



# **Health and Safety Executive Annual Report and Accounts 2019/20**

HC442



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HC442

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# Performance—Overview

## Overview summary

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

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

The passion and professionalism of those who work for HSE and their commitment to reducing risk, protecting people and the environment and to saving lives are impressive. We are proud to lead a community dedicated to upholding the core principle that everybody, no matter their job, deserves a safe working environment.

Our versatility and expertise have meant HSE has been able to play a significant role in supporting the national effort to tackle the COVID-19 pandemic. Colleagues working together across the policy, regulatory and scientific spheres have been key in delivering support, reassurance, protection and enforcement wherever required. As part of our contribution we have also been providing expert advice to the Department for Health and Social Care (DHSC), Public Health England (PHE), other devolved administrations, and the NHS.

As well as highlighting our delivery across a wide range of regulatory activities throughout the year, this report reflects some of our key achievements in a number of areas, including:

- leading and engaging with others to improve workplace health and safety;
- providing an effective regulatory framework;
- securing effective management and control of risk;
- reducing the likelihood of low-frequency, high-impact catastrophic incidents;
- enabling improvement through efficient and effective delivery.

In the last year we have also considered where our future focus should lie; both to ensure that we remain relevant in an ever-changing world of work and that our activities are closely aligned to key government priorities.

Linked to this, in January 2020, the Secretary of State for Housing, Communities and Local Government announced a package of measures to help ensure that high-risk buildings are safe for people to occupy, following the Grenfell Tower tragedy. These measures included development of a new Building Safety Regulator (BSR) in England to be established as part of HSE, that will oversee the design, construction and occupation of high-risk buildings. We are proud that the government has asked HSE to establish the new BSR, recognising

our skill and experience in regulating safety and our track record of working with industry and other regulators.

The BSR work, as it develops, will provide an opportunity to work with communities across the country to ensure their homes are safe and protected. HSE's involvement will also bring new opportunities for us and enhance how and what we do.

Our people are at the heart of making HSE successful and delivering the best possible services to stakeholders. We are privileged to lead this organisation and are confident that HSE is well placed to meet whatever challenges lie ahead.



**Martin Temple CBE**  
*Chair*



**Sarah Albon**  
*Chief Executive and  
Accounting Officer*



# Performance overview

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

## Figure 1 Health and safety statistics



1 [www.hse.gov.uk/statistics/overall/hssh1819.pdf](http://www.hse.gov.uk/statistics/overall/hssh1819.pdf)



**0.5**  
million

Work-related musculoskeletal disorder cases (new or long-standing) in 2018/19

Source: Estimates based on self-reports from the Labour Force Survey, people who worked in the last 12 months



**9.8**  
billion

Annual costs of new cases of work-related ill health in 2017/18, excluding long latency illness such as cancer

Source: Estimates based on HSE Costs to Britain Model



**147**

Fatal injuries to workers in 2018/19

Source: RIDDOR



**5.2**  
billion

Annual costs of workplace injury in 2017/18

Source: Estimates based on HSE Costs to Britain Model



**2,526**

Mesothelioma deaths in 2017, with a similar number of lung cancer deaths linked to past exposures to asbestos

Source: Counts from death certificates and estimates from epidemiological information



**15.0**  
billion

Annual costs of work-related injury and new cases of ill health in 2017/18, excluding long latency illness such as cancer

Source: Estimates based on HSE Costs to Britain Model

## **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.

Our oversight of the chemicals industry enables the safe and sustainable use of thousands of pesticides and biocides. Through our work, we reduce the potential harm to people or the environment and to maximise the benefits to ensure essential products remain on the market and can be used safely.

## **HSE Board**

The HSE Board sets our 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 98.

## **Our Executive Management Committee**

Working closely with the HSE Board, senior executives lead HSE and drive its long-term performance. The Executive Management Committee (ExCo), formerly 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 115.



