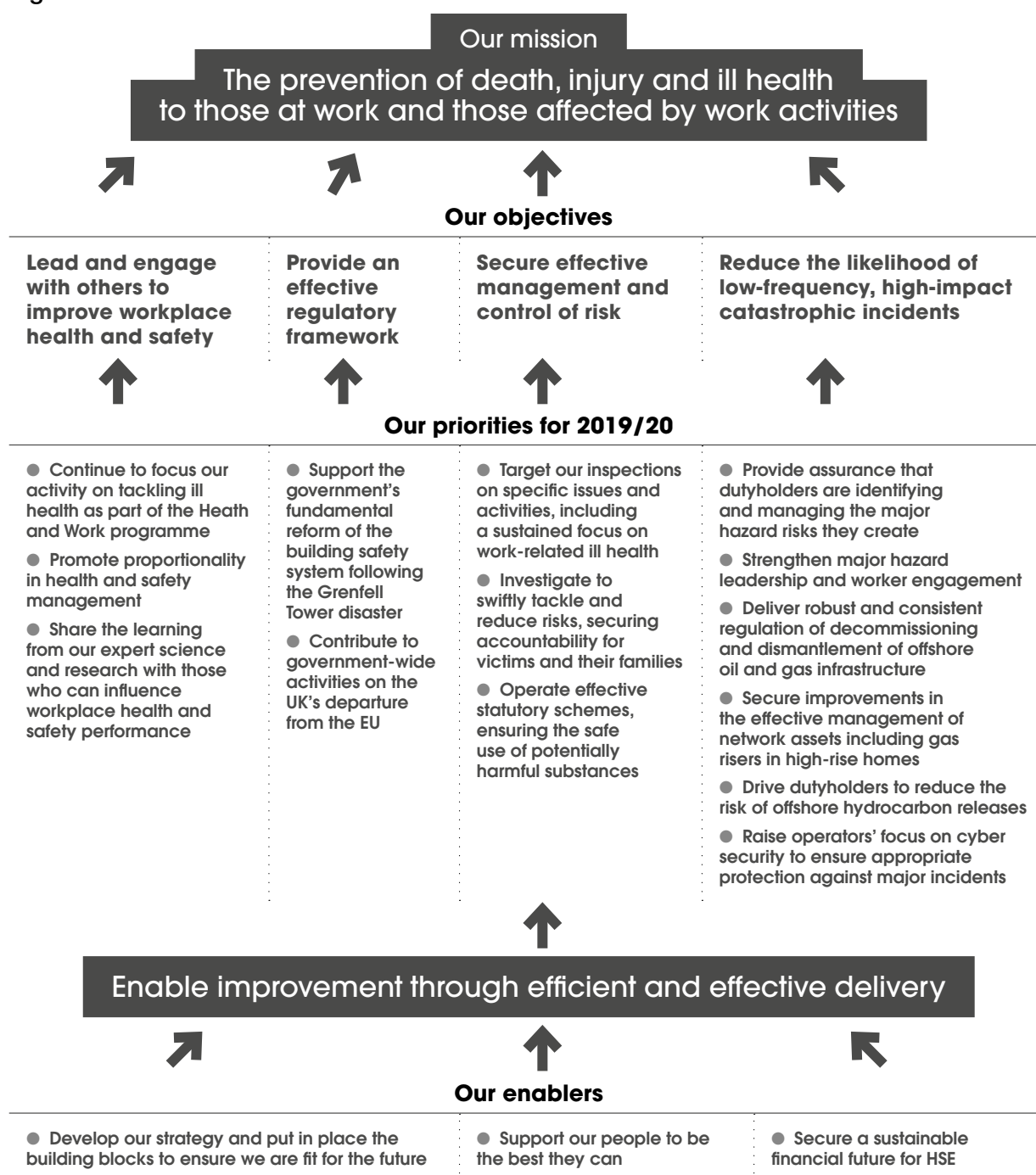
- Continuing to deliver the Health and Work programme working with other organisations and stakeholders to **promote awareness and positive behavioural change**. This has included a focus on occupational lung disease through our Healthy Lungs Partnership (HLP), research into musculoskeletal issues in the transport and logistics sector, and the launch of a new tool to help manage work-related stress.
- Actively **supporting ongoing Grenfell inquiries**, providing advice and expertise to the Metropolitan Police Service-led criminal investigation and contributing our knowledge and expertise of regulating major hazards to the independent review conducted by Dame Judith Hackitt.
- Working collaboratively with stakeholders to quickly alert industry to the carcinogenic **risks from breathing fumes during mild-steel welding** following advice through proven scientific research.
- Taking appropriate **enforcement action to reduce risk** in around half of the workplaces we inspect and undertaking investigations when incidents occur.
- Using an integrated approach to our interventions in the agricultural sector, using insight, targeted communications, education, information and proactive inspection in delivery of our **new agriculture compliance events (ACEs)**.
- Continuing to reduce carbon monoxide deaths by **protecting gas consumers** from fires, explosions and carbon monoxide poisonings associated with domestic gas appliances, and ensuring action is taken in relation to unsafe gas work.
- Working to reduce risks in the **offshore wind, oil and gas industries** during 2018 which marked the 30th anniversary of the Piper Alpha tragedy. This included:
  - holding **two major conferences** to communicate key messages to the various sector leaders;
  - challenging offshore gas production operators to reduce the number of **major hydrocarbon gas releases** in the North Sea, which have the potential to lead to fires, explosions and multiple losses of life;

- developing our new regulatory approach to **cyber security** to help oil and gas operators assess their systems and identify ways in which they can continue to improve security.
- We delivered to a financial target of fully utilising, to within 1%, the funding provided by our sponsor Department of Work and Pensions (DWP). This has been achieved through continued tight financial management controls, prioritisation of expenditure plans and delivery of income to the mid-year forecast. We have also maintained operational performance as set out above alongside a further £4m reduction in funding compared to last year.

## Looking forward

Our 2019/20 Business Plan<sup>4</sup> was published in March 2019 and details our delivery priorities for the year. Our mission, objectives and key priorities are shown in the following outline:

Figure 2 2019/20 Business Plan



4 [www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1920.pdf](http://www.hse.gov.uk/aboutus/strategiesandplans/businessplans/plan1920.pdf)





# Performance – Analysis

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We have robust performance and risk frameworks in place. Our key performance indicators (KPIs) act as preliminary risk indicators highlighting potential areas of concern – the KPIs and operational risks are reviewed monthly by the Management Board, supported by a quarterly in-depth review by the HSE Board.

Actions are agreed, and lessons learned where performance is not meeting expectations or where HSE may be subject to increased levels of risk. Details of the most significant risks we have managed in 2018/19 are included within the Governance statement on page 61.

## Our performance

The following section provides further detail of HSE's delivery and performance against our published 2018/19 Business Plan.

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

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The Health and Work programme was launched last year to reduce the harm to health caused by poor management of risk. The three priorities for this programme are occupational lung disease, musculoskeletal disorders and work-related stress as they have the most impact on people's lives and the economy.

This programme is supported by **Go Home Healthy**, a multi-channel campaign with an estimated reach of over 40 million people accessing our information on combined media and social media platforms, which promotes our continued commitment to tackling ill health in the workplace.

### Occupational lung disease

Part of our focus this year has been the **Healthy Lung Partnership (HLP)** on occupational lung disease.<sup>5</sup>

As part of Go Home Healthy, the HLP aims to:

- build understanding – positively influence behaviour to reduce ill health in the workplace;
- positively influence employers to play their part in improving work-related health;
- improve attitudes to health and safety in the workplace – by working with others to create good healthy working practices.

There are an estimated 20 000 new cases of breathing problems caused or made worse by work-related occupational lung disease each year, with approximately 400 000 working days lost and estimated to result in approximately 12 000 deaths each year.

To broaden the reach of our influence we have been working with other organisations and finding new ways of engaging with people to promote awareness and positive behavioural change. This includes the British Lung Foundation (BLF) who have established the Taskforce for Lung Health which includes professional associations, other government departments and voluntary sector organisations. The BLF published their five-year plan for improving lung health in December 2018.

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5 [www.hse.gov.uk/aboutus/strategiesandplans/health-and-work-strategy/occupational-lung-disease.pdf](http://www.hse.gov.uk/aboutus/strategiesandplans/health-and-work-strategy/occupational-lung-disease.pdf)

## Musculoskeletal disorders (MSDs)

In continuing to develop our insight-led strategic intervention plans across identified priority health topics we have also been focusing on sectors with a high incidence of MSDs. An initial study on the attitudes of workers and employers to MSDs in three sectors, has been published on our website.<sup>6</sup> Following this we shared findings and developed concepts with key stakeholder groups, the Logistics Forum and the Parcel Carriers Safety Association.

Research and development is now underway, involving workshops with employers and employees to ascertain which concepts resonate with them and how they might be tackled in practice. The outputs from these workshops will inform the strategy for tackling MSDs in parcel carriers, transport and logistics more widely. In parallel, HSE has campaigned to raise awareness of MSDs in the transport and logistics sector through the Go Home Healthy website,<sup>7</sup> articles in trade magazines and through social media channels.

## Work-related stress

We published revised assessment guidance for employers which includes links to new mental health care standards. We have also developed new tools to assist the management of work-related stress.

HSE has launched the new Talking Toolkit. This is informed by the experience of employers, employees and their respective representatives on the front line in tackling work-related stress and from our engagement with public services sector colleagues in education and the health and prison services.



### Talking Toolkit benefits

This practical approach is designed to help simplify the risk assessment process and encourage employers, particularly small and medium-sized enterprises (SMEs), to:

- start a conversation with their employees to assist in identifying workplace stressors (risks);
- develop jointly agreed, practical solutions to help manage and prevent these stressors.

Download the toolkit at: [www.hse.gov.uk/stress/assets/docs/stress-talking-toolkit.pdf](http://www.hse.gov.uk/stress/assets/docs/stress-talking-toolkit.pdf)

6 [www.hse.gov.uk/research/insight/msd-report.pdf](http://www.hse.gov.uk/research/insight/msd-report.pdf)  
 7 [www.hse.gov.uk/gohomehealthy/msd/resources.htm](http://www.hse.gov.uk/gohomehealthy/msd/resources.htm)

We continue to work with the Scottish government to integrate our knowledge of what works in tackling work-related stress with their overall mental health strategy. This year we held a Health and Work summit in partnership with the Scottish government and NHS Scotland. HSE is a member of the Scottish Mentally Flourishing Workplaces Collaborative launched at that event. We are also working with Welsh government to better inform our respective strategies to manage ill health.

## Working with our stakeholders

In support of **Helping Great Britain work well** (HGBWW)<sup>8</sup> HSE has hosted several events to influence, engage and promote actions within the stakeholder community.

We rolled out a **new educational learning tool** 'Learning about Occupational Health by Experiencing Risks' (LOCHER)<sup>9</sup> as an innovative way for colleges to engage with students on occupational health risks and to help control those risks and prevent future occupational ill health. This initiative has also meant closer collaboration with educational representatives.

Last year, we launched the **Construction Industry Advisory Network** (CONIAN), to improve engagement with stakeholders and complement the work of the Construction Industry Advisory Committee (CONIAC). HSE facilitates CONIAN networking events – holding two this year – and actively participates in the work of CONIAC.

This year CONIAN helped launch the Construction Clients Leadership Group 'client buddy' scheme,<sup>10</sup> developed by CONIAC to provide health and safety support to SMEs which are often the hardest to reach.

### Working with industry

Both CONIAC and CONIAN are industry-led.

Our objective is to support them in generating and promoting new guidance and interventions to improve health, safety and welfare for all.

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

9 [www.safetygroupsuk.org.uk/campaigns/locher/stakeholders-acting-together/](http://www.safetygroupsuk.org.uk/campaigns/locher/stakeholders-acting-together/)

10 [www.cclg.co.uk/clientbuddy/](http://www.cclg.co.uk/clientbuddy/)



### **HSE CONNECT - our annual conference**

Our chair Martin Temple met delegates at our annual conference (attended by around 350 delegates), which focused on practical ways to improve risk management in the workplace. He is seen here (on the left) with Andrew Tyrer, Chair of Innovate UK.

We conduct **scientific research** to improve understanding of issues and use evidence to underpin our interventions. Our shared scientific research programme is supported by external investment and collaboration. This year we have worked with and been supported by multiple partners in various projects.

By bringing people together through shared research programmes, delivering training and providing more accessible and improved information, we are supporting UK businesses to create healthier and safer workplaces.

We help to build strategic partnerships with professional bodies and industry networks to broaden our reach of influence to affect improvements in workplace safety and behaviours.

### **Measuring worker exposure to diacetyl in the coffee industry**

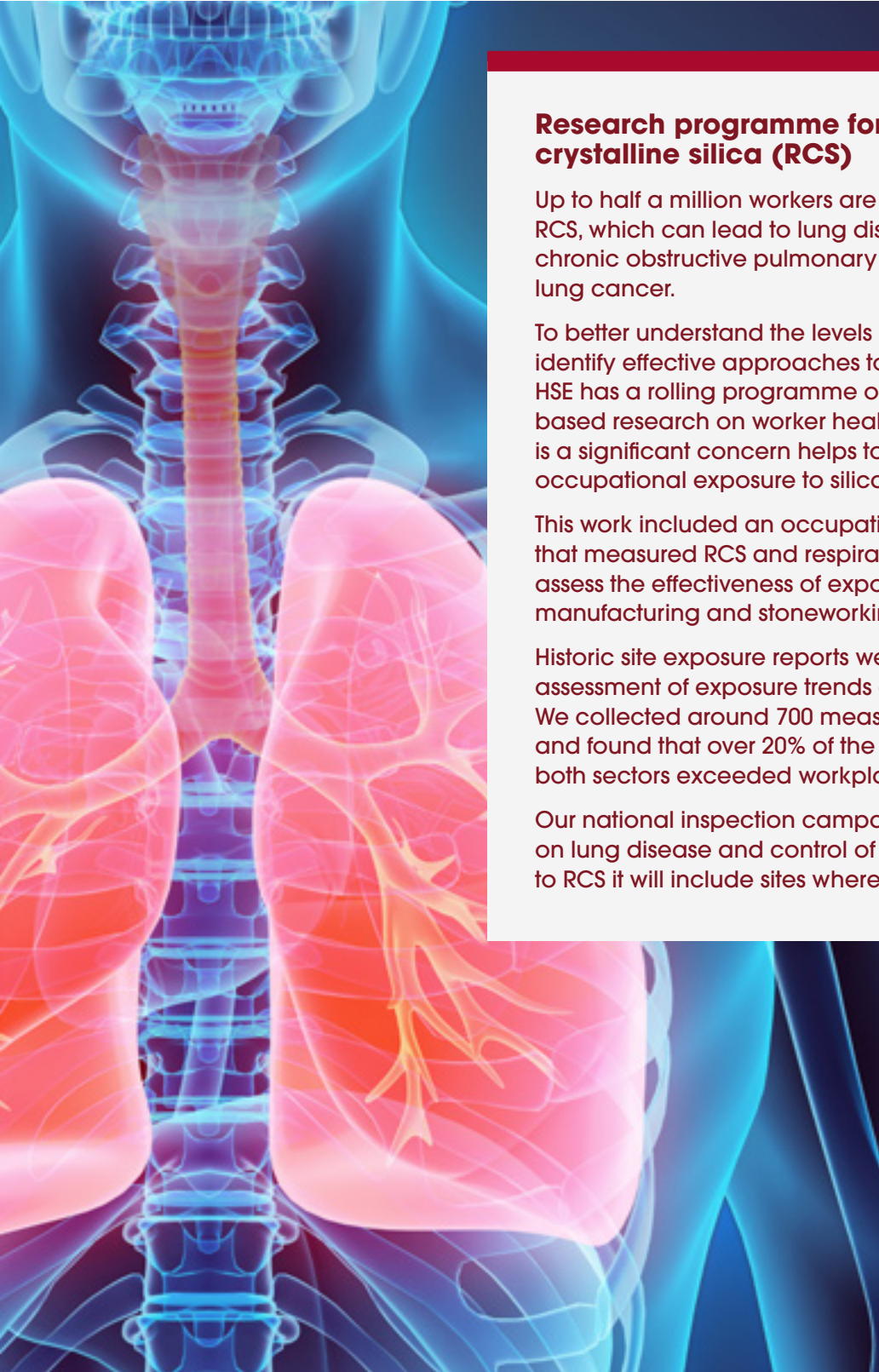
HSE scientists developed a new sampling and analysis method capable of detecting parts per billion airborne concentrations of diacetyl – a naturally occurring substance in coffee that may cause decreased lung function and serious lung disease.

Levels above the new lower UK workplace exposure limits were detected during coffee manufacture with highest concentrations found during grinding.

These findings should alert coffee manufacturers to the possibility of employee exposure to diacetyl and the need for adequate control measures to protect workers' health.

HSE is currently increasing awareness with the British Coffee Association.





### **Research programme for respirable crystalline silica (RCS)**

Up to half a million workers are routinely exposed to RCS, which can lead to lung diseases including silicosis, chronic obstructive pulmonary disease (COPD) and lung cancer.

To better understand the levels of exposure to RCS and identify effective approaches to protect workers' health, HSE has a rolling programme of research. This evidence-based research on worker health in industries where RCS is a significant concern helps to ensure the risks from occupational exposure to silica are effectively controlled.

This work included an occupational hygiene survey that measured RCS and respirable dust exposure to assess the effectiveness of exposure controls in brick manufacturing and stoneworking sectors.

Historic site exposure reports were also collated to allow assessment of exposure trends over an extended period. We collected around 700 measurements across 20 sites and found that over 20% of the measured exposures in both sectors exceeded workplace exposure limits.

Our national inspection campaign in June 2019 will focus on lung disease and control of dust – though not specific to RCS it will include sites where control of RCS is covered.

## Provide an effective regulatory framework

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We have continued to contribute to the government's **preparations for exit from the EU**.

These preparations have included necessary changes to health and safety legislation to ensure that affected requirements would continue to work in a no-deal scenario and with no reduction in standards.

This has ensured that requirements established in direct-acting EU chemicals regulations (for the safe management of chemicals and their placing on the market) will work domestically in a no-deal scenario. This will help to provide certainty for dutyholders and continue to protect health and the environment.

We held a series of events, beginning in July 2018, to discuss the changes to chemicals legislation with representatives of industry and non-government organisations. We have also published technical notices and additional guidance on the approach to a no-deal scenario on our website.

During the year we continued to support the **ongoing inquiries into the Grenfell Tower tragedy**. This included providing health and safety advice and expertise to the Metropolitan Police Service-led criminal investigation and to the ongoing remediation and construction operations on the site.

Our scientific experts have been involved in supporting the testing of fire doors to assist one of the expert panels set up under the government's Building Safety Programme (BSP) to advise on interim action by building owners and landlords and inform future building standards. We have also been involved in helping the BSP identify safety issues with types of external cladding, structural integrity of certain types of high-risk buildings, and with mains gas supplies.

We contributed our knowledge and expertise of regulating workplace health and safety in the construction and major hazards industries to the government's response to the independent review conducted by Dame Judith Hackitt, and the reviews of building safety in Scotland and Wales. The final report, published







in May 2018, made several recommendations to improve the building regulation and fire safety regime, including the introduction of a safety case approach to the design, construction and occupation of high-risk residential buildings.

We are now actively engaged in the Joint Regulators Group comprising of HSE, the Local Government Association, Local Authority Building Control and the National Fire Chiefs Council. This group was set up in January 2019 to develop and pilot new regulatory approaches and work with industry to trial aspects of the proposed new regulatory framework.

## Secure effective management and control of risk

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We **target our proactive interventions within higher-risk industries** identified in our sector plans and the Health and Work strategy.

We have used findings from insight-led research to inform our approach to these interventions, and modern communication methods, such as social media, to amplify the impact of our work.

We continue to work closely with a wide range of industry stakeholders, undertaking research to identify and reduce risk for workers.

For example, we have worked in collaboration with key stakeholders to alert industry to a risk of developing lung cancer from breathing fumes given off during **mild-steel welding**. We advised a consequent change in engineering controls required to minimise the risks of exposure. This followed advice received from the Workplace Health Expert Committee (WHEC), who endorsed a reclassification of all welding fumes as carcinogenic based on robust scientific evidence from the International Agency for Research on Cancer.

### Construction campaigns

Despite significant efforts the industry has taken to manage its risks and lower its injury rates, construction remains one of the UK's most hazardous industries and continues to be a priority sector for proactive intervention.

Through our **Safer Sites** construction campaign, we have focused on:

- risks associated with refurbishment activities (remodelling, extensions and basement construction) as around half of construction incidents reported to us involve such work;
- ill-health risks associated with construction, specifically those related to MSDs and occupational lung disease, including an initiative on asbestos removal.

We carried out four targeted inspection initiatives this year, bringing together enforcement and communication activity to increase our reach and impact within the construction industry. We visited over 3700 contractors, many





of whom were SMEs, where we increased our focus on serious risks to health to ensure these risks were being identified and controlled during construction projects. During these inspections our inspectors reviewed on-site risk management of dusts, silica and asbestos as preventive measures for occupational lung diseases and related cancers, and manual handling arrangements to prevent MSDs.

In an **awareness initiative** conducted in October, called **#Dustbuster**, our analysis showed 20% of construction sites visited were aware of this campaign and 45% of these sites changed behaviour to improve health risk management in preparation for visits.

Building on this work, managing health risks in construction projects will continue to be the focus of two month-long inspection campaigns during 2019/20.

## Agriculture

We have continued to focus on **agriculture** as this sector has the highest rate of work-related death in any industry.

This year, we took an integrated approach to our interventions in this sector, using insight-led targeted communications, education, information and proactive inspection.

Following regional communication activity, farmers were invited to attend our new educational **agriculture compliance events (ACEs)** to help them understand 'What a good farm looks like' and how to manage risks in key areas.

Over 1000 farmers attended these training events which were run on our behalf by Lantra, the agricultural industry training body.

Proactive farm inspection has since taken place across the country, supported by targeted communication activity to remind farmers of the imminence of visits and promoting HSE's new guidance. The campaign has been widely covered online and in printed media, targeting publications across the country, and on national radio with the guidance receiving almost 2000 views from the range of channels we used.

Evaluation of the standards found on farms is taking place to inform the content and delivery of future ACEs and target any further intervention work appropriately.



### **Inflatables and bouncy castles**

Following investigations into several serious and fatal incidents where inflatables have collapsed or blown away in windy conditions, we published revised guidance on their safe use. Find out more at: [www.hse.gov.uk/entertainment/fairgrounds/inflatables.htm](http://www.hse.gov.uk/entertainment/fairgrounds/inflatables.htm).

This revised guidance sets out simple precautions to help avoid serious incidents. It has been written to assist not only people who supply or buy bouncy castles and inflatables, but also those who hire them for an event, and/or operate them.

## **Protecting vulnerable workers**

We play a role in protecting vulnerable workers across a number of industry sectors. For example, we have worked with other regulators undertaking joint initiatives to assess vulnerable workers at car washes – supporting the industry-led Responsible Car Wash Scheme.

We also continued to work with various major retailers to tackle potential labour abuse and raise standards for workers in the garment manufacturing sector.

In the textile industry, we conducted an inspection initiative within the East Midlands to assess how well dutyholders were managing health and safety risks, working with local and national partner agencies to identify and target premises. We took enforcement action to deal with risks found at 60% of the 22 premises visited, referring one business to the police and appropriate agencies where significant labour abuse was suspected.

### **Ionising radiation**

We continued to inspect a range of activities to assess compliance with the Ionising Radiation Regulations 2017. This involved a targeted programme of inspections to premises using ionising radiation identified through digital intelligence from our new online authorisation process.

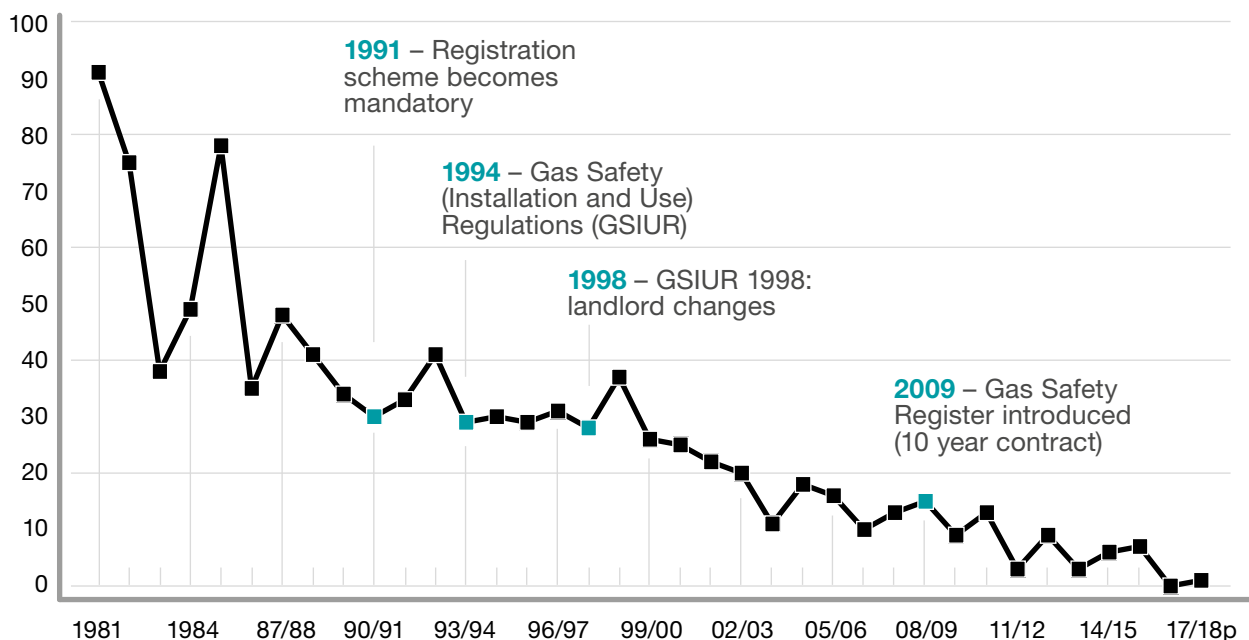
We targeted a range of higher-risk activities and took enforcement action to ensure radiation risks are being adequately managed at a significant number of visits. Lessons learned from these inspections have been shared with industry bodies and radiation protection advisers to ensure maximum impact and reach of our interventions.

## Domestic gas

We play a role in **protecting gas consumers** from fires, explosions and carbon monoxide (CO) poisonings associated with domestic gas appliances, working with others to ensure action is taken in relation to unsafe gas work.

Since 1981 there has been a significant decrease in the number of carbon monoxide deaths related to domestic gas appliances.

**Figure 3** Number of gas-related CO fatalities (NADOR/RIDDOR) 1981–2017/18 (provisional)



This marked reduction in CO deaths has been achieved by the entire gas system working together in partnership, by:

- HSE overseeing delivery of the Gas Safe Register (GSR) and the vast majority of our proactive gas inspections;
- police forces working closely with our experts during investigations to learn and publicise lessons;
- manufacturers learning lessons and improving the safety of appliances; and
- the public acting on the messages they receive such as use of CO alarms.

This year we have re-let the service concession agreement to deliver the GSR, ensuring that competent engineers continue to carry out work on our behalf.

## Waste and recycling

The waste and recycling sector remains a priority for us due to the high-risk nature of the industry and its continued poor performance for both injury and ill health. Our inspection activity has concentrated on:

- the industry's key safety risks of machinery and transport;
- targeted activity on occupational lung disease, specifically from refractory ceramic fibres and asbestos.

We took action to deal with risk in around half of the workplaces we inspected – this included significant enforcement action in relation to workplace transport and the safe operation of plant and machinery.

We finished work we started in previous years to secure justice for victims and bereaved families in prosecutions taken against waste and recycling companies following complex investigations of serious injuries and deaths of workers.



## Legionella

Learning from previous inspection campaigns that targeted cooling towers to reduce the likelihood of Legionnaires' disease outbreaks, our aim this year was to raise standards in the management of water treatment services. We focused on the management arrangements for planning and delivery of service provision, especially in relation to risk assessors, water treatment and cleaning and disinfection companies.

Our resulting inspections required improvements at a third of the providers of these services.

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

## Reactive work

Our target is to sustain improvement in the timeliness of our reactive work where possible. This work has included completing 65%(p)<sup>11</sup> of investigations into fatal incidents within 12 months of HSE receiving primacy.

Timely completion of fatal incident investigations continues to be one of our highest priorities. Despite considerable efforts throughout the year, it has not been possible to progress all investigations through to completion within 12 months of HSE taking over primacy.

**Table 1** Percentage of fatal and non-fatal investigations completed

	2014/15	2015/16	2016/17	2017/18	2018/19
Fatal investigations completed within 12 months of primacy (target: 80%)	61%	63%	72%	75%	<b>65%(p)</b>
Non-fatal investigations completed within 12 months of incident (target: 90%)	90%	90%	90%	89%	<b>89%(p)</b>

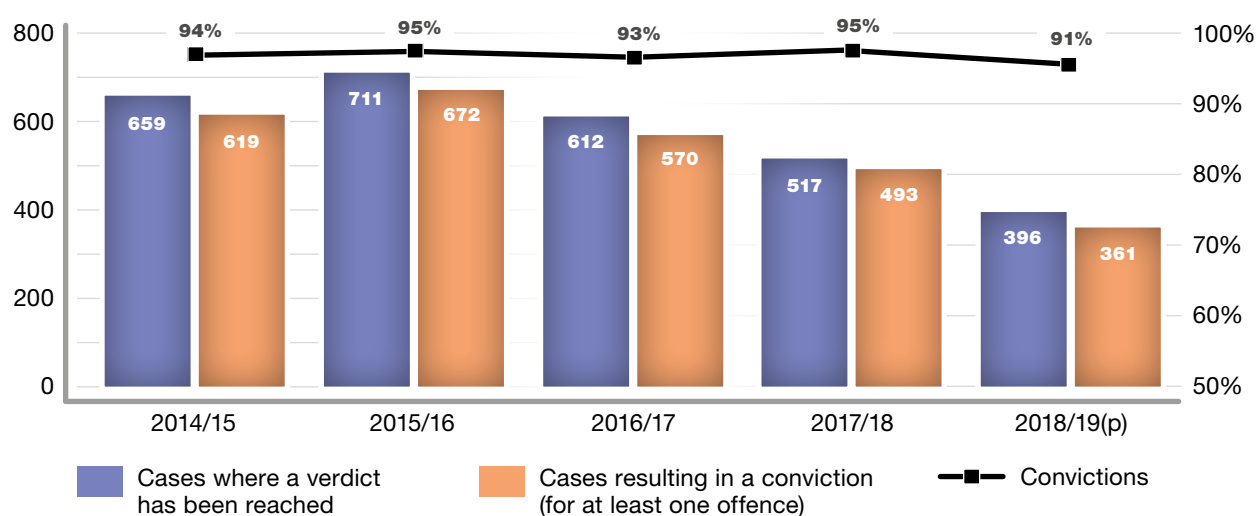
<sup>11</sup> (p) = Provisional – all data (except where prior year figures are quoted) within this section is based on live operational information at the time of drafting and is therefore subject to change.



There are a number of reasons for this including technical complexity, evidential challenges and delays, often caused by others, which are outside of HSE's control. We are continuing to closely monitor our performance in this key area and the HSE Board have been kept informed throughout the year.

The number and percentage of cases successfully prosecuted by HSE, **holding to account those who failed to meet their obligations**, are shown in Figure 4.

**Figure 4** Prosecution cases (brought by HSE and, in Scotland, COPFS)<sup>12</sup>



There have been 12 prosecutions resulting in fines of over £1 million, and 44 HSE prosecutions resulting in custodial or community service/rehabilitation orders.

Although the total time HSE devotes to prosecutions has not dropped significantly, there has been a noticeable drop in the number of prosecutions during the year. There have been no changes to HSE prosecution policy for decision making to explain this drop. We are undertaking further work to better understand the potential factors for this, including:

- the increased time being spent on dealing with challenges raised with defence solicitors on the Sentencing Guidelines;
- a greater number of Newton hearings (where a 'guilty' plea has been entered but where certain factual matters remain unresolved and both parties' views must be heard before a judge);
- a larger than normal number of inspectors in training.

<sup>12</sup> In Scotland, HSE and local authorities investigate potential offences but cannot institute legal proceedings. HSE and local authorities send a report to the Crown Office and Procurator Fiscal Service (COPFS). COPFS makes the final decision whether to institute legal proceedings and which offences are taken. The year of an offence or case is based on when a verdict has been reached.

The data for 2017/18 (and previous years) above has been sourced from official health and safety statistics.<sup>13</sup> The figures shown for 2018/19 are based on live operational data and shown as provisional (p) until official statistics are published in autumn 2019.

## Safe use of chemicals

As the competent authority for biocides, pesticides, detergents and industrial chemicals, we completed 2155 evaluations of biocide and pesticide products and active substance applications. For applications due for completion in 2018/19 we processed 86%(p) within EU commission deadlines.

The slight dip in performance in completing pesticide evaluations is due to:

- a sharp increase in demand (the number of applications increased by 28% on the previous year);
- the lack of clarity around EU exit resulted in a less predictable demand for services; and
- our preparations for EU exit included completing a range of commitments to the EU Commission by the end of March 2019.

## Responding to enquiries from the public

We aim to respond promptly to all enquiries or concerns raised by members of the public. Over the year we have received over 20 000 concerns about workplaces and activities.

Inevitably, some of these are considered low risk and do not justify further follow up or investigation; some are outside of our remit and redirected as appropriate (for example, to the relevant local authority). Of those considered to be within our remit we:

- completed 75% of investigations into reported health and safety concerns within the agreed timescales;
- carried out follow-up activity on over 3000 of 3800 concerns raised by potential whistleblowers (employees, ex-employees, self-employed people, union/work safety representatives) that presented a significant risk.

Similarly, when information is requested from us, for example under the Freedom of Information (FoI) act, we aim to respond promptly. This year we responded to 92% of 4850 FoI requests received within the 20-day target.

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

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We worked closely with leaders in the **offshore wind, oil and gas industries**, holding two major conferences to communicate key messages and reduce risks during 2018 which marked the 30th anniversary of the Piper Alpha tragedy.

- The conference with the offshore wind industry involved all parts of the supply chain (owners, operators, equipment suppliers and contractors) and identified priority areas for risk reduction.
- We hosted the Global Offshore International Regulator's Forum AGM and their conference as part of the offshore oil and gas industry conference 'Safety 30 – Piper Alpha Legacy: Securing a Safer Future'.

We have challenged all **offshore oil and gas production operators** to reduce the number of major hydrocarbon gas releases in the North Sea that could potentially lead to fires, explosions and multiple losses of life. We asked senior industry leaders to critically examine their operations and reflect on learning from other process industries, both onshore and offshore, to identify where improvements can be made and to confirm their intentions to us.



We met with representatives of Oil and Gas UK (OGUK) and health and safety managers of several UK offshore producers to discuss industry plans for improving process safety leadership, audit and assurance. We have shared examples of good practice, both organisational and behavioural, and provided feedback from our programme of operational integrity inspections to highlight the need for improved change management, safe isolation and reinstatement of plant.

We will continue to engage with OGUK to help facilitate sharing of information and best practice, for the benefit of everyone in the industry.

We completed a range of interventions to ensure safe production at major hazard sites including the following:

- COMAH<sup>14</sup> sites, offshore installations, gas pipeline operators, biological agent operators, explosives and mines. We focus our regulatory resources where they are most needed, at sites with the highest hazards and where our operational intelligence indicates that health and safety risk management is poor. Our regulatory staff take proportionate enforcement action and monitor compliance. Where the necessary improvement does not occur, further enforcement action is considered.
- Working with stakeholders, including trade associations, on strengthening leadership and worker engagement across all the major hazard sectors. In 2018/19 this has included establishing a new sector leadership group at chief executive/director level on biosafety; and developing a new leadership guide with our industry partners via the COMAH Strategic Forum.
- Review of 110 dutyholder submissions (safety cases and safety reports) – 75%(p) 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.
- Processing of 93%(p) of major hazard applications for licences, approvals and notifications within agreed timescales. This demonstrates our responsiveness as a regulator, provides certainty for dutyholders and assurance to society that inventories are being monitored correctly.
- Reviewing of 100%(p) of planning applications received, and 68%(p) of hazardous substances consent applications to deliver our statutory advice to required standards and timescales.



HSE continues to take a leading role in the UK's agenda on dealing with **cyber security across major hazard industries**.

While the threat levels to cyber security within the UK's major hazard industries are small, levels are increasing. The greater integration of IT and industrial control systems (ICS) within these industries requires more effective risk reduction measures against cyber-attacks on systems providing major accident prevention and mitigation. Such measures protect lives and maintain the security of essential services such as oil and gas supplies within the UK.

In recent years we have been at the forefront of interpreting and developing standards for industrial network systems and data security as part of the control measures for major accidents.

We are contributing to the delivery of wider government objectives for the security of energy supplies under the Network and Information Systems Regulations 2018 (NIS).

Subsequent to the NIS requirements and development of our new regulatory approach to cyber security, we began the next phase to help operators assess their systems and identify ways in which they can continue to improve security. This year we completed 10 onshore and 2 offshore inspections as part of our planned intervention programme across a range of sites in the oil and gas industries. These inspections are essential for the maintenance of critical societal and economic activity within the UK.

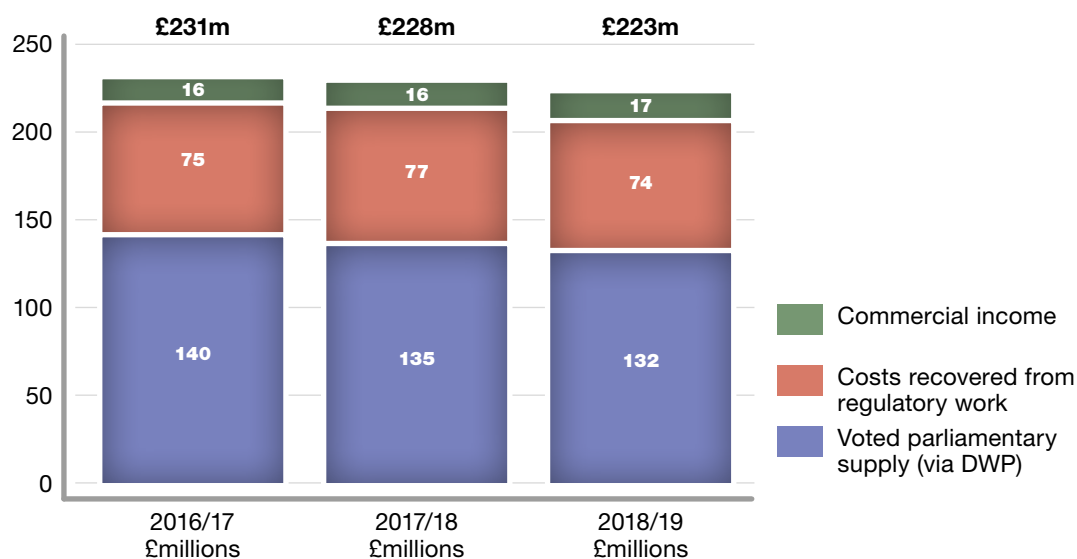
## Financial review

Our expenditure is funded by a combination of taxpayer funding through the Parliamentary Supply process (59% in 2018/19), costs recovered from regulatory work (33%) and income generated from commercial work (8%).