## What we do

Our purpose to prevent work-related death, injury and ill health is as valid today as it has always been. Overtime, though, our role has broadened to encompass public safety assurance on a wider range of issues, enabling business, protecting the environment and ensuring critical national infrastructure to function through our major hazard permissioning approaches and our work on cyber security.

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 2019/20 HSE Business Plan <sup>2</sup> published in March 2019 and are set out over the following pages.

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

## Leadandengagewithotherstoimprove workplacehealthandsafety

OurHelpingGreatBritainworkwellstrategy<sup>3</sup>recognises aneedforbroadownershipofhealthandsafety.Anyone whocarriesoutorinfluencesworkplaceactivitiesor behaviourshasakeyrole.Wearecommittedtoplaying ourpartinenablingotherstocreatehealthier,safer workplaces.Usingourexpertise,wearehelpingto reducethecostofworkplaceinjuryandillhealthtothe economy,thereforehelpingimproveproductivity.

WehaveakeyroleinadvisingtheGBanddevolved governments'widerhealthandworkpriorities.Asthe governments'chiefoccupationalhealthadviser,<sup>4</sup>wehave expertiseinthecausesofwork-relatedillhealth,andthe measureswhichcanpreventorminimiseit.However,the healthoftheworkingpopulationisnotsolelyrelatedto workplaceconditions.

Ouraimistoreducework-relatedillhealththrough theapplicationandenforcementofhealthandsafety legislation,andbysupportingandseekingtoinfluence widerhealthinterventionswheretheyarelinkedwith workandemployment.Forexample,weprovideadvice tothejointWorkandHealthUnitattheDepartment forWorkandPensionsandDepartmentofHealthand SocialCare.

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3 [www.hse.gov.uk/aboutus/strategiesandplans/](http://www.hse.gov.uk/aboutus/strategiesandplans/)

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

We see opportunities in bringing our expertise to work with others across government departmental boundaries to address national issues, for example improving health outcomes as described in the NHS long-term plan for England. As well as tailoring direct interventions with individual businesses to achieve behavioural change, we provide:

- focused engagement and collaboration across networks with a strong interest in improving work-related health and safety. This includes employees and employers, trade unions, industry associations, professional institutions and third-sector bodies, alongside other government agencies and regulators;
- guidance and advice which is accessible, understandable, meets the needs of users, and encourages proportionate risk management;
- world-class science and evidence to support our regulatory activities, and provide access to our know-how, specialist facilities and research to improve workplace health and safety performance.

We continue to work closely with local authorities (LAs) as co-regulators. Our joint LA/HSE Statement of Commitment sets out the shared vision for the ongoing co-regulatory partnership. This describes how working together as effective, modern and professional regulators will secure the positive benefits of world-leading workplace health and safety.

## **Provide an effective regulatory framework**

The goal setting and risk-based health and safety regulatory framework is founded on two enduring principles:

- those who create risks have a responsibility to manage them;
- action should be proportionate to the risks that need managing.

It is mature and well developed and has stood the test of time and scrutiny, including an independent tailored review undertaken by DWP in 2018/19.

We have worked hard to reduce unnecessary complexity, repeal outdated laws, and cut out duplication without reducing standards or compromising protection. All new regulations are subject to post-implementation reviews to establish whether they have achieved their original objectives, remain proportionate and are still required.

We play our part in supporting the government's Better Regulation agenda and the ambitions of the Industrial Strategy, ensuring we support innovation, introduction of new technology and enabling improvements in productivity.

We maintain our regulatory framework in keeping with the government's Better Regulation principles (targeted, proportionate, consistent, transparent and accountable). We share examples of good practice with others and



build a common understanding of what a proportionate management approach to health and safety looks like.

We also conduct our activities in line with the Regulators' Code,<sup>5</sup> including taking economic growth into account.

We will continue to contribute to the government's work on the UK's exit from the European Union (EU), including helping to deliver the government's commitment to protect workers' rights.