Since 2010, we have delivered more than £100m of savings to government through a combination of reducing our running costs and generating income through cost-recovery and commercial activity.

The Spending Review 2015 (SR), together with the Autumn Statement that year, set out the government's plans to ensure the UK's long-term economic security. Over the SR period (2016/17 to 2019/20), HSE, like many other public bodies, has received further reductions to our government funding.

**Figure 5** HSE funding



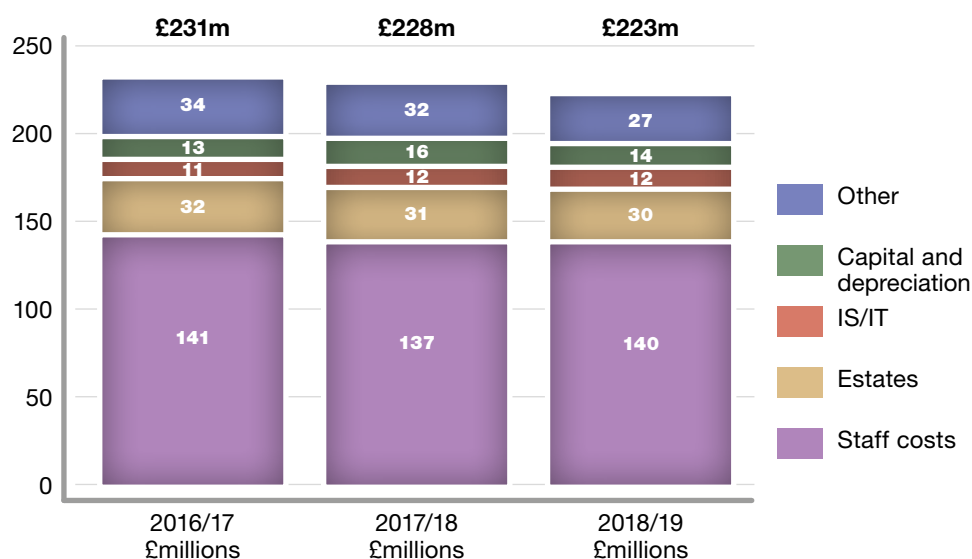
Our response has been to:

- maintain regulatory activities at around historic levels with the continued focus on high risk/high hazard activities;
- begin the necessary investment in updating our infrastructure, including information technology;
- reduce reliance on taxpayer funding through commercial income growth, cost recovery, and delivering cash-saving efficiencies in estates, procurement and natural turnover of staff.

2018/19 is the penultimate year of the four-year SR period and we have again delivered an outturn which is within our financial performance target (1% of the level of funding provided by our sponsor department, DWP).

We continue to grow our commercial income (discretionary activity from public and private sector organisations in Great Britain and across the world) but at a slower rate than originally planned. This and lower cost recovery in 2018/19 has placed additional pressure on the delivery of expenditure savings through economies and efficiencies which we have managed through effective financial management.

**Figure 6** HSE expenditure



We have maintained operational delivery while contributing to the government's preparations for exit from the EU. HSE has received funding for this work from Defra and DWP. We have also continued to support the ongoing inquiries into the Grenfell Tower tragedy.

## Debt management

The level of gross debt at 31 March 2019 has increased to £33.6m compared to £27.8m at 31 March 2018. This is due to increased invoicing in the final quarter, of which there are some significant amounts outstanding (including £6.8m from another government department). Fee for intervention debt has increased across the period with all debts being pursued in accordance with our debt strategy and a number of cases in dispute or awaiting prosecution of the dutyholder.

Our debt management strategy aligns with the Government Functional Standard and includes use of a debt collection agency and legal recovery action through the courts, where necessary. In the past two years we have only written off debt where companies have become insolvent and we have no ability to collect or it is considered uneconomic to pursue. We seek to maximise the amount of debt we recover while at all times ensuring we adhere to the principles of the functional standard.

## 2019/20

The recent Tailored Review of HSE concluded:

***‘HSE has made considerable efforts to meet the efficiency challenge imposed by the 2015 Spending Review through a series of efficiency measures. In light of these savings, there will be fewer, immediate obvious opportunities for further savings should these be required in the next Spending Review, without an impact on output, which may risk compromising outcomes.’***

However, HSE will have a continued and rigorous focus on driving efficiency and continuous improvement in the delivery of its functions.

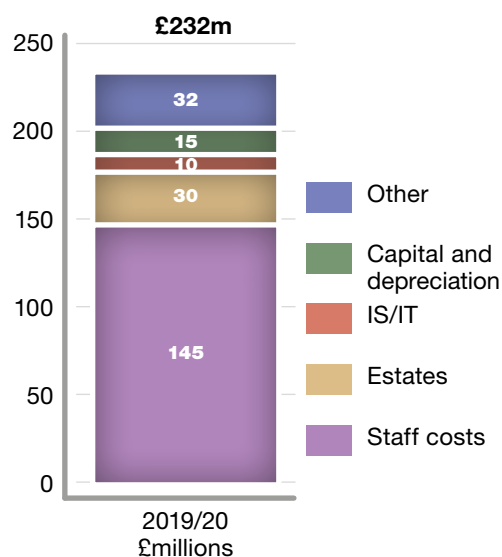
As we prepare for the next Spending Review, it is essential that we secure a sustainable financial footing for HSE.

We are currently developing a new strategy to reflect how we want HSE to adapt to a changing world of work while retaining our core regulatory skills and purpose. This is likely to involve a significant programme of change.

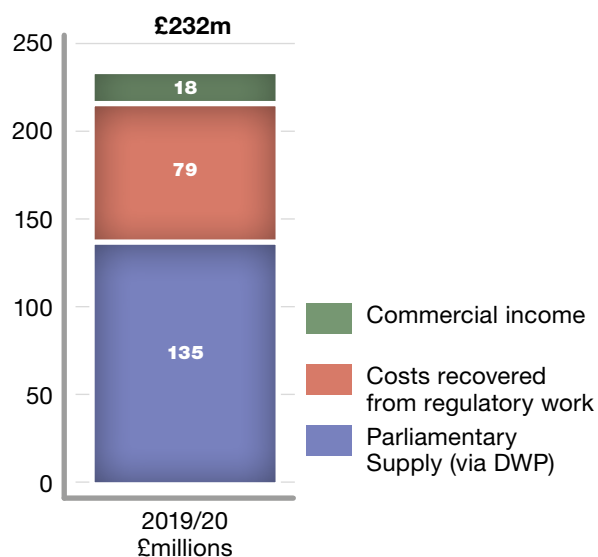
Our budgeted expenditure for 2019/20 is £232 million, which includes increased employer pension contributions of approximately £6 million as a result of the actuarial revaluation of the Principal Civil Service Pension Scheme.

We are also planning to increase the income we recover from our regulatory work through ensuring we recover the full cost of our existing cost recovery regimes – hourly rates for 2019/20 have been set to do this.

**Figure 7** 2019/20 Budgeted expenditure



**Figure 8** 2019/20 Funding





## Delivery of our planned milestones

When we published our 2018/19 Business Plan we committed to delivering a wide-ranging set of actions as our contribution to improving health and safety performance.

Table 2 details all the milestones from the plan and shows **85% of planned milestones have been delivered within year** with the majority of those missed outside of our control.

**Table 2** Business Plan milestones Key: ▲ Delivered ▼ Missed

<i>Business Plan milestone</i>	<i>Status</i>
<b>Lead and engage with others to improve workplace health and safety</b>	
Delivery of the next wave of the Helping Great Britain work well campaign (HGBWW), extending its reach and impact in line with our sector plan, including:	
● evaluation of initial activity (including lectures, conferences and campaigns), reporting to the HSE Board with recommendations for subsequent activities;	▲
● gaining active support from key influencers in agriculture and construction as part of targeted insight-led inspection campaigns.	▲
Build strategic partnerships to support our drive for healthier and safer workplaces, including with professional bodies and industry networks. We held:	
● a lecture to build understanding of emerging risks within the health and safety system;	▲
● a conference to influence, engage and promote actions by others in support of HGBWW.	▲
Delivery of two major conferences with leaders in the offshore wind and oil and gas industries to communicate key messages and reduce risks during 2018, marking the 30th anniversary of the Piper Alpha tragedy. We hosted:	
● a conference with the offshore wind industry involving all parts of the supply chain (owners, operators, equipment suppliers and contractors) to identify priority areas for risk reduction;	▲
● the Global Offshore International Regulator's Forum AGM and their conference as part of the offshore oil and gas industry conference 'Safety 30 – Piper Alpha Legacy: Securing a Safer Future'.	▲
Continued to develop insight-led strategic intervention plans across the priority health topics including the Go Home Healthy and lung health campaigns. We:	▲
● published revised guidance for employers on the assessment and management of work-related mental ill health including links to the new mental healthcare standards in line with the government's 'roadmap' for mental health and work-related stress;	▲
● published a detailed action plan on health and work with the devolved administration for the implementation of the review of the Partnership on Health and Safety in Scotland (PHASS), introducing new representatives and strengthening integration of the Health and Work programme with the work of the devolved administration.	▲

<i>Business Plan milestone</i>	<i>Status</i>
<p>Delivery of a plan of coordinated activities and interventions to support SMEs in managing health and safety while actively engaging and maintaining stakeholder support, including:</p> <ul style="list-style-type: none"> <li>● publication of a plan that brings together and prioritises work relating to SMEs over coming years;</li> <li>● engagement with cross-cutting organisations (eg insurers, chambers of commerce) before and after publication of this plan to get active stakeholder support.</li> </ul>	<p>▲</p> <p>▲</p>
<p>Catalyse the use of evidence by others to improve health and safety performance through our shared research programme including:</p> <ul style="list-style-type: none"> <li>● creation of four new shared research projects for joint funded initiative;</li> <li>● delivery of two joint proposals generating orders following the completion of two industry/government engagement events with the Thomas Ashton Institute.</li> </ul> <p><i>Three events were held which generated significant interest, and we are seeking appropriate funding approaches to support the research ideas the events produced.</i></p>	<p>▲</p> <p>▼</p>
<b>Provide an effective regulatory framework</b>	
Completed the necessary technical changes through parliamentary approved Statutory Instruments under European Union (Withdrawal) Bill powers to ensure retained EU law still function effectively for the UK on exit of the EU.	▲
Delivered government approved changes to the chemicals regime as part of the work on the UK's exit from the EU.	▲
Provided support for the ongoing Grenfell inquiry and respond as required to findings in line with government requirements.	▲
<p>Completion of formal consultations on the proposals for the transposition of phase one of the amendments to the Carcinogens and Mutagens Directive.</p> <p><i>Delayed government consultation (subject to further change) due to wider political considerations prevented delivery by planned date – revised delivery now 2019/20.</i></p>	▼
Published an updated version of EH40 concerning the transposition of the 4th list of Indicative Exposure Limits made under the Chemical Agents Directive.	▲
Completed our required contribution to the work to bring Revised Radiation (Emergency Preparedness and Public Information) Regulations into force as part of the wider transposition of the relevant emergency exposure aspects of the Basic Safety Standards Directive.	▲
Published guidance to reflect proportionate implementation of ISO45001 and advice on sensible use of this accreditation scheme to assist dutyholders navigate blue tape. <sup>15</sup>	▲

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

<i>Business Plan milestone</i>	<i>Status</i>
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## **Secure effective management and control of risk**

Carried out a targeted programme of proactive inspections using major campaigns to address and amplify priority issues within high risk industries, as identified in sector plans and our Health and Work strategy.	▲
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Delivery of a new targeted inspection regime for premises using ionising radiation, assessing compliance with the Basic Safety Standards Directive (BSSD).	▲
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Awarded the new contract for a Gas Safe Register supplier.	▲
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Sustained focus on the timeliness of investigations by aiming to complete them within 12 months from the date of the incident or of HSE assuming primacy for fatal investigations:

- |   |   |
|---|---|
| ● 80% of fatal investigations completed within 12 months of primacy – <i>refer to page 30 for reasons for not meeting target;</i>                   | ▼ |
| ● 90% of non-fatal investigations completed within 12 months of primacy – <i>the target was narrowly missed with an end of year outturn of 89%.</i> | ▼ |

Sustained focus on improving the proportion of decisions made within legislative deadlines, by ensuring:

- |   |   |
|---|---|
| ● 90% of pesticide evaluations are completed within EU Commission deadlines – <i>refer to page 32 reasons for not meeting target;</i> | ▼ |
| ● 80% of biocide evaluations are completed within EU Commission deadlines.  | ▲ |

Delivered a new online application and renewal system for asbestos licensing and permissioning.	▲
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Created a HSE Contact Centre to simplify and improve the register of concerns and advice request from members of the public.	▼
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*Delivery slipped to 2019/20 due to issues in recruiting developers in the required specialism.*

<i>Business Plan milestone</i>	<i>Status</i>
<b>Reduce the likelihood of low-frequency, high-impact catastrophic incidents</b>	
Undertake a targeted inspection programme to address emerging challenges in major hazard industries previously identified in sector plans and within new, emerging areas. These include: <ul style="list-style-type: none"> <li>● gas risers;</li> <li>● cyber security on and offshore;</li> <li>● maintaining safe operations (MSO);</li> <li>● leadership and industry capability in reducing hydrocarbon releases and prevention of major accidents;</li> <li>● port vulnerability to explosions;</li> <li>● inspection of polio virus laboratories.</li> </ul>	▲
Delivery of improvements to reporting and transparency of safety performance in high hazard sectors including HSE website publication of: <ul style="list-style-type: none"> <li>● COMAH sector performance data;</li> <li>● safety performance indicators for 20% of onshore oil and gas operators.</li> </ul>	▲ ▲
Delivery of an onshore oil and gas sector emergency exercise to improve emergency planning in the sector.	▲
Produce a three-year-intervention strategy for 60% of COMAH establishments as part of a continuous improvement intervention programme for this sector. <i>We have not delivered fully on this ambitious milestone. Inspectors have applied a new approach at 57% of sites but an in-depth review has indicated issues surrounding development of longer-term strategies.</i>	▼
Obtain Parliamentary approval to deliver Competent Authority functions under the EU Security of Network and Information Systems (NIS) Directive on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).	▲
Delivery of a programme of targeted interventions concentrating on controlling high-consequence risks from: <ul style="list-style-type: none"> <li>● legionella – focusing on third-party services including water treatment contractors, risk assessors and cleaning contractors;</li> <li>● fairgrounds including travelling and fixed fairs;</li> <li>● major construction projects – intervention activity focusing on HS2, Thames Tideway and nuclear build projects.</li> </ul>	▲
Participate in the WHO global polio eradication programme by attendance and involvement in the international exercise in controlling accidental releases from laboratory facilities held in Copenhagen.	▲

## Sustainable development

We seek to comply with all applicable legal and other relevant requirements that relate to our environmental aspects, including official codes of practice and, as far as practicable, accepted best practice in environmental management. Our aim is to minimise HSE's environmental impact, part of which includes ongoing internal strategy to rationalise and downsize the estate.

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






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

## HSE Sustainability Report

Detailed information on HSE's environmental performance can be found in our Sustainability report.<sup>16</sup>

A summary of HSE's performance at March 2019 against the Greening Government Commitments (GGC) to be reached by 2020 is provided in Table 3.

**Table 3** Performance against GGC compared to the baseline year (2011/12 for paper; 2009/10 for others) and government reduction target (where appropriate)

		<i>Government reduction target to 2020</i>	<i>HSE reduction at 31 March 2019</i>
	Greenhouse gas emissions	32%	41%
	Waste	Continue to reduce <sup>17</sup>	52%
	Water	Continue to improve <sup>18</sup>	38%
	Paper	50% <sup>19</sup>	43%
	Domestic flights	30%	36%

### David Snowball

Acting Chief Executive & Accounting Officer  
Health and Safety Executive  
4 June 2019

<sup>16</sup> [www.hse.gov.uk/aboutus/reports/](http://www.hse.gov.uk/aboutus/reports/) – the latest Sustainability report will be available from June 2019.

<sup>17</sup> 2009/10 baseline at 596.78 tonnes. 2018/19 outturn 287.54 tonnes.

<sup>18</sup> 2009/10 baseline 48 758 litres. 2018/19 usage 30 009 litres. Consumption has increased from 2017/18 (28 446 litres) due to a water leak at our Buxton site.

<sup>19</sup> Baseline for paper set in 2011/12 at 26 924. 2018/19 usage 15 450; 2017/18 consumption is considered to be abnormally low as a result of the introduction of new printing strategy associated reduction in stock levels held.

# Accountability – Corporate governance report

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## Corporate governance report

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

## The Directors’ report

### HSE structure

HSE is led by a non-executive Board chaired by Martin Temple. The Board sets the organisation’s long-term direction, strategy and objectives. The delivery of these, along with the day-to-day management of HSE, is the responsibility of the Chief Executive and the Management Board. Further details on HSE’s organisational structure can be found on our website.<sup>20</sup>

### Managing conflicts of interest

Information on how we manage conflicts of interest can be found in the Governance statement on page 49.

### Personal data-related incidents

Information on personal data-related incidents can be found in the Governance statement on page 63.

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

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

In preparing its accounts, HSE is required to comply with the requirements of the *Government financial reporting manual* and in particular to:

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

The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive of the Health and Safety Executive as Accounting Officer for HSE. His relevant responsibilities as Accounting Officer, 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 2018/19 financial year and up to the date of approval of the Annual Report and Accounts.

As the Accounting Officer I have maintained effective governance arrangements during 2018/19 which comply with relevant guidelines including Managing Public Money and the *Corporate Governance in central government departments: Code of good practice*.

While the Code of Practice is primarily for ministerial departments, arm's length bodies such as HSE should adopt and adhere to the Code to the extent that it is practical, appropriate and not incompatible with any statutory or other authoritative requirements.

### Ministerial and departmental oversight

The Secretary of State has principal responsibility for HSE.

The DWP Minister with responsibility for health and safety will account for HSE's business in Parliament, including its use of resources and the policy framework within which HSE operates.

The HSE Board is responsible to the relevant ministers for the administration of the 1974 Act.

Meetings also take place between the Minister with responsibility for oversight of HSE, the Chair and the Chief Executive. The arrangements between DWP and HSE within which corporate governance operates are set out in a Framework Document, which was revised and updated during the year. This document is available on HSE's website.<sup>21</sup>

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

### Ministerial directions

Ministerial directions are formal, technical instructions from the Secretary of State which allow the Department to proceed with a spending proposal in a situation where the Accounting Officer has raised an objection.

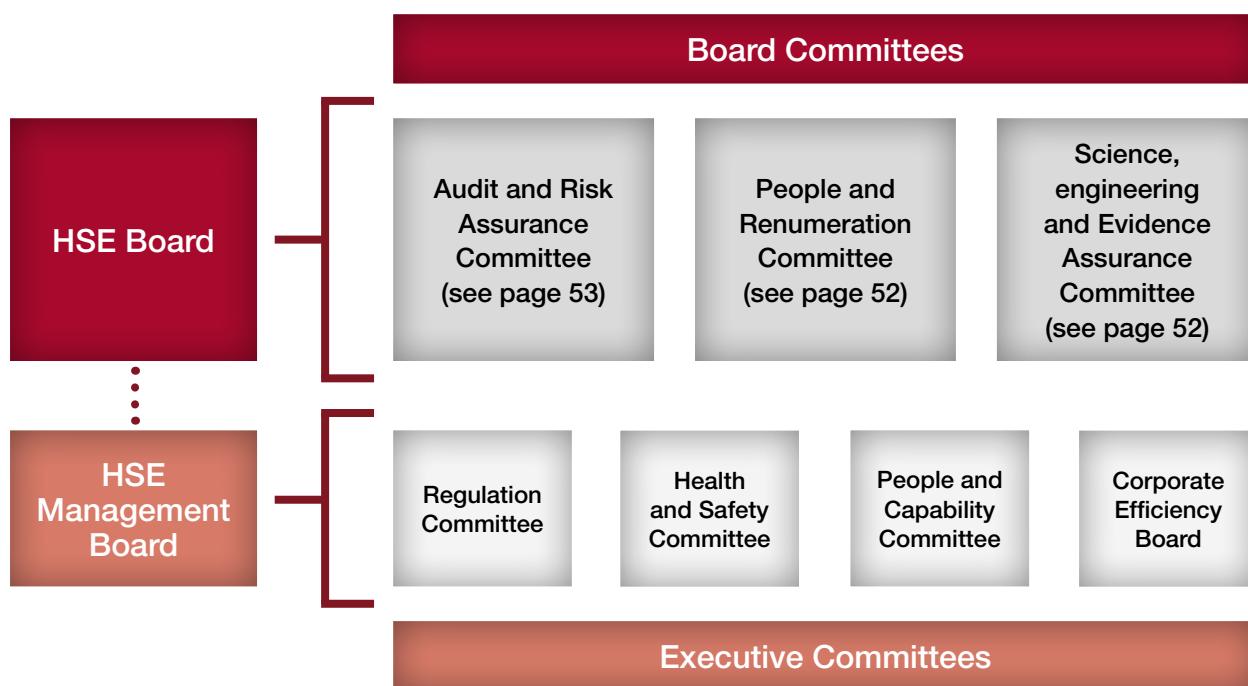
No ministerial directions were given in 2018/19.

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21 [www.hse.gov.uk/aboutus/howwework/management/dwp-hse-framework-document.pdf](http://www.hse.gov.uk/aboutus/howwework/management/dwp-hse-framework-document.pdf)

## Governance within HSE

Figure 9 HSE's governance structure at 31 March 2019



### HSE Board



Martin Temple  
*Chair of the Board*



Nick Baldwin



Jonathan Baume



George Brechin



Janice Crawford



Martin Esom



Susan Johnson



Sir Paul Kenny



Sarah Pinch



Ken Robertson



Kevin Rowan



Martyn Thomas

## HSE Board

*Chair of HSE Board:* Martin Temple

*Frequency:* 8 meetings a year. Of these, four are open meetings and as part of our commitment to engaging with the devolved nations, one of these meetings was held in Wales.

The Board is comprised of non-executive members who are appointed following consultation with representative groups including employers, employees, local authorities and others.

- Biographies of Board members are available on our website.<sup>22</sup>
- 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 Board members (and the independent member of ARAC) are required to declare any personal or business interest in a register of interests which is reviewed annually.<sup>23</sup>
- The Chief Executive and other Management Board members attend Board meetings.

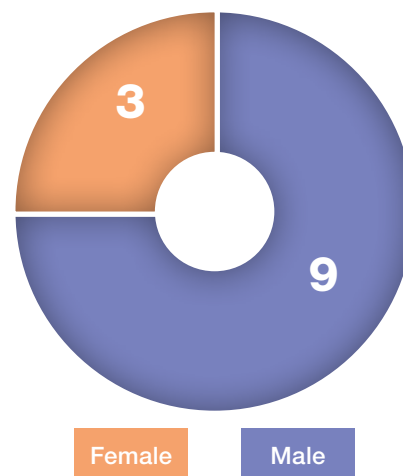
Agendas, papers and minutes of open Board meetings are available on HSE's website.<sup>24</sup>

### Overview of the Board:

- The HSE Board provides a balance of employee, employer and local authority views.
- It sets HSE's overall strategy and objectives within a policy framework set by the government and advises ministers on key issues.
- It oversees how HSE is managed, monitoring performance and providing a challenge where necessary.
- Appointed by the Secretary of State, members are non-executive directors and are not HSE officials.

For further information see the Board Operating Framework.<sup>25</sup>

Figure 10 Board composition as at 31 March by gender



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

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

24 [www.webcommunities.hse.gov.uk/connect.ti/HSEmeetings/view?objectId=252720&exp=e1](http://www.webcommunities.hse.gov.uk/connect.ti/HSEmeetings/view?objectId=252720&exp=e1)

25 [www.hse.gov.uk/aboutus/howwework/management/board-operating-framework2016.pdf](http://www.hse.gov.uk/aboutus/howwework/management/board-operating-framework2016.pdf)

**Key responsibilities:**

- Oversees overall direction for health and safety in Great Britain
- Oversees the work and performance of HSE
- Makes proposals to ministers for regulations
- Provides advice to ministers

Principal areas of focus in 2018/19 have included:

<b>Strategy</b>	<b>HSE strategy</b>	<p>The Board began work to develop its ten-year strategy of how it wants HSE to adapt to a changing world of work while retaining our core regulatory skills and purpose.</p> <p>The strategy will be published in 2019/20.</p>
	<b>Health and safety regulation</b>	<p>Among its many activities in year the Board</p> <ul style="list-style-type: none"> <li>○ approved options for the future of the Adventure Activities Licensing Authority (AALA) to be taken to consultation and implementation;</li> <li>○ agreed HSE's small business plan which sets out how HSE will support SMEs;</li> <li>○ endorsed the jointly owned HSE/Local Authority Statement of Commitment.</li> </ul>
	<b>Helping Great Britain work well</b>	<p>Board members led HSE's conference HSE Connect in February 2019 which brought together colleagues from across the health and safety system from SMEs to well-established organisations and big business.</p>
	<b>EU exit</b>	<p>The UK's withdrawal from the EU will require changes to the chemicals regime to ensure its continued operability. The Board has discussed the activities ongoing to ensure businesses and HSE are prepared for EU exit.</p>
	<b>Building a Safer Future – An Implementation Plan</b>	<p>MHCLG published this report in December 2018. It outlines the next steps in transforming the regulatory and accountability framework for building safety.</p> <p>The Board is committed to HSE helping to transform that framework and provides advice and support to officials. HSE is a member of the Joint Regulators Group, set up to develop and test reforms to the regulatory system.</p>

<b>Governance and risk</b>	<b>Tailored Review</b>	The Board considered the report of, and response to, the independent Tailored Review. See Third Line of Defence assurance (page 64).
	<b>Objectives and priorities for HSE</b>	The Board provided challenge to the priorities for HSE as part of its business planning process for 2019/20. These were considered in the published plan.  The Board also reviewed assurances on the IT Modernisation Programme.
	<b>Risk appetite and management</b>	The Board set the risk appetite for HSE for 2018/19. The Board has also considered and, where necessary, challenged the management of HSE's most significant strategic, operational and external risks.  Where appropriate, it has sought additional assurance through directing the Audit and Risk Assurance Committee to undertake more detailed review.
	<b>Monitoring performance</b>	The Board considered quarterly performance reports, seeking assurance that HSE's activities, milestones and targets are on track.  Where necessary, it sought additional assurances in relation to performance levels – for example the percentage of fatal investigations completed within 12 months of HSE receiving primacy.  Likewise, the Board has routinely scrutinised HSE's financial performance to ensure that HSE will operate within the financial limits set by DWP.

## HSE Board effectiveness

The role of the Board was considered as part of the independent Tailored Review. It recommended the Board should ensure that it continues to have the necessary structure, skills and oversight, including retaining the tripartite structure. The review endorsed the outcomes of the previous effectiveness review undertaken by the Board in 2018. To further assist the Board in developing its own effectiveness, the review recommended that a skills matrix be developed, supported by an annual skills review.

Subsequent to the Tailored Review, a skills review has been undertaken with no significant gaps identified.

## Board sub-committees

### People and Remuneration Committee

*Chair:* Martin Temple

*Frequency:* Quarterly

*Membership:* Martin Temple; George Brechin; Janice Crawford

#### **Key responsibilities of the committee:**

Provides assurance to the HSE Board on people and capability issues including pay policy.

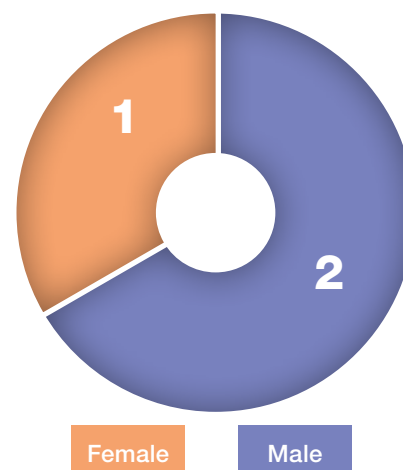
The committee:

- sets the framework for the remuneration and performance of the Chief Executive;
- assesses and approves pay awards at SCS level;
- provides assurance on the implementation of HSE pay policies for all other roles;
- ensures that HSE has the people capability to meet current and future needs.

#### **Principal areas of focus during 2018/19:**

- Impact of EU exit on staff
- Diversity and Inclusion Programme including Gender Pay Gap
- People Survey results 2018
- Reviewing HSE's response to the findings from the Civil Service Commission report relating to Recruitment Principles

Figure 11 - Committee composition by gender



### Science, Engineering and Evidence Assurance Committee

*Chair:* Martyn Thomas

*Frequency:* Quarterly

*Membership:* Neil Bourne (University of Manchester); Peter Buckle (Imperial College); Len Levy (Cranfield University); Ken Robertson (HSE Board); Lesley Rushton (Imperial College); Martyn Thomas (HSE Board)

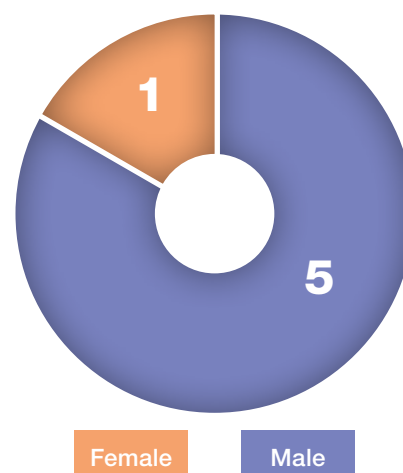
#### **Key responsibilities of the committee:**

To provide assurance to the HSE Board on the quality and relevance of its science and engineering strategy and delivery.

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

- Does HSE get the scientific support that HSE staff need?
- Is the knowledge acquired in the right way?
- Is the knowledge exploited effectively?

Figure 12 - Committee composition by gender



- Is the quality of HSE science as good as it should be?
- Does HSE have the right capacity to acquire and disseminate scientific knowledge and to support investigations?
- Is HSE's horizon scanning effective?

#### **Principal areas of focus during 2018/19:**

- Remained alert to the potential impact on science delivery following the Science Division Capability Review.
- Understanding HSE's Areas of Research Interest which had stimulated approaches to HSE from academia with ideas on joint working.
- Developed and introduced its approach to deep dive reviews which included:
  - occupational lung disease;
  - engineering materials.

Following each of the above formal feedback was provided to each team based on the Committee's observations.

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

*Chair:* Martin Esom

*Frequency:* Quarterly

*Membership:* Martin Esom; Janice Crawford; Susan Johnson; Amanda Hughes (independent)

#### **Key responsibilities of the committee:**

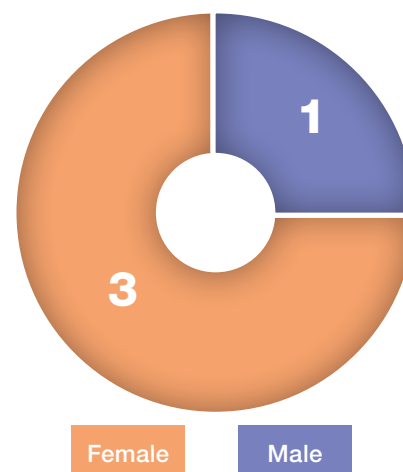
To advise the Board and the Accounting Officer on whether HSE's audit and risk assurance arrangements:

- support its strategic aims;
- enable the efficient, effective and economic conduct of business;
- comply with regulatory requirements; and
- are tolerable within the Board's stated risk appetite.

The Committee also aims to:

- promote the highest standards of propriety in the use of public funds and encourage accountability for the use of those funds;
- improve the quality of financial reporting and promote a climate of financial discipline and control;
- promote the development of internal control systems, including sensible business risk management;
- promote value for money and efficiency within HSE.

Figure 13 - Committee composition as at 31 March by gender



***Principal areas of focus during 2018/19:***

- Review and challenge of management of strategic, external and operational risks including undertaking a series of deep dives into key risk areas including:
  - General Data Protection Regulations (GDPR);
  - IT transformation including the outcome of the IT assurance review which continues to be a focus into 2019/20;
  - whistleblowing.
- Driving the development of HSE's assurance map.
- Review and challenge of the Internal Audit programme, ensuring it aligns with key risks facing HSE.
- Receiving outputs of Internal Audit work, ensuring that necessary actions are taken as a result.
- Oversight of arrangements for the external audit of HSE accounts, including recommending the signing of the accounts by HSE's Accounting Officer.
- Review and challenge of the governance statement and supporting assurances.

***Review of effectiveness***

The ARAC and key stakeholders undertook a review of the Committee's effectiveness. This confirmed that it is effective and operating in line with current requirements and good practice. The review identified some improvements in respect of ensuring that the current approach to reporting to the Board is sufficient and increased engagement with DWP and external and internal audit.

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In addition to the formally constituted sub-committees, there are a number of HSE Board working groups which oversee specific areas of work, including EU exit and HSE's involvement in the Government's Building Safety Programme.

The Board and its subcommittees used a range of management information to monitor performance and support its discussions. This information includes financial, people and operational data. An internal audit of a sample of indicators used to monitor HSE's performance concluded that suitable controls were in place to ensure the integrity of the data, with adequate monitoring regimes to ensure the performance information is accurate.



## Board and committee attendance during 2018/19

**Table 4** Board and Committee attendance

Board member (Term of office)	Board		Audit & Risk Assurance Committee		People & Remuneration Committee		Science, Engineering & Evidence Assurance Committee	
	A	B	A	B	A	B	A	B
Chair: Martin Temple CBE (1 May 2016 – 31 July 2020)	8	8			4(C)	4		
George Brechin OBE (1 April 2013 – 31 Dec 2021)	8	8			4	4		
Nick Baldwin <sup>26</sup>	8	8						
Jonathan Baume (1 June 2016 – 31 Dec 2019)	8	8						
Martyn Thomas CBE (1 Oct 2014 – 30 Sept 2019)	8	7					4(C)	4
Sarah Pinch (1 Oct 2014 – 30 Sept 2019)	8	7						
Kevin Rowan (1 June 2016 – 31 July 2021)	8	7						
Ken Robertson (1 Oct 2016 – 31 July 2021)	8	7					4	3
Janice Crawford (1 June 2016 – 31 July 2021)	8	7	4	3	3	3		
Susan Johnson OBE (1 June 2016 – 31 July 2021)	8	8	4	4				
Martin Esom (1 July 2017 – 30 June 2021)	8	7	4	4(C)				
Sir Paul Kenny (16 Jul 2018 – 31 July 2020)	6	5						
<i>Independent member of the Audit and Risk Assurance Committee</i>								
Amanda Hughes (1 Oct 2017 – 30 Sept 2020)		4	4					

A – Maximum number of meetings the individual could have attended

B – Number of meetings the individual attended

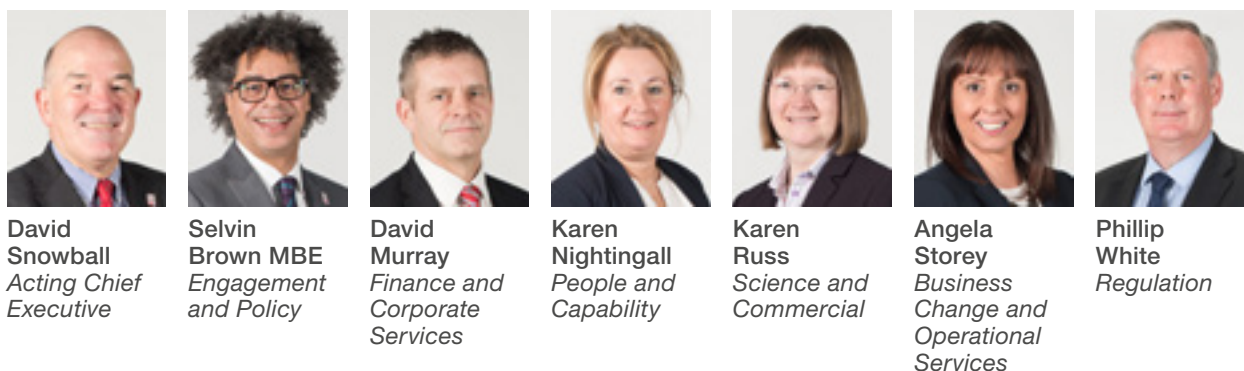
C – Denotes Chair of Committee

<sup>26</sup> 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. His term of office ended on 13th March 2019.

## Management Board

Continuity in effective governance has been maintained because there has been no gap between the departure of our former Chief Executive, Richard Judge, and the appointment of David Snowball as acting Chief Executive and Accounting Officer from 15 June 2018. Richard Judge left HSE on 17 August 2018.

We have reported the remuneration of members of Management Board in our remuneration report for the first time this year. In previous years, we have included only the Chief Executive and members of the Board, who are non-executives. This met the minimum reporting requirements of the Companies Act and FReM, but the Management Board has made the decision to better reflect day-to-day decision making and direction, and improve transparency.



Karen Nightingall has resigned (final day of service: 7 June 2019).

## Management Board

*Chair:* Chief Executive

*Frequency:* Monthly

*Membership:* Management Board comprises Chief Executive and Directors of Business Change and Operational Services; Engagement and Policy; Finance and Corporate Services; People and Capability; Regulation; Science and Commercial

### Overview of the Management Board:

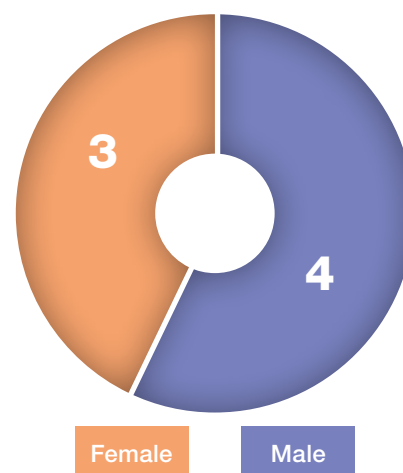
Working closely with the HSE Board, senior executives lead HSE and drive its long-term performance.

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:

- Provides leadership to HSE on strategy and performance.
- Sets budget and investment priorities.
- Promotes working across functions and divisions.
- Owns and manages the strategic and external risk register.

Figure 14 - Management Board composition by gender



## Sub-committees of Management Board

Throughout 2018/19 Management Board has been supported by the following sub-committees (all chaired by a member of the Management Board):

<i>Committee</i>	<i>Responsibility</i>
Investment and infrastructure (up to February 2019)	Ensuring that major investments (eg information technology) are focused on HSE's goals and intended outcomes are achieved. MB has taken a more direct role in monitoring investments since February 2019.
Regulation	Providing support and assurance on policy and regulatory work, ensuring that these are consistent with government policy and HSE's strategic objectives and are deliverable within HSE's Business Plan.
People and capability	Ensuring that HSE's policies for developing its people and capabilities are taken forward, including responding to employee feedback.
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.
Corporate Efficiency Board	Scrutinising staffing and expenditure business cases.

## Extended Management Board

*Chair:* Chief Executive

*Frequency:* Monthly.

*Membership:* Extended Management Board comprises of Management Board and Divisional Directors of Chemicals, Explosives and Microbiological Hazards; Chemicals Regulation; Construction; Energy; Field Operations; Information, Technology and Facilities

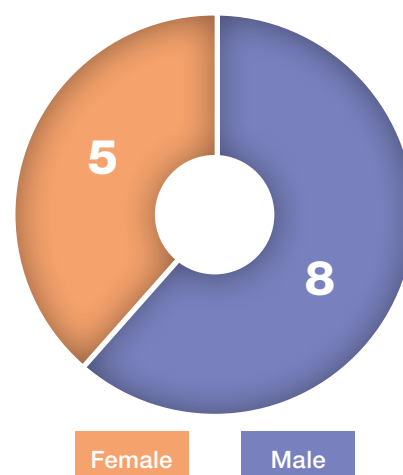
### Overview of the Extended Management Board:

Divisional Directors form part of an extended Management Board which brings together insight into operational matters and performance, taking a corporate view and helping Management Board turn strategic plans and goals into deliverable activity in HSE.

### Key responsibilities:

- Leadership for people and capability, including engagement, inclusion and HSE's values.
- Leads on operational delivery and organisational efficiency.
- Manages the main operational risks.
- Takes decisions on advice from the people and capability and corporate health and safety committees, as well as inclusion and diversity and corporate engagement group.

Figure 15 - Extended Management Board composition by gender



### **Changes to governance**

As part of its development of a new HSE strategy, and in response to the recommendations within the Tailored Review regarding its effectiveness, the Management Board agreed to re-assign the financial decision-making authority that previously sat with the Investment and Infrastructure Committee into the Management Board from February 2019.

Further changes are under active consideration to address the Tailored Review recommendation, including the arrangements for Extended Management Board.

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

As Accounting Officer, I have carried out a review of the effectiveness of HSE's governance structures, risk management and internal control, informed by the sources of assurances available to me.

During the year, HSE continued to develop its approach to assurance mapping, aligned with the three lines of defence<sup>27</sup> model.

This culminated in the production of a detailed assurance map, which focuses on the most pressing assurance risks facing HSE. The map was considered by the ARAC at its February 2019 meeting. HSE is now reflecting how it may maximise the effectiveness of the assurance map.

The assurances I have considered in my review are highlighted in the table below:

**Table 5** Three lines of defence assurance

<i>First line of defence assurances</i>	<i>Second line of defence assurances</i>	<i>Third line of defence assurances</i>
Overall governance and control framework	Risk management framework	Annual Report of Internal Audit
Effectiveness of mechanisms for raising concerns	Divisional Directors' Letters of Assurance	Shared Services Connected Limited (SSCL)
	Annual Report of the Senior Information Risk Owner (SIRO)	Tailored Review of HSE
	Report of Data Protection Officer	Complaints reported to Parliamentary and Health Service Ombudsman
	Annual Report of ARAC	Reports of the Civil Service Commissioners relating to recruitment
		IBM IT Assurance Review

27 *First line of defence*: responsibility of all officials, overseen by line managers and based on routine internal management controls;

*Second line of defence*: independent of the line management chain, focusing in particular on risk management and compliance with internal control mechanisms outlined in policies and procedures. Sometimes provided through specialist, central oversight activity;

*Third line of defence*: independent and objective assurance, provided externally to HSE.

## First line of defence

### ***Overall governance and control framework***

HSE has a longstanding governance, risk management and control framework, the key elements of which are described within this statement.

Our framework is supported by appropriate policies, procedures and guidelines for staff including those for people related matters, regulatory activity, IT and finance. All colleagues are expected to comply with those policies and procedures and appropriate action is expected to be taken by line managers where that is not the case.

When it is identified that our framework is not operating effectively, additional action is taken. This includes implementing additional controls and also, where necessary, improving the first line of defence through improved line management oversight.

The key areas where our framework has been identified as not operating effectively in 2018/19 are in relation to GDPR, recruitment and salary overpayments, details of which are included elsewhere in this report.

### ***Effectiveness of mechanisms for raising concerns***

In reaching my conclusions, I have taken into account any issues identified through our mechanisms for raising concerns (whistleblowing and fraud) and what that may indicate for the effectiveness of our framework.

### ***Whistleblowing arrangements***

We have a well-established policy and procedures to support whistleblowers and our procedures offer a number of routes for employees to raise concerns. We have a very low number of whistleblowing concerns raised each year. In 2018/19 two cases were raised. One of these, relating to recruitment, was upheld and further details on this can be found at Civil Service Commissioners Review of Recruitment on page 65. The other, relating to a policy decision, was not upheld.

I have also taken assurances from the 2018 cross-Civil Service People Survey which indicate a clear majority of staff responded that they knew how to raise a concern under the Civil Service Code and had confidence that any concerns they raised under the Code would be properly investigated.

### ***Fraud, anti-bribery and corruption***

HSE has well-established policies and procedures in relation to fraud, bribery and corruption. These policies apply to all HSE employees, suppliers, contractors and business partners and cover relevant legislation and individual responsibilities.

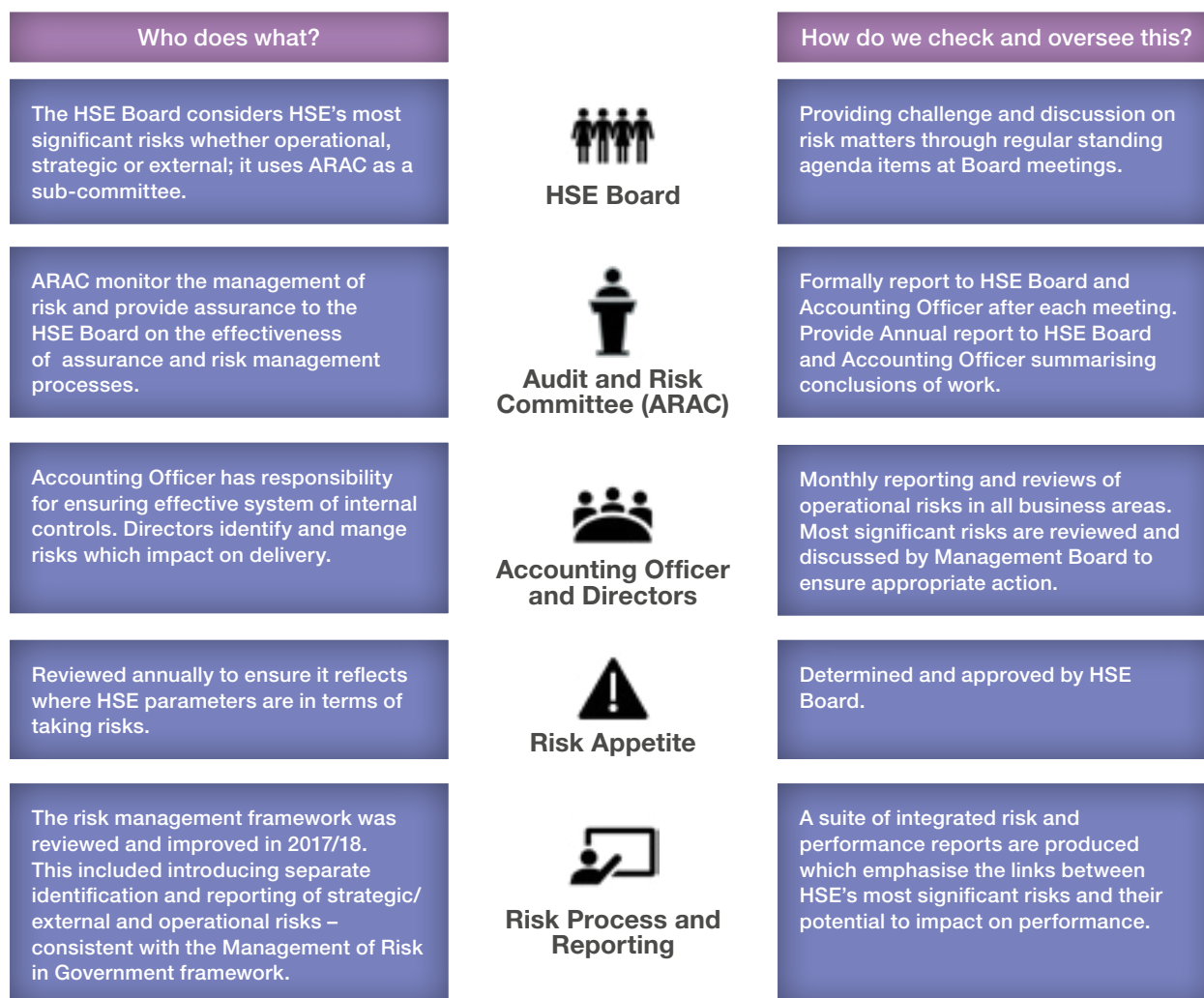
During 2018/19 there was one case of attempted bribery of an inspector. This was handled in accordance with our internal policies. Following this, a reminder was issued reminding colleagues of the action to take should a similar incident occur.

We are currently updating our fraud risk assessment and have held a workshop with colleagues focusing on areas of potential risk. Following the workshop, we plan to continue to increase awareness of fraud, bribery and corruption within HSE.

## Second line of defence

### Risk Management Framework

**Figure 16** Overview of risk processes



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

### ***HSE's risk profile***

HSE's objectives and main functions as a regulator did not significantly change in-year. 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.

The most pressing risks we have been addressing in 2018/19 are:

#### *Managing our financial resources effectively*

Actions taken include:

- enhanced reporting and scrutiny of our financial position;
- in response to income challenges in year, a number of decisions were taken to pause, defer or stop expenditure to achieve a balanced budget while ensuring the delivery of the Business Plan.

#### *Improving our compliance with General Data Protection Regulations*

Actions taken include:

- putting a comprehensive Data Protection Impact Assessment process in place;
- effective governance structure to manage data protection embedded into the business structure;
- extensive communications and awareness raising activities.

Managing our financial resources in a sustainable manner will continue to be a focus for HSE in 2019/20. We anticipate the GDPR risk will be fully addressed through the action plan which aims to achieve compliance by August 2019. In addition we will need to continue to be agile as we contribute to the government's preparations for exit from the European Union (EU).

During 2019/20 the HSE Board and Management Board will review and, as necessary, revise the key strategic risks HSE is facing in light of its new strategy.

### ***Divisional Directors letters of assurance***

All Divisional Directors provided me with a letter of assurance (LoA) at year-end that outlined the effectiveness of systems of governance, risk management and internal control within their area of responsibility.

I reviewed each of these, and where necessary, raised specific questions of directors. In addition, a number of directors presented to an Assurance Panel, which included a member of ARAC, Director of Finance and Head of Internal Audit at which key aspects of the LoA was discussed and evidence tested as appropriate.

Based on my review of the LoAs and the feedback I have received from the Panel we will continue to enhance the LoA process in future years, integrating it with our overall approach to assurance.

As part of my review, I noted the following challenges:

- **Salary overpayments** Internal audit undertook a review of salary overpayments during the first quarter of 2018/19, in response to issues which we identified the previous year. The level of overpayment was approximately £269 000, the majority of which has now been recovered. In response to their recommendations, a number of actions have been taken forward, including:
  - an improvement in the timeliness of actions taken to process leavers and a consequent reduction in the value and volume of overpayments in the final months of the financial year;
  - SSCL have enhanced the management information they provide each month and we are reviewing this routinely to identify any problems which require additional corrective action.
- **Health and safety** An inspection by HSE resulted in a Notification of Contravention being served on our laboratory as there was not a suitable and sufficient risk assessment on one of the experimental work areas. We responded to this with a detailed list of actions; all but one had been completed by the time the HSE inspectors returned to the Buxton site on 29 March. The regulator was content with the actions taken and will return to review the final action later in 2019/20.
- **Debt recovery** Internal Audit's recent review confirmed the operating model for debt management is fit for purpose and that HSE continues to develop a robust approach to debt management. An approved debt strategy is in place that ensures the totality of HSE's debt is being appropriately managed. However, we recognise the risk of increasing aged debt is likely due to interdependent regulatory processes outside the direct control of the debt management team. The relevant teams are taking forward the recommendations made by internal audit to ensure the financial and reputational risk is adequately mitigated.

### ***Annual Report of the Senior Information Risk Owner (SIRO)***

I have received the Annual Report from the SIRO. This indicates that I can take moderate assurance that arrangements to secure the information governance framework are suitably designed and applied effectively. A number of areas, such as GDPR, require continued management attention to enable full assurance that information risk is being managed effectively.

There were no significant lapses of protective security in 2018/19.

### ***Report of the Data Protection Officer***

The Data Protection Officer (DPO) has provided me with his opinion on HSE's compliance with General Data Protection Regulations (GDPR) following its introduction in May 2018.



HSE is not currently compliant with the requirements of the Regulations but aims to achieve compliance by August 2019. Action taken is detailed in HSE's risk profile.

In addition, there have been 26 data breaches reported. Of these there were 5 reportable incidents of lost protected personal data reported to the Information Commissioners Officer (ICO) in 2018/19.

Given our current compliance status and the data breaches notified to ICO this year, I can only take limited assurance in this area.

### ***Annual Report of the ARAC***

In reaching my conclusion, I have taken the Annual Report of the ARAC into account. The Committee's view is that having received and challenged reports from HSE management, NAO and Internal Audit, HSE's risk, governance and internal control framework is satisfactory and fit for purpose.

## **Third line of defence**

### ***Annual Report of Internal Audit***

My internal audit team carry out a portfolio of work to provide assurance on the strength of risk, control and governance arrangements. Overall they have provided a 'Moderate' assurance opinion this year, observing that 'some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'.

In-year, they reported on the strength of controls within many of our enabler functions, particularly in respect of financial management (based on audit work which assessed income, debt management and performance management processes). They also commented that the establishment and maintenance of our new risk and assurance framework is a key milestone in assisting the organisation in identifying and mapping the main sources of assurance in the organisation and coordinating them to best effect (as well as spotting any assurance gaps).

Through their recommendation tracking process they have seen that the organisation has an appetite to address any issues arising and to mitigate identified risks. Audit reports delivered this year have helped me further strengthen contract management arrangements across the division with process improvements being made allied to government best practice. They have observed that 'the programme instigated to improve the professionalism of contract management across the organisation should help introduce a more standardised, strengthened approach'.

In responding to the work of internal audit we implemented a number of actions to:

- establish a more robust multifaceted workforce planning process;
- further prevent pay overpayments arising, and improve the processes to manage overpayments when they occur;
- strengthen processes and practises relating to compliance with the General Data Protection Regulation;
- further develop business continuity arrangements so that we can rely on the invocation of the plans to manage an incident; and
- assist in the further development of the second line of defence (internal assurance) function.

### ***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 report prepared by PriceWaterhouseCoopers LLP (PWC) as the Independent Service Auditor (ISA) in respect of SSCL's performance.

PWC's opinion is qualified as there are areas where controls did not work as effectively as SSCL anticipated. For HSE these areas were the Other Government Department transfer and invoice process (relating to salary overpayments) and management of client bank accounts. I can confirm that there is no material impact on the financial statements as a result of these findings.

### ***Tailored Review***

During the year, the Department for Work and Pensions (DWP) carried out a Tailored Review<sup>28</sup> of HSE. The report was published in November 2018<sup>29</sup> and I have taken assurance from its findings.

The review found that HSE is a well-respected and well-structured organisation that fulfils its statutory objectives effectively. It highlighted that much work had been done within HSE to consider the recommendations from the Triennial and other reviews and to implement change where required, and meet the efficiency challenge required by the 2015 Spending Review.

The report acknowledged that while HSE has embraced the challenge of the cost recovery model for regulatory activities promoted in the 2017 Regulatory Futures Review, the uncertain nature of the income that is derived from HSE's Fee for intervention and commercial activities creates challenges for budgeting. It therefore recommended that Cabinet Office and HM Treasury consider the potential impact of uncertain cost recovery on an organisation's budgets.

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28 [www.gov.uk/government/publications/tailored-reviews-of-public-bodies-guidance](http://www.gov.uk/government/publications/tailored-reviews-of-public-bodies-guidance)

29 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/765480/hse-tailored-review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/765480/hse-tailored-review.pdf)

As well as these financial recommendations, the report identified further areas of improvement, recognising that in many cases work was underway to address them. These included:

- partnership – that DWP and HSE continue to work together to review their partnership arrangements and other collaboration;
- governance – that the HSE Board ensure that it continues to have the necessary structure, skills and oversight;
- operational effectiveness – HSE develops its regulatory assurance and performance information to further build its effectiveness;
- organisational effectiveness – ensuring that internal objectives and targets are sufficiently challenging and performance against them is scrutinised.

### ***Complaints reported to Parliamentary and Health Service Ombudsman***

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.

I have taken positive assurance from the low number of complaints upheld by the Parliamentary and Health Service Ombudsman (PHSO), which is responsible for investigating formal complaints made by the public against government departments.

Table 6 is the latest available PHSO annual analysis of the complaints it received about HSE.<sup>30</sup>

**Table 6** Complaints received by the PHSO about HSE in 2017/18

<i>Enquiries received</i>	<i>Complaints assessed</i>	<i>Complaints resolved through intervention</i>	<i>Complaints accepted for investigation</i>	<i>Investigations upheld or partly upheld</i>	<i>Investigations not upheld or discontinued</i>
35	10	0	1	1	0

The investigation into the one complaint that was partly upheld found that although HSE acted reasonably when responding to the complainant's concerns we should have more fully explained the reasons behind the decisions made and this might have resolved the complaint earlier.

### ***Civil Service Commissioners' Review of Recruitment***

In response to a complaint that HSE had not observed the rules of fair and open competition in relation to a recruitment campaign for a Grade 6 role, the Civil Service Commission determined that there had been a number of breaches of the Civil Service Recruitment Principles and that the appointment

30 [www.ombudsman.org.uk/sites/default/files/Parliamentary\\_Complaints\\_Stats\\_2017\\_2018\\_Accessible.pdf](http://www.ombudsman.org.uk/sites/default/files/Parliamentary_Complaints_Stats_2017_2018_Accessible.pdf).

had not been made on merit on the basis of fair and open competition.

Subsequently, HSE has put in place additional safeguards to strengthen the current recruitment practices including the initiation of an internal assurance programme to assess compliance with HSE's recruitment policies and the Civil Service Recruitment Principles. This has identified further measures which will enhance good recruitment practice through promoting a stronger compliance culture and greater levels of awareness of the principles.

In addition, the Civil Service Commission assess organisations compliance with the recruitment principles as good, fair, or poor and provide a forward trajectory (improving, static, at risk). The latest available data is for 2017/18 and indicates that HSE's compliance is deemed 'fair' with a 'static' trajectory.

### ***IBM IT Assurance Review***

Following a major IT incident in August 2018, an independent review was undertaken by IBM to provide assurance in this area.

The review confirmed the cause of the IT incident (outdated storage systems and technology) had been rightly identified, and the incident had been handled correctly.

In addition, the steps taken to reduce the risk of future failure were considered appropriate. The review concluded that the HSE IT Strategy, delivered through the IT modernisation programme, provides the right foundations for the future and the pace of change should be accelerated.

### ***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 conclude that HSE overall has satisfactory governance, risk management and internal control systems.

However, as indicated in this statement, areas for improvement have been identified with particular reference to GDPR and our recruitment practices. Robust plans with effective oversight are in place to ensure the required improvements are made promptly.

# Accountability – Remuneration and staff report

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## Remuneration and staff report overview

The Remuneration and staff report sets out HSE’s policy for remuneration of senior civil servants and 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 specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### Remuneration policy

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

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

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

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

## Remuneration (including salary) and pension entitlements

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

**Table 7** Single total figure of remuneration (this information is subject to audit)\*

	Salary (£'000)		Bonus payments (£'000)		Taxable expenses and other benefits in kind to nearest £100		Pension benefits (to nearest £1000) <sup>31</sup>		Total** (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Dr Richard Judge <sup>***</sup>	60-65 (165-170 FYE <sup>32</sup> )	165-170	-	10-15	-	-	66 000	31 000	125-130	205-210
Dr David Snowball <sup>33</sup>	110-115 (115-120 FYE)	-	10-15	-	11 400	-	260 000	-	390-395	-
Selvin Brown MBE	95-100	-	10-15	-	-	-	46 000	-	155-160	-
David Murray	110-115	-	10-15	-	-	-	49 000	-	170-175	-
Karen Nightingall	95-100	-	10-15	-	-	-	38 000	-	145-150	-
Dr Karen Russ	110-115	-	-	-	-	-	46 000	-	160-165	-
Angela Storey <sup>34</sup>	95-100	-	-	-	-	-	37 000	-	130-135	-
Philip White <sup>35</sup>	70-75 (95-100 FYE)	-	-	-	-	-	125 000	-	195-200	-

\* HSE's Management Board are included in Table 7 from 1 April 2018. In previous years, we have included only the Chief Executive and members of the Board, who are non-executives. This met the minimum reporting requirements of the Companies Act and FReM, but the Management Board has made the decision to better reflect day-to-day decision making and direction, and improve transparency.

\*\* The pension benefits is a notional figure that accounts for changes in post-retirement pension payments over a standard 20-year period. The figure can be dominated by an uplift to salary on promotion in both the permanent or temporary capacity. Dr David Snowball and Phillip White have both been promoted in-year and their total remuneration included this one-off additional element.

\*\*\* Dr Richard Judge left HSE under the terms of a settlement agreement on 17 August 2018. In addition to the above remuneration, £130k was paid to cover salary in lieu of notice, associated pension contributions and untaken annual leave. A further payment of £95k, finalised in June 2019, is payable under the terms of the Civil Service Compensation Scheme for voluntary exit. HSE is also paying for outplacement support.

31 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.

32 FYE = Full year equivalent.

33 Dr David Snowball was appointed Acting Chief Executive from 15 June 2018. Prior to this (from 19 May 2014 to 14 June 2018) he was Director of Regulation.

34 Angela Storey was appointed Director of Business Change and Operational Services on 1 April 2018.

35 Philip White was appointed Director of Regulation on 1 July 2018.

**Table 8** Board (non-executive directors) single total figure of remuneration (subject to audit)<sup>36</sup>

	Salary (£'000)		Bonus payments (£'000)		Taxable expenses and other benefits in kind to nearest £100		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Martin Temple CBE <sup>36</sup>	<b>80-85</b>	55-60	-	-	<b>11 400</b>	5 100	<b>90-95</b>	60-65
Nick Baldwin CBE (term ended 13 Mar 2019)	-	-	-	-	-	-	-	-
Isobel Garner (1 Apr 2012-31 Jul 2017)	-	5-10	-	-	-	300	-	5-10
Sarah Pinch	<b>15-20</b>	15-20	-	-	<b>900</b>	400	<b>15-20</b>	15-20
Martyn Thomas CBE	<b>15-20</b>	15-20	-	-	<b>300</b>	200	<b>15-20</b>	15-20
Jonathan Baume	<b>15-20</b>	15-20	-	-	<b>300</b>	100	<b>15-20</b>	15-20
George Brechin OBE	<b>15-20</b>	15-20	-	-	<b>200</b>	400	<b>15-20</b>	15-20
Susan Johnson OBE	<b>15-20</b>	15-20	-	-	<b>200</b>	400	<b>15-20</b>	15-20
Janice Crawford	<b>15-20</b>	15-20	-	-	<b>200</b>	800	<b>15-20</b>	15-20
Ken Robertson	<b>15-20</b>	15-20	-	-	<b>700</b>	100	<b>15-20</b>	15-20
Kevin Rowan	<b>15-20</b>	15-20	-	-	-	100	<b>15-20</b>	15-20
Martin Esom (1 Jul 2017-30 Jun 2021)	<b>15-20</b>	10-15	-	-	<b>400</b>	-	<b>15-20</b>	10-15
Paul Kenny (16 Jul 2018-31 Jul 2019)	<b>10-15</b>	-	-	-	<b>400</b>	-	<b>10-15</b>	-

### 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.

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.

<sup>36</sup> Martin Temple's working pattern changed from 2 to 3 days per week from 1 August 2018.

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

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

***Bonuses***

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2018-19 are based on 2017-18 performance and comparative bonuses for 2017-18 are based on 2016-17 performance.

***Pay multiples (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 2018-19 was £135–140 000 (2017-18, £175-180 000). This was 3.47 times (2017-18, 4.62) the median remuneration of the workforce, which was £39 647 (2017-18, £38 388).

In 2018-19, one employee received remuneration in excess of the highest-paid director (2017-18 none). This was a contractor employed on a specific project, who has now left the organisation. Remuneration ranged from £18 997 to £137 500 (2017-18, £19 090 to £177 500).

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 and Management Board pension benefits (this information is subject to audit)

	<i>Accrued pension at pension age as at 31/3/19 and related lump sum</i>	<i>Real increase in pension and related lump sum at pension age</i>	<i>CETV<sup>37</sup> at 31/03/19</i>	<i>CETV at 31/03/18</i>	<i>Real increase in CETV</i>
	£'000	£'000	£'000	£'000	£'000
Dr Richard Judge	75–80	2.5–5	1 377	1 303	58
Dr David Snowball	70–75	12.5–15	1 517	1 162	270
Selvin Brown MBE	35–40 plus a lump sum 60–65	2.5–5 plus a lump sum 0–2.5	613	512	24
David Murray	50–55	2.5–5	841	711	27
Karen Nightingall	5–10	0–2.5	108	71	24
Dr Karen Russ	5–10	2.5–5	111	68	27
Angela Storey	0–5	0–2.5	61	30	20
Phillip White	35–40 plus a lump sum 110–115	5–7.5 plus a lump sum 15–17.5	850	659	121

### Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher).

From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate.)

Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

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

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

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

Further details about the civil service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](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 £3 847 (2017-18 £3 451) were paid to the independent members of the 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>2018-19</b> <b>Total honoraria and</b> <b>expenses</b> <b>£'000</b>	<b>2017-18</b> <b>Total honoraria and</b> <b>expenses</b> <b>£'000</b>
Graham Aitken (1 Oct 2011 to 30 Sep 2017)	-	2
Amanda Hughes (1 Oct 2017 to 30 Sep 2020)	4	2

## Staff report

Analysis of staff numbers and costs is provided in Tables 11 to 12 and Figures 17 and 18.

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

	<i>Permanently employed staff</i>	<i>Others*</i>	<i>2018-19 Total</i>	<i>2017-18 Total</i>	<i>2017-18 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	103 677	1 831	105 508	103 519	103 519
Employers' National Insurance	11 682	-	11 682	11 698	11 698
Pension costs	21 715	-	21 715	21 749	21 749
Lump sum exit costs	738	-	738	874	874
<b>Total (as reported in the SoCNE)</b>	<b>137 812</b>	<b>1 831</b>	<b>139 643</b>	137 840	137 840
Less recoveries in respect of outward secondments	-	-	-	(34)	(34)
<b>Total net costs</b>	<b>137 812</b>	<b>1 831</b>	<b>139 643</b>	137 806	137 806

\* Included in Others are contingent labour and seconded staff.

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

For 2018-19, employers' contributions of £21.6million were payable to the PCSPS (2017-18 £21.6 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 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 £128 620 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 £4 057, 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 2019 were £12 003. Contributions prepaid at that date were £nil.

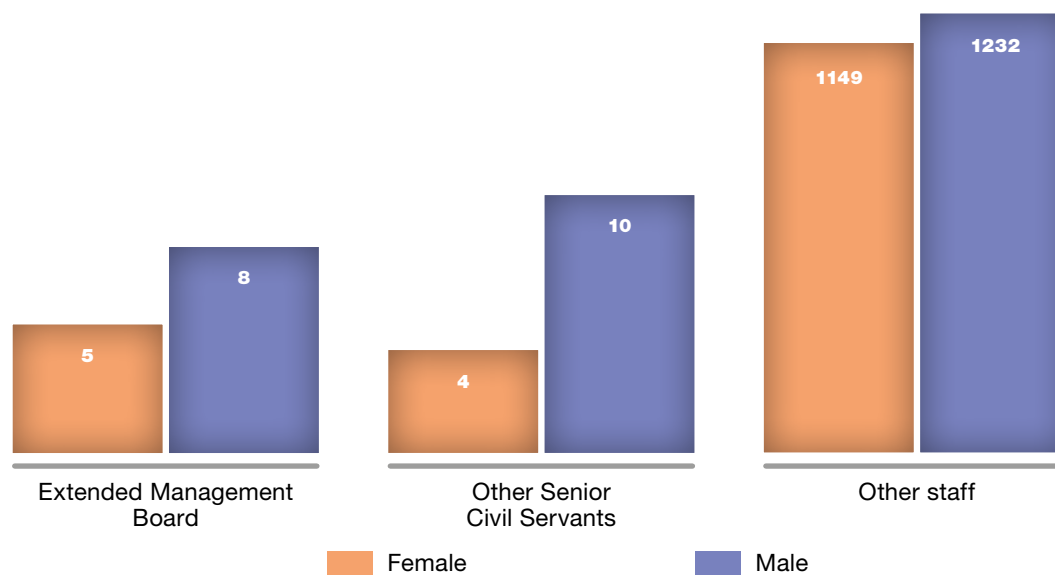
**Table 12** Staff numbers (this information is subject to audit)

The average number of full-time equivalent (FTE)

<i>Permanent staff</i>	<i>Other</i>	<i>2018-19 Total</i>	<i>2017-18 Total</i>
2 435	18	2 453	2 501

**Table 13** The total HSE staff in post by full-time equivalents (FTEs) and occupational group as at 31 March 2019

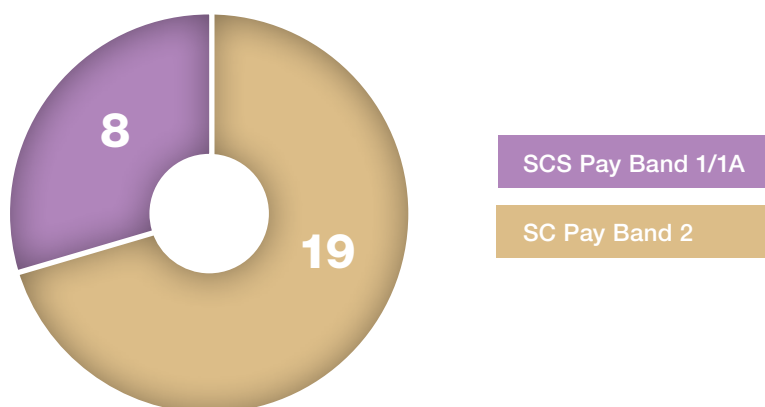
<i>Occupational group</i>	<i>31 March 2019</i>	<i>31 March 2018</i>	<i>31 March 2017</i>
Inspectors and visiting health and safety staff <sup>38</sup>	1 066	1 058	1061
Other professional or specialist staff	1 048	1 081	1105
Other staff	294	327	351
(of whom are apprentices)	(52)	(56)	(30)
Contingent labour <sup>39</sup>	18	12	7
Total staff <sup>40</sup>	2 426	2 478	2 524

**Figure 17** The total HSE staff in post by FTE and gender (excluding Chair and contingent labour) as at 31 March 2019

38 Comprises inspectors, visiting officers and regulatory compliance officers.

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

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

**Figure 18** Senior civil servants as at 31 March 2019<sup>41</sup>

## Human rights

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

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

## Diversity and inclusion

We are committed to eliminating discrimination and promoting equality in our policies and in our dealings with our staff. In June 2018 we launched our Diversity and Inclusion strategy setting out our ambitions to be a more diverse and inclusive employer focusing on three key priority areas: leadership, representation and inclusion.

Our Dignity at Work statement shows our commitment 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 people policies, including for recruitment, retention and development of colleagues, aim to create and support a diverse and inclusive culture. For example, we use name blind recruitment to tackle biases and include a positive action statement in all adverts. All training and development opportunities are accessible and open to all.

<sup>41</sup> The generic, cross-government ranges for each SCS pay band are: 1: £65 000 to £117 800; 1A: £67 600 to £128 900; 2: £88 000 to £162 500; and 3: £107 000 to £208 100

We are committed to considering and implementing reasonable adjustments for all colleagues who need them. Our occupational health support package is a key tool in helping staff with long-term conditions and disability in the workplace.

We currently hold Disability Confident Level 2 and are working towards achieving Level 3: Disability Confident Leader. We have in place a Diversity and Inclusion Programme Board and an Inclusion and Diversity Group encompassing senior management, trade unions and the four diversity networks. These monitor and hold to account HSE's diversity activities.

We are committed to delivering the aims of the Public Sector Equality Duty and publish diversity information for staff in post on our website,<sup>42</sup> including our SCS.

## Pay

We published our second Gender Pay Gap report in March 2019.<sup>43</sup> The results show that HSE has a mean gender pay of 23.06% and a median gender pay gap of 25.06%.

While we are confident that this is not an equal pay issue (there is equal treatment for work of equal or similar value), HSE recognises that its Gender Pay Gap is significant. To address this fully, for the benefit of the organisation, we will need to set ourselves challenging goals, which deliver a more representative workforce, in relation to gender.

These goals cover areas of gender parity during recruitment into senior grades and improving ways of growing and supporting our internal female talent in their career development with HSE; to ensure better gender balance across all grades and disciplines in HSE.

A detailed action plan based on detailed understanding of HSE's Gender Pay Gap by discipline, pay scale and band, to identify causes or concerns is being developed. Specific actions will focus on:

- attraction and retention of employees;
- talent development and career progression;
- pay systems and structures.

## Expenditure on consultancy

There was £0.02million consultancy spend during the financial year.

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42 [www.hse.gov.uk/equality-duty/data/equality-data.htm](http://www.hse.gov.uk/equality-duty/data/equality-data.htm)

43 [www.hse.gov.uk/aboutus/reports/gender-pay-gap-2019.pdf](http://www.hse.gov.uk/aboutus/reports/gender-pay-gap-2019.pdf)

## Expenditure on contingent labour

HSE spent a total of £1.63 million (2017/18 £1.25 million) on contingent labour during the financial year.

## High paid off-payroll engagements

Following the *Review of tax arrangements of public sector appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on their highly paid and/or senior off-payroll engagements. Tables 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 2019, for more than £245 per day and that last for longer than six months

	<i>Number</i>
<b>Number of existing engagements as of 31 March 2019</b>	<b>4</b>
Of which:	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0



**Table 15** For all new off-payroll engagements, or those that reached six months in duration between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months

	<i>Number</i>
<b>Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019</b>	<b>10</b>
Of which:	
Number assessed as caught by IR35	10 <sup>44</sup>
Number assessed as not caught by IR35	0
Number engaged directly (via personal service company contracted to HSE and are on HSE's payroll)	0
Number of engagements reassessed for consistency/assurance purposes during the year	3
Number of engagements that saw a change to IR35 status following the consistency review	0

There were no senior staff who were off payroll during 2018/19 or 2017/18.

### 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.

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

**Table 16** Exit packages (subject to audit)

<i>Exit package cost band</i>	<i>Number of other departures agreed</i>	
	<b>2018-19</b>	2017-18
< £10,000	-	-
£10,000 - £25,000	<b>4</b>	9
£25,000 - £50,000	<b>3</b>	12
£50,000 - £100,000	<b>6</b>	5
£100,000 - £200,000	<b>1</b>	-
<b>Total number of exit packages by type</b>	<b>14</b>	26
<b>Total resource cost £</b>	<b>737 814</b>	874 246

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 2018-19, with 6 staff departing; 7 staff left via non-VE scheme exits and there was 1 compulsory redundancy in 2018-19 (nil 2017-18).

## Employee relations

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

**Table 17** Relevant union officials

	<i>Number</i>
Number of employees who were relevant union officials during the relevant period	68 FTE

**Table 18** Percentage of time spent on facility time

<i>Percentage of time</i>	<i>Number of employees</i>
0%	0
1-50%	68
51-99%	0
100%	0

**Table 19** Percentage of pay bill spent on facility time

Total cost of facility time	£211 109
Total pay bill	£138 000 000
Percentage of the total pay bill spent on facility time	0.15%

**Table 20** Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0%
---	----

## Recruitment practice

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

In response to a complaint that HSE had not observed the rules of fair and open competition in relation to a recruitment campaign for a Grade 6 role, the Civil Service Commission determined that there had been a number of breaches of the Civil Service Recruitment Principles and that the appointment had not been made on merit on the basis of fair and open competition.

HR instigated an internal assurance programme to assess and improve compliance standards against HSE's current operating model and policies, and the Civil Service Recruitment Principles. Through this assurance programme we have been able to add additional safeguards to enhance good vacancy filling/recruitment practice through promoting a stronger compliance culture and awareness.

We have continued to build our social media presence and make use of our Employee Value Proposition and the 'You Can with HSE' brand, building our library of diverse imagery including videos and employee snapshots, resulting in reaching a wider more diverse candidate pool.

We successfully rolled out success profiles into HSE, upskilling over 300 trained panel members and producing a webinar awareness session to all staff. We successfully recruited for administration apprentices using the new approach, adapting our recruitment process from a competency based sift to an online test. This and the use of strengths-based interviews helped us assess against potential rather than experience. We will continue to upskill and embed success profiles into all recruitment across HSE.

In 2018/19 we were able to recruit an additional 24 trainee inspectors from the 2017 campaign waiting list, as a result of the high-calibre successful candidates following a refreshed and modernised marketing and assessment process.

### **Employee health and safety**

We have continued to recognise the need to review and improve our internal arrangements for Health and Safety and Wellbeing (HSW) in 2018-19 by building a new and integrated approach and tracking our progress at HSE Board. We have:

- put in place an improvement programme to take forward projects that will enable us to lead HSW through our people and underpin, where necessary, with effective systems;
- appointed a Head of HSW who now sets focus and direction and reports to Management Board;
- completed a review of our risk assessment approach, learned from pilots on how we develop our approach to the stress management standards and worked with TU colleagues to determine how we identify and monitor our HSW risk profile and track our performance.

An inspection by HSE resulted in a Notification of Contravention being served on our laboratory as there was not a suitable and sufficient risk assessment on one of the experimental work areas. We responded to this with a detailed list of actions; all but one had been completed by the time the HSE inspectors returned to the Buxton site on 29 March. The regulator was content with the actions taken and will return to review the final action later in 2019/20.

One of our key priorities remains mental health and wellbeing and we have taken forward our 'Healthy Work, Healthy You' strategy with the promotion of new wellbeing services for colleagues and with training/guidance for line managers in how to:

- prevent negative HSW situations from happening;
- promote HSW; and
- support individuals when the need arises.

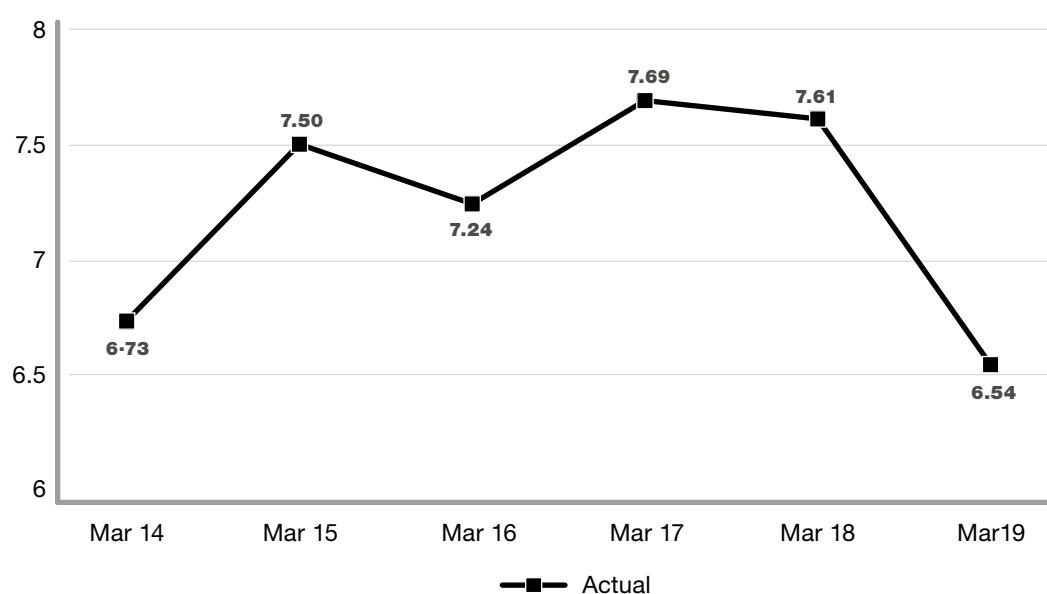
**Table 21** Reported health and safety incidents in HSE

<i>Event category</i>	<i>2018/19</i>	<i>2017/18</i>	<i>2016/17</i>
Accident <sup>45</sup>	30	65	28
Incident <sup>46</sup>	93	142	171
Ill health <sup>47</sup>	29	55	65

A decrease in accidents and ill health for HSE indicates we are improving how we report and capture vulnerabilities in our HSW arrangements before they lead to harm. Our investigations in all reported incidents continue to help us learn and identify improvements to supporting the setting of our priorities for the 2019-20 HSW Improvement Programme.

### Sickness absence data

The 2018/19 figure for average working days lost per FTE is 6.54 in comparison to 7.61 per FTE in 2017/18. As part of our commitment to improve our approach to wellbeing outlined in our internal wellbeing strategy Healthy Work, Healthy You, a revised attendance management policy has been implemented. This has been supported by an ongoing commitment to provide advice and support to line managers on wellbeing and attendance management. Management Board agreed a stretching target of below 7 average working days lost per FTE which has been achieved resulting in a significant reduction from last year.

**Figure 19** Average working days lost

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

46 Includes dangerous occurrence, no-harm/near-misses, possible dangerous exposure, property damage and verbal abuse.

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

# Accountability – Parliamentary accountability and audit report

The report brings together the key Parliamentary accountability disclosures.

## Regularity of expenditure

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

Special payments<sup>48</sup> made by HSE to staff and members of the public amounted to 5 cases during 2018-19 to the value of £51 000 (2017-18: 7 cases totalling £215 000).

**Table 22** Losses and special payments (this information is subject to audit)

	<i>2018-19</i> <i>No of cases</i>	<i>2018-19</i> <i>£'000</i>	<i>2017-18</i> <i>No of cases</i>	<i>2017-18</i> <i>£'000</i>
Cash losses	18	-	4	1
Claims waived or abandoned	723	1 193	1 121	1 204
Fruitless payments	2	-	-	-
Stock, stores and obsolete publications	3	1	6	1
<b>Total losses</b>	<b>746</b>	<b>1 194</b>	<b>1 131</b>	<b>1 206</b>
<b>Special payments</b>	<b>5</b>	<b>51</b>	<b>7</b>	<b>215</b>
<b>Total losses and special payments</b>	<b>751</b>	<b>1 245</b>	<b>1 138</b>	<b>1 421</b>

48 Special payments include compensation paid to staff and members of the public.

**HSE fees and charges**

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

**Table 23** HSE fees and charges (this information is subject to audit)

	2018-19			2017-18 restated*		
	<i>Income</i>	<i>Cost</i>	<i>Surplus/ (deficit)</i>	<i>Income</i>	<i>Cost</i>	<i>Surplus/(deficit)</i>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>HSE fees and charges</b>						
Biocides and plant protection	13 472	13 806	(334)	14 561	14 112	449
Control of major hazards	11 147	11 360	(213)	9 987	11 695	(1 708)
Enforcement of offshore safety legislation	17 678	17 378	300	17 886	17 887	(1)
Fee for intervention	14 142	15 681	(1 539)	15 052	16 957	(1 905)
	<b>56 439</b>	<b>58 225</b>	<b>(1 786)</b>	57 486	60 651	(3 165)
Other HSE fees and charges	<b>2 450</b>			2 352		
<b>Total fees and charges</b>	<b>58 889</b>			59 838		

\* 2017/18 Biocides and plant protection income and costs have been restated to exclude £1242 EU exit funding from Defra which has been separately disclosed in the financial statements as other operating income.

**David Snowball**

Acting Chief Executive and Accounting Officer  
Health and Safety Executive  
4 June 2019

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

### Opinion on financial statements

I certify that I have audited the financial statements of the Health and Safety Executive for the year ended 31 March 2019 under the Health and Safety at Work etc Act 1974. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Safety Executive's affairs as at 31 March 2019 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Safety at Work etc Act 1974 and Secretary of State directions issued thereunder.

### Opinion on regularity

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

### Basis of opinions

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

### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained,



whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health and Safety Executive's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Executive and Chief Executive for the financial statements**

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### **Other information**

The Executive and Chief Executive are responsible for the other information. The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard

### **Opinion on other matters**

In my opinion:

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

**Gareth Davies**

11 June 2019

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

# Financial statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

(The notes on pages 94–117 form part of these accounts.)

	<i>Notes</i>	<b>2018-19</b> £'000	2017-18 <i>restated</i> £'000
Staff costs	3	<b>139 643</b>	137 840
Other operating costs	4	<b>77 908</b>	83 542
<b>Total operating expenditure</b>		<b>217 551</b>	221 382
*Fees and charges	5	<b>(58 889)</b>	(59 838)
*Other operating income	5	<b>(32 503)</b>	(33 086)
EU income	5	<b>(68)</b>	(38)
<b>Total income</b>		<b>(91 460)</b>	(92 962)
<b>Net operating expenditure</b>		<b>126 091</b>	128 420
<b>Other comprehensive net expenditure</b>			
Items which will not be reclassified to net operating costs:		<b>(3 231)</b>	(7 241)
Net (gain)/loss on revaluation of property, plant and equipment			
<b>Comprehensive net expenditure</b>		<b>122 860</b>	121 179

\* 2017-18 restated for reclassification of income between fees and charges and other operating income.

All income and expenditure for the year ended 31 March 2019 is derived from continuing operations.

## Statement of Financial Position as at 31 March 2019

(The notes on pages 94–117 form part of these accounts)

	Notes	2018-19 £'000	2017-18 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	116 947	116 789
Intangible assets	7	2 071	1 995
Trade and other receivables due after more than one year	8	2 035	788
<b>Total non-current assets</b>		<b>121 053</b>	119 572
<b>Current assets</b>			
Trade and other receivables	8	46 872	42 748
Cash and cash equivalents	9	943	1 369
<b>Total current assets</b>		<b>47 815</b>	44 117
<b>Total assets</b>		<b>168 868</b>	163 689
<b>Current liabilities</b>			
Trade and other payables	10	(30 775)	(31 336)
Provisions and pension liabilities	11	(365)	(130)
<b>Total current liabilities</b>		<b>(31 140)</b>	(31 466)
<b>Total assets less current liabilities</b>		<b>137 728</b>	132 223
<b>Non-current liabilities</b>			
Other payables	10	(91 570)	(94 290)
Pension liabilities	11	(965)	(903)
<b>Total non-current liabilities</b>		<b>(92 535)</b>	(95 193)
<b>Total assets less total liabilities</b>		<b>45 193</b>	37 030
<b>Taxpayers' equity</b>			
General fund		5 006	(4)
Revaluation reserve		40 187	37 034
<b>Total taxpayers' equity</b>		<b>45 193</b>	37 030

**David Snowball**  
Acting Chief Executive & Accounting Officer  
Health and Safety Executive  
4 June 2019

**Martin Temple**  
Chair  
Health and Safety Executive  
4 June 2019

## Statement of Cash Flows for the year ended 31 March 2019

(The notes on pages 94–117 form part of these accounts)

	<i>Notes</i>	<b>2018-19</b> <b>£'000</b>	<i>2017-18</i> <i>£'000</i>
<b>Cash flows from operating activities</b>			
Net operating cost		<b>(126 091)</b>	(128 420)
Adjustments for non-cash transactions	4, 5	<b>8 828</b>	8 746
(Increase)/decrease in trade and other receivables	8	<b>(5 371)</b>	(5 660)
Less movements in receivables relating to impairments	4	<b>(1 504)</b>	(2 317)
Increase/(decrease) in trade payables	10	<b>(3 281)</b>	(6 831)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		<b>6 053</b>	2 325
Use of provisions	11	<b>(126)</b>	(80)
<b>Net cash outflow from operating activities</b>		<b>(121 492)</b>	(132 237)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(4 221)</b>	(6 541)
Purchase of intangible assets		<b>(1 124)</b>	(835)
Proceeds of disposal of property, plant and equipment		<b>384</b>	401
<b>Net cash outflow from investing activities</b>		<b>(4 961)</b>	(6 975)
<b>Cash flows from financing activities</b>			
Funding from DWP		<b>128 536</b>	143 002
Capital element of payments in respect of finance leases and on-statement of financial position PFI contracts	10	<b>(2 509)</b>	(2 313)
<b>Net financing</b>		<b>126 027</b>	140 689
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>(426)</b>	1 477
<b>Cash and cash equivalents at the beginning of the period</b>	9	<b>1 369</b>	(108)
<b>Cash and cash equivalents at the end of the period</b>	9	<b>943</b>	1 369

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

(The notes on pages 94–117 form part of these accounts)

	Notes	(a) General Fund £'000	(b) Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2017		(14 670)	29 877	15 207
Funding from DWP		143 002	-	143 002
Comprehensive net expenditure for the year		(121 179)	-	(121 179)
Movements in reserves:				
– Net gain on revaluation	6	-	7 241	7 241
Recognised in Statement of Comprehensive Net Expenditure		(7 241)	-	(7 241)
Transfer between reserves		84	(84)	-
Balance at 31 March 2018		(4)	37 034	37 030
Movement on implementation of IFRS 9		2 487	-	2 487
Opening balance as at 1 April 2018		<b>2 483</b>	<b>37 034</b>	<b>39 517</b>
Funding from DWP		<b>128 536</b>	-	<b>128 536</b>
Comprehensive expenditure for the year		<b>(122 860)</b>	-	<b>(122 860)</b>
Movements in reserves:				
Additions – Net gain on revaluation	6	-	3 231	3 231
Recognised in Statement of Comprehensive Net Expenditure		<b>(3 231)</b>	-	<b>(3 231)</b>
Transfer between reserves		<b>78</b>	<b>(78)</b>	-
Balance at 31 March 2019		<b>5 006</b>	<b>40 187</b>	<b>45 193</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 revaluation adjustments.

## Notes to the Accounts

### 1 Statement of accounting policies

#### 1.1 Basis of preparation and statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with the 2018/19 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury.

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

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

#### 1.2 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2019. We've also taken into account the specific interpretations and adaptations included in the FReM.

**IFRS 9 Financial Instruments** replaces IAS 39 and was adopted from 1 April 2018. The new standard simplifies the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. Under the new standard, we are estimating potential losses much earlier than previously. This is because the new model is based on expected credit losses over the life of the financial instrument compared to the previous model which delayed recognition until evidence of a credit loss. The introduction of the new standard has had no material impact on our financial statements.

**IFRS 15 Revenue from Contracts with Customers** replaces IAS 18 and IAS 11 and was adopted from 1 April 2018. The new standard unifies the concepts of the former standards into a single model to recognise revenue as a performance obligation under a contract. There has been little impact on our material income streams (including enforcement of offshore safety legislation, commercial income, biocides and plant protection, control of major accident hazards and fee for intervention) because the timing of income recognition was already aligned to that of the new standard.

The following IFRS has been issued but is not yet effective and we have not adopted it early:



**IFRS 16 Leases replaces IAS 17 and will be effective for HSE from 1 April 2020.** The new standard amends the accounting for lessees, removing the distinction between an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires lessees to recognise assets and liabilities for all leases which last more than 12 months. The asset will be measured at the present value of future lease payments with a matching liability. The resultant depreciation charge and an associated finance cost will replace the rental cost in the SoCNE. The impact on our SoFP for newly recognised assets and liabilities in 2020/21 will be material with a current estimate of £6m. The SoCNE impact is expected to be immaterial.

### **1.3 Accounting convention**

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

### **1.4 Areas of judgement**

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

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

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

### **1.5 Employee benefits**

In accordance with IAS 19 Employee Benefits, short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. Bonuses are recognised when HSE has a present obligation as a result of past service and the obligation can be measured reliably. When payable, organisational bonuses are accrued in the year to which the performance relates and paid in the following financial year. HSE 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 is reported by significant streams in accordance with IFRS 15 and principally comprises fees and charges and commercial services provided on a full cost basis to external customers, and is recorded net of VAT. The way in which we calculate income under IFRS 15 has not changed from the method used prior to implementation, hence there has been no impact on these financial statements. This is explained further in Note 2. Our accounting policy for each material income stream is as follows:

### *Commercial income*

The transaction price is the amount of consideration HSE expects to be entitled to in exchange for transferring commercial services to a customer, excluding amounts collected on behalf of third parties. This is determined to be the fixed price agreed with the customer for the majority of commercial contracts. That price is calculated in accordance to the methodology set out in our costing and pricing policy.

Income relating to significant commercial contracts is recognised, over time, in proportion to the stage of completion of the project. Income from low value contracts is recognised evenly over the expected period of the contract. HSE's performance obligations are satisfied when the service has been fully delivered, for example completion of a report for the customer.

### *Prosecution cost recovery*

Income relating to prosecution costs is recognised when and to the extent that the Court has awarded costs to HSE. This can be less than the full cost of the work undertaken as the award is at the discretion of the Court.

### *Fees and charges*

Where income is recognised over time, this is because the work has no alternative use for HSE and payment would be required for the work done to date in the event that the customer cancels the contract prior to completion for any other reason other than HSE's failure to perform its obligations under the contract. This method is considered appropriate as this represents the amount that HSE would be entitled to on performance to date.

- A fixed price is agreed with the customer for the majority of commercial contracts. Income relating to significant commercial contracts is recognised, over time, in proportion to the stage of completion of the project. Income

from low value contracts is recognised evenly over the expected period of the contract.

- Income relating to **biocides and plant protection** is recognised over time. Depending on the type of work being delivered, fees can be fixed or costs recovered based on the actual cost to HSE. Income is then recognised in relation to the stage of completion of the project.
- Initially, **Fee for intervention (FFI)** income is recognised at a point in time when it is identified that a material breach has taken place. After this decision point, income is recognised over time as costs are incurred. Income is recognised based on published hourly rates for work done by HSE staff plus other recoverable costs.
- Income relating to **enforcement of offshore safety legislation and control of major accident hazards** is recognised over time and is based on published hourly rates for work done by HSE staff plus other recoverable costs.

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

## 1.8 Non-current assets

### *Property, plant and equipment*

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

### *Land and buildings*

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

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

### *Intangible assets*

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

### **Capitalisation and depreciation/amortisation**

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

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

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

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

### **Revaluation and impairment**

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

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

## 1.9 Financial instruments

Financial assets and liabilities are recognised when HSE becomes party to the contracts that give rise to them.

IFRS 9 requires disclosure of financial instruments by classification, but our assessment is that all of HSE's asset and liabilities are sufficiently basic to be measured at amortised cost.

To calculate expected credit losses, we analyse invoices raised in the two previous financial years and the point during the age of the debt that that payment is received or balances are written off. This information is used to calculate impairment rates for all receivables balances.

Our debt policy involves writing off balances when there is no reasonable expectation of recovery, usually when an insolvency practitioner has provided evidence that a company will no longer continue to trade and no further enforcement action is possible.

## 1.10 Provisions

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

## 1.11 Pensions

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

HSE pays a pension to certain former Chairs, based on what they would receive 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 treated as liabilities, net of finance costs which 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 Impact of the implementation of new accounting standards on these financial statements

### *IFRS 9 Financial Instruments*

The main impact of implementation of IFRS 9 upon these financial statements relates to impairment of our trade receivables balance. This is due to the earlier estimation of potential losses, as we now estimate expected credit losses over the life of the financial instrument (ie receivable or 'debt').

The methodology we previously adopted impaired debt which was more than six months old unless we were aware of specific circumstances to suggest that this was incorrect. We did not impair debt prior to it becoming six months overdue.

Our new methodology involves analysis of invoices raised in the two previous financial years and the point during the age of the debt that that payment is received or balances are written off. This information is used to calculate impairment rates, ie expected credit losses, for all debt.

The following table sets out our estimation of impairment at both 31 March 2019 and 31 March 2018, using both the new and previous methods.

	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>£000</i>	<i>£000</i>
IAS 39	<b>4 070</b>	4 929
IFRS 9	<b>2 753</b>	2 442

The reduced level of impairment reflects both the move away from a more simplistic methodology and our expectations of a robustly applied debt strategy. This includes use of a debt collection agency as well as litigation.

Impacts upon the financial statements in 2019/20 are set out below. Comparatives have not been restated.

**Statement of Comprehensive Net Expenditure (SoCNE)**

	£000	
Charge under IAS 39 (reduction in impairment)	(859)	£4.07m (IFRS 9) less £4.93m (IAS 39)
Charge under IFRS 9 (increase in impairment)	311	£2.753m (IFRS 9) less £2.442m (IAS 39)
Impact of implementation on SoCNE	(1 170)	Increased charge

**Statement of Financial Position**

	£000	
IAS 39 balance at 31 March 2019	(4 070)	
IFRS 9 balance at 31 March 2019	2 753	
Increase in net assets due to movement on opening balance (see below)	2 487	
Impact of implementation on SoFP	1 170	Increase in net assets
Movement in General Fund	(1 170)	

**IFRS 15 Revenue from contracts with customers**

It has not been necessary to make any adjustments within HSE's primary statements upon implementation of IFRS 15. In preparing for transition, we identified one area where we needed to change our accounting policy which was recognition based on performance obligations within commercial contracts.

The change involved recognising income when performance obligations were met and the impact on our financial statements in that year was immaterial, but resulted in changes to the point within the financial year at which we recognised income; as well as ensuring that all new contracts contained clear performance obligations. We ensured that the treatment in 2016/17 and 2017/18 met the requirements of IAS 18 Revenue. As we were already compliant with IFRS 15, there is also no impact on our comparatives.



### 3 Staff costs

	<i>Permanently employed staff</i>	<i>Others*</i>	<b>2018-19 Total</b>	<i>2017-18 Total</i>
	£'000	£'000	<b>£'000</b>	£'000
Wages and salaries	103 677	1 831	<b>105 508</b>	103 519
Employers' National Insurance <sup>49</sup>	11 682	-	<b>11 682</b>	11 698
Pension costs	21 715	-	<b>21 715</b>	21 749
Lump sum exit costs	738	-	<b>738</b>	874
<b>Total (as reported in the SoCNE)</b>	<b>137 812</b>	<b>1 831</b>	<b>139 643</b>	<b>137 840</b>
Less recoveries in respect of outward secondments	-	-	-	(34)
<b>Total net costs</b>	<b>137 812</b>	<b>1 831</b>	<b>139 643</b>	<b>137 806</b>

\* Included in Others are contingent labour and seconded staff.

Further detail about the staff costs and the number of people employed by HSE is included on page 74 of the Accountability report.

49 Includes Apprenticeship Levy expenditure of £501k during 2018/19.

## 4 Other operating costs

	Notes	2018-19 £'000	2017-18 £000
Rentals under operating leases		3 808	2 300
PFI service charges <sup>50</sup>		9 953	10 227
PFI Interest and finance lease charges		7 965	8 158
Auditor's remuneration – Statutory audit		85	85
Accommodation		7 127	9 905
Travel and subsistence		7 503	7 115
IT expenditure and telecoms		12 119	12 008
Legal costs		6 224	8 301
Staff development and training		1 653	1 342
Publications		697	876
Shared services costs <sup>51</sup>		1 903	1 846
Scientific sub-contract technical support		2 279	2 025
Scientific equipment		1 780	2 009
Research and development		1 155	897
Pesticides – purchase of samples		776	1 037
Chemicals Regulation testing		969	1 075
Other expenditure		2 979	5 572
<b>Other operating costs</b>		<b>68 975</b>	<b>74 778</b>
<b>Non-cash items:</b>			
Depreciation and amortisation of non-current assets	6,7	7 349	7 248
Movement for impairment of receivables		-	2 317
*Charge for expected future credit losses		1 504	-
Reversal of previous losses on revaluation of PPE		(538)	(903)
Loss on disposal of non-current assets		89	456
Movement in provisions	11	423	(372)
Training funded through Apprenticeship Levy		106	18
<b>Total non-cash items</b>		<b>8 933</b>	<b>8 764</b>
<b>Total operating costs</b>		<b>77 908</b>	<b>83 542</b>

\* Under IFRS 9, a charge is calculated for the value of expected future credit losses on trade receivables

50 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.

51 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.

## 5 Income

	2018-19	2017-18 restated £'000
<b>Fees and charges</b>		
*Biocides and plant protection	13 472	14 561
Control of major accident hazards	11 147	9 987
Enforcement of offshore safety legislation	17 678	17 886
Fee for intervention	14 142	15 052
Other fees and charges	2 450	2 352
<b>Total fees and charges</b>	<b>58 889</b>	<b>59 838</b>
<b>Other operating income</b>		
Prosecutions	4 509	6 545
Commercial income <sup>52</sup>	17 090	16 157
Supply of accommodation and core IT to ONR <sup>53</sup>	5 898	5 869
Provision of REACH services to Defra <sup>54</sup>	747	1 200
*Funding from Defra for EU exit preparation	3 400	1 242
Other income	753	2 055
Non-cash government grant – Apprenticeship Levy	106	18
<b>Total other operating income</b>	<b>32 503</b>	<b>33 086</b>
EU income	68	38
<b>Total income</b>	<b>91 460</b>	<b>92 962</b>

\* Restated to separately disclose funding provided by Defra for EU exit preparation.

52 Commercial income is earned from discretionary activity (ie which HSE has no statutory responsibility to provide) undertaken for any external organisation. This excludes recharges for accommodation or IS/IT provision to tenants in HSE offices which are netted against expenditure.

53 Supply of services to ONR includes £3 668k (2017/18 £3 687k) for accommodation.

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

## 6 Property, plant and equipment

2018-19	Land	Buildings	Leasehold improve- ments	Information technology	Motor vehicles	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation opening balance at 1 April 2018	<b>2 982</b>	<b>92 790</b>	<b>12 448</b>	<b>13 358</b>	<b>4 015</b>	<b>19 032</b>	<b>8 792</b>	<b>151</b>	<b>153 568</b>
Reclassifications	-	607	(456)	-	-	-	-	(151)	-
Additions	-	208	378	1 062	421	588	639	321	3 617
Revaluations	28	1 927	-	-	-	-	-	-	1 955
Disposals	-	(6)	(256)	(1 390)	(1 173)	-	(858)	-	(3 683)
<b>Balance at 31 March 2019</b>	<b>3 010</b>	<b>95 526</b>	<b>12 114</b>	<b>13 030</b>	<b>3 263</b>	<b>19 620</b>	<b>8 573</b>	<b>321</b>	<b>155 457</b>
Depreciation opening balance at 1 April 2018	-	416	7 148	7 773	1 784	15 241	4 417	-	36 779
Charge	-	2 048	1 036	1 967	394	736	574	-	6 755
Revaluations	-	(1 814)	-	-	-	-	-	-	(1 814)
Disposals	-	(1)	(185)	(1 391)	(775)	-	(858)	-	(3 210)
<b>Accumulated depreciation at 31 March 2019</b>	<b>-</b>	<b>649</b>	<b>7 999</b>	<b>8 349</b>	<b>1 403</b>	<b>15 977</b>	<b>4 133</b>	<b>-</b>	<b>38 510</b>
<b>Net book value at 31 March 2019</b>	<b>3 010</b>	<b>94 877</b>	<b>4 115</b>	<b>4 681</b>	<b>1 860</b>	<b>3 643</b>	<b>4 440</b>	<b>321</b>	<b>116 947</b>
Asset financing									
Owned	3 010	8 373	4 115	4 681	1 860	3 643	2 881	321	28 884
On-Statement of Financial Position PFI contracts	-	85 163	-	-	-	-	1 559	-	86 722
Finance lease	-	1 341	-	-	-	-	-	-	1 341
<b>Net book value at 31 March 2019</b>	<b>3 010</b>	<b>94 877</b>	<b>4 115</b>	<b>4 681</b>	<b>1 860</b>	<b>3 643</b>	<b>4 440</b>	<b>321</b>	<b>116 947</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. The open market value of Redgrave Court (£12.5 million at the latest desktop revaluation completed 31 December 2018) is significantly lower than the outstanding repayment liability to the contractor (£50.0million) for the remainder of the 30-year PFI agreement. The construction cost to the contractor was approximately £60 million.

Jones Lang LaSalle Ltd provide HSE with a professional and independent valuation service and undertook a desktop valuation of the PFI buildings at the Buxton Laboratory site as at 31 December 2018. The valuation was based on a depreciated replacement cost (DRC) basis and provides a value of £74.4 million once adjusted for irrecoverable VAT on build costs. This represents an increase of £7.5 million on the asset value as at 31 March 2017 which was based on a full professional valuation, also on a DRC basis. The key reason for the increase is inflation on building costs across the construction sector.

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

<i>Building</i>	<i>Last full revaluation date and professional valuation service</i>
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 2018 – Cushman & Wakefield

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

## 7 Intangible assets

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

2018-19	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 2018	711	4 947	431	-	6 089
Additions in year	-	383	-	286	669
Disposals	-	(210)	-	-	(210)
<b>Balance at 31 March 2019</b>	<b>711</b>	<b>5 120</b>	<b>431</b>	<b>286</b>	<b>6 548</b>
Amortisation at 1 April 2018	200	3 624	270	-	4 094
Charge in year	112	408	74	-	594
Disposals	-	(211)	-	-	(211)
<b>Accumulated amortisation at 31 March 2019</b>	<b>312</b>	<b>3 821</b>	<b>344</b>	<b>-</b>	<b>4 477</b>
<b>Net book value at 31 March 2019</b>	<b>399</b>	<b>1 299</b>	<b>87</b>	<b>286</b>	<b>2 071</b>

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

## 8 Trade receivables and other current assets

	31 March 2019	31 March 2018
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade receivables*	25 935	21 767
Deposits and advances	604	592
Accrued income	17 282	17 455
Prepayments	2 096	1 616
VAT	955	1 173
Other receivables	-	145
	<b>46 872</b>	<b>42 748</b>
<b>Amounts falling due after more than one year</b>		
Trade receivables	2 016	758
Deposits and advances	19	30
	<b>2 035</b>	<b>788</b>
<b>Total</b>	<b>48 907</b>	<b>43 536</b>

\* The trade receivables balance at 31 March 2019 is stated net of expected future credit losses, which amounts to £2 753k. At the 31 March 2018, the impairment calculated under IAS 39 was £4 929k. This has been recalculated under IFRS 9 and amounts to £2 442k, with the movement on implementation of IFRS 9 charged to the General Fund.

IFRS 15 Revenue from contracts with customers requires disclosure of contract assets (which are shown below) and contract liabilities (included below note 11).

### Contract assets

HSE's contract assets represent our right to payment for goods or services which have been provided to customers and are conditional on the completion of further work to satisfy our performance obligations. These relate to services provided to customers on a commercial basis and are included within the accrued income balance above.

At 31 March 2019, the accrued income balance relating to commercial work where further work must be completed before we are able to invoice customers is £1.8 million (31 March 2018 £1.7m). These balances are distinct from other receivables for which only the passage of time is required before the consideration is due from customers or dutyholders.

Income which is expected to be recognised in future years which relates to performance obligations that are partially unsatisfied at the reporting date:

Recognised	Within 1 Year	After more than 1 Year
	£000	£000
Commercial contracts	6 965	1 174



## 9 Cash and cash equivalents

	<b>31 March 2019</b>	<i>31 March 2018</i>
	<b>£'000</b>	<i>£'000</i>
Opening balance	<b>1 369</b>	<i>(108)</i>
Net change in cash and cash equivalent balances	<b>(426)</b>	<i>1 477</i>
<b>Closing Balance</b>	<b>943</b>	<i>1 369</i>

## 10 Trade and other payables

	<b>31 March 2019</b>	<i>31 March 2018</i>
	<b>£'000</b>	<i>£'000</i>
<b>Amounts falling due within one year</b>		
Taxation and social security	<b>2 930</b>	<i>2 899</i>
Pension contributions	<b>2 363</b>	<i>2 359</i>
Trade payables	<b>1 137</b>	<i>2 061</i>
Accruals and deferred income	<b>21 097</b>	<i>19 919</i>
Capital accruals	<b>531</b>	<i>1 590</i>
On-Statement of Financial Position PFI contracts and Finance lease*	<b>2 717</b>	<i>2 508</i>
	<b>30 775</b>	<i>31 336</i>
<b>Amounts falling due after more than one year</b>		
Imputed finance lease element of on-statement of Financial Position PFI contracts*	<b>90 175</b>	<i>92 891</i>
Finance lease*	<b>1 395</b>	<i>1 399</i>
	<b>91 570</b>	<i>94 290</i>
<b>Total</b>	<b>122 345</b>	<i>125 626</i>

\* PFI and Finance lease details can be found in notes 13a(ii) and 14.

IFRS 15 Revenue from contracts with customers requires disclosure of contract assets (included below Note 7) and contract liabilities (which are shown below).

### **Contract liabilities**

HSE contract liabilities reflect our obligations to transfer goods or services to customers where we have been prepaid. These are accounted for as deferred income in Note 10 Trade and other payables. The balance at 31 March 2019 is £6.2 million (31 March 2018 £6.3 million).

## 11 Provisions for liabilities and charges

2018-19	Chairs' pension by analogy £'000	Dilapidations £'000	Total £'000
Balance at 1 April 2018	968	65	1 033
Provided in year	123	300	423
Utilised in year	(61)	(65)	(126)
Balance at 31 March 2019	1 030	300	1 330

### Expected timing of future payments

Falling due within one year	65	300	365
Falling due after more than one year	965	-	965

Provision has been made for retired Chairs' pensions in HSE's accounts as if they were members of the PCSPS.

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

### Expected timing of future payments

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

## 12 Capital commitments

Contracted commitments not otherwise included in these financial statements	31 March 2019 £'000	31 March 2018 £'000
Property, plant and equipment	1 213	3 304
Intangible assets	36	590
Total commitment	1 249	3 894

## 13a Commitments under non-PFI leases

(i) Operating leases	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	<b>3 400</b>	2 843
Later than one year and not later than five years	<b>4 346</b>	5 455
Later than five years	<b>25</b>	203
<b>Total committed</b>	<b>7 771</b>	8 501

Total future minimum lease payments under operating leases, relate to accommodation.

(ii) Finance leases	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>£'000</i>	<i>£'000</i>
<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>6 054</b>	6 201
<b>Total gross liabilities</b>	<b>6 789</b>	6 936
Less: interest element	<b>(5 391)</b>	(5 537)
<b>Present value of obligations</b>	<b>1 398</b>	1 399

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

## 13b Rental income from sub-leases

As at 31 March 2019 HSE had granted leases for buildings with rental income expected to be received, which falls due as shown below.

<i>Income from rental under operating leases for the following periods comprise:</i>	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	<b>6 448</b>	5 007
Later than one year and not later than five years	<b>15 583</b>	5 593
Later than five years	<b>1 159</b>	179
<b>Total committed*</b>	<b>23 190</b>	10 779

\* HSE has agreed with Office for Nuclear Regulation (ONR) an extension to its lease of Redgrave Court until July 2024 which explains the increase in expected rent from the previous year.

## 14 Commitments under PFI contracts

HSE has the following contracts let under the Private Finance Initiative that were brought onto HSE's Statement of Financial Position in accordance with IFRIC 4; IFRIC 12; IAS 16 and IAS 17.

### *Merseyside headquarters (Redgrave Court)*

30-year contract with Kajima Development (Bootle Accommodation Partnerships) Ltd for the provision of fully serviced accommodation in Bootle, Merseyside which 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 £10.0 million (2017/18: £10.2 million) and the payments to which HSE is committed are as follows:

	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	<b>12 784</b>	12 079
Later than one year and not later than five years	<b>51 245</b>	48 389
Later than five years	<b>136 699</b>	140 866
<b>Total committed</b>	<b>200 728</b>	201 334

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

Total obligations for the following periods comprise:

<i>Gross liabilities</i>	<b>31 March 2019</b>	<i>31 March 2018</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>10 326</b>	10 326
Later than one year and not later than five years	<b>41 502</b>	41 445
Later than five years	<b>121 250</b>	131 633
Total committed	<b>173 078</b>	183 404
Less interest element	<b>(80 187)</b>	(88 007)
<b>Present value of obligations</b>	<b>92 891</b>	95 397

<i>Present value of obligations</i>	<b>31 March 2019</b>	<i>31 March 2017</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>2 716</b>	2 507
Later than one year and not later than five years	<b>13 552</b>	12 455
Later than five years	<b>76 623</b>	80 436
<b>Total present value of obligations</b>	<b>92 891</b>	95 398

## 15 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 and services provided by Shared Services Connected Limited (which are described in Note 4).

	<b>31 March 2019</b>	<i>31 March 2018</i>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>10 433</b>	8 026
Later than one year and not later than five years	<b>11 804</b>	9 355
Later than five years	<b>2 860</b>	2 922
<b>Total committed</b>	<b>25 097</b>	20 303

## 16 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 transactions on an arm's-length basis with DWP that mainly related to the sharing of premises costs.

HSE has an agreement with the Department for Food and Rural Affairs (Defra) for the provision of the Competent Authority function in relation to Plant Protection Products and Detergents. HSE also had material transactions with the Office for Nuclear Regulation for which the DWP is regarded as the sponsor department. HSE sublets a significant proportion of its PFI accommodation at Redgrave Court to the Home Office through a 5-year government lease.

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

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

- Martin Temple is a Non-Executive Director of Sheffield Teaching Hospitals NHS Foundation Trust. During 2018/19 we paid £273 000 for doctors appointed under the Centre for Workplace Health agreement which has been in place since before Martin's appointment to either the Trust (1 July 2013) or HSE (1 May 2016). Mr Temple has had no involvement in the original procurement exercise, individual appointments or management of the contract.
- Martyn Thomas works extensively with universities and is visiting professor (an honorary, unpaid position) with the University of Manchester, HSE's partner in the Thomas Ashton Institute. Professor Thomas has had no involvement in discussions or negotiations relating to the agreement between HSE and University of Manchester to found the Institute. We have also contracted the University of Manchester to provide us with occupational health statistics from their THOR Scheme; this programme has been ongoing since 2002 and therefore pre-dates the establishment of the Thomas Ashton Institute. In total, we paid the University £439 000 in 2018/19 for the above activities;

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

## 17 Contingent liabilities

HSE is defending a small number of civil claims brought by former employees and members of the public, some of which may result in compensation payments. We have also received a claim for backdated rental payments that we are disputing. There is significant uncertainty around the estimated liability and the timing of payments. This uncertainty can fluctuate based on factors such as evidence received, witness statements and whether claims proceed to trial or are settled early.

## 18 Financial instruments

As the cash requirements of HSE are met through the Parliamentary Estimate process, financial instruments play a much more limited role in creating or changing risk than would apply to a private 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.

## 19 Third party assets

The Gas Safe Register Service Concession Agreement (SCA) operates a profit capping mechanism known as Gain Share. Revenue that qualifies as Gain Share is shared between the service provider (if they meet certain performance criteria) and Funds for Distribution. Funds for Distribution are distributed by HSE under the terms of the SCA and are reviewed by the Gain Share Governance Board before Management Board approval. Funds for Distribution were transferred from the provider to HSE in June 2018 to safeguard the fund and are effectively held on trust for the purpose of gas safety.

At 31 March 2019 the balance within the Gain Share account was £3.4m and is not included within HSE's Statement of Financial Position.

## 20 Events after the reporting period

The date on which these accounts are authorised for issue is the date of the Certificate and Report of the Comptroller and Auditor General.











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