Our contribution to the government's fundamental reform of the buildings safety system in England following the Grenfell Tower disaster will be a continuing priority for HSE over the forthcoming years. In January 2020, the Secretary of State for Housing, Communities and Local Government announced the creation of a new Building Safety Regulator (BSR) in England to oversee the design, construction and occupation of high-risk buildings, which is to be established as part of HSE.

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

One of the foundations of our role as a regulator is to secure the effective management and control of risk. We use different interventions to assess and secure effective management and control of hazards and remove risk from the workplace.

These include inspections, investigations, permissioning and licensing regimes. Our activities are based on

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5 [www.gov.uk/government/publications/regulators-code](http://www.gov.uk/government/publications/regulators-code)

intelligenceandtargetinginlinewithpublishedsector strategies.

Ouroversightofthechemicalsindustrienablesthe safeandsustainableuseofthousandsofpesticides andbiocides.Throughourworkwereducethepotential harmtopeopleortheenvironmentandensureessential productsremainonthemarketandcanbeusedsafely.

Weinvestigateincidents,causesofillhealthandhealth andsafetyconcerns(complaints),inlinewithour publishedselectioncriteria.Inadditiontodrawingupon ourscienceandengineeringspecialistsandfacilitiesto provideforensicanalysis,weworkwithotherregulators, thepoliceandlocalauthoritiestodeterminecauses,learn andsharelessonsandensurenecessarymeasuresare inplace to prevent recurrence.

Wherebusinessesarenotmanagingriskstopeople's safetyorhealth,wesecureimprovementsinlinewith ourenforcementpolicyandenforcementmanagement model.

Throughproportionateenforcementaction,weseek topreventharm,securesustainedimprovementinthe managementofhealthandsafetyriskandholdpeopleto accountwhentheyfailtomeettheirobligationstoprotect people.

Whereappropriate,weprosecutethosewhobehaveina recklesswayorwheretherehasbeenaseriousbreach of duty.

Our approach supports fairness for those who invest appropriately in managing risk and working safely, deterring those businesses who fail to meet their obligations or deliberately break the law and place people at risk.

We amplify the outcomes from our frontline inspection, investigation and enforcement activities with modern communication techniques.

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

Great Britain has highly specialised, strategically important industries which are essential to the country's economy and social infrastructure but whose processes and hazard potential can cause great harm to their workers, the environment and the public.

A single incident with catastrophic consequences can undermine entire sectors by eroding public trust and acceptance of the need for such activities. Our regulatory approach is to provide assurance that risks are being properly managed. The approach is described in our Major Hazard Regulatory Model.<sup>6</sup>

The aim of our regulatory activities in major hazard sectors is to:

- confirm dutyholders have properly focused their risk management efforts on major accident hazards, are controlling risks and complying with the law;

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<sup>6</sup> [www.hse.gov.uk/regulating-major-hazards/major-hazards-regulatory-model.pdf](http://www.hse.gov.uk/regulating-major-hazards/major-hazards-regulatory-model.pdf)

- take proportionate action, including enforcement, to ensure dutyholders make improvements where there is evidence of significant shortfalls in control measures;
- provide advice to the planning system to protect people around major hazard sites, major hazard pipelines and licensed explosive sites.

We work collaboratively with other regulators, agencies, government departments and devolved administrations to promote cooperation, minimise duplication, coordinate joint regulatory activities, and share information and intelligence. We will not intervene if another regulator has specific responsibility.

We work closely with established stakeholders in major hazard industries to drive and influence behavioural change.

## **Performance summary**

This report aligns with our published 2019/20 HSE Business Plan<sup>7</sup> and is laid out to reflect what we planned to deliver and our progress against the priorities set out in this plan.

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



This section provides a synopsis of our performance against the key strategic themes as outlined in our 2019/20 Business Plan:

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

Further detail is provided in the Performance analysis on pages 22 to 88.

# HSEperformance2019/20ata glance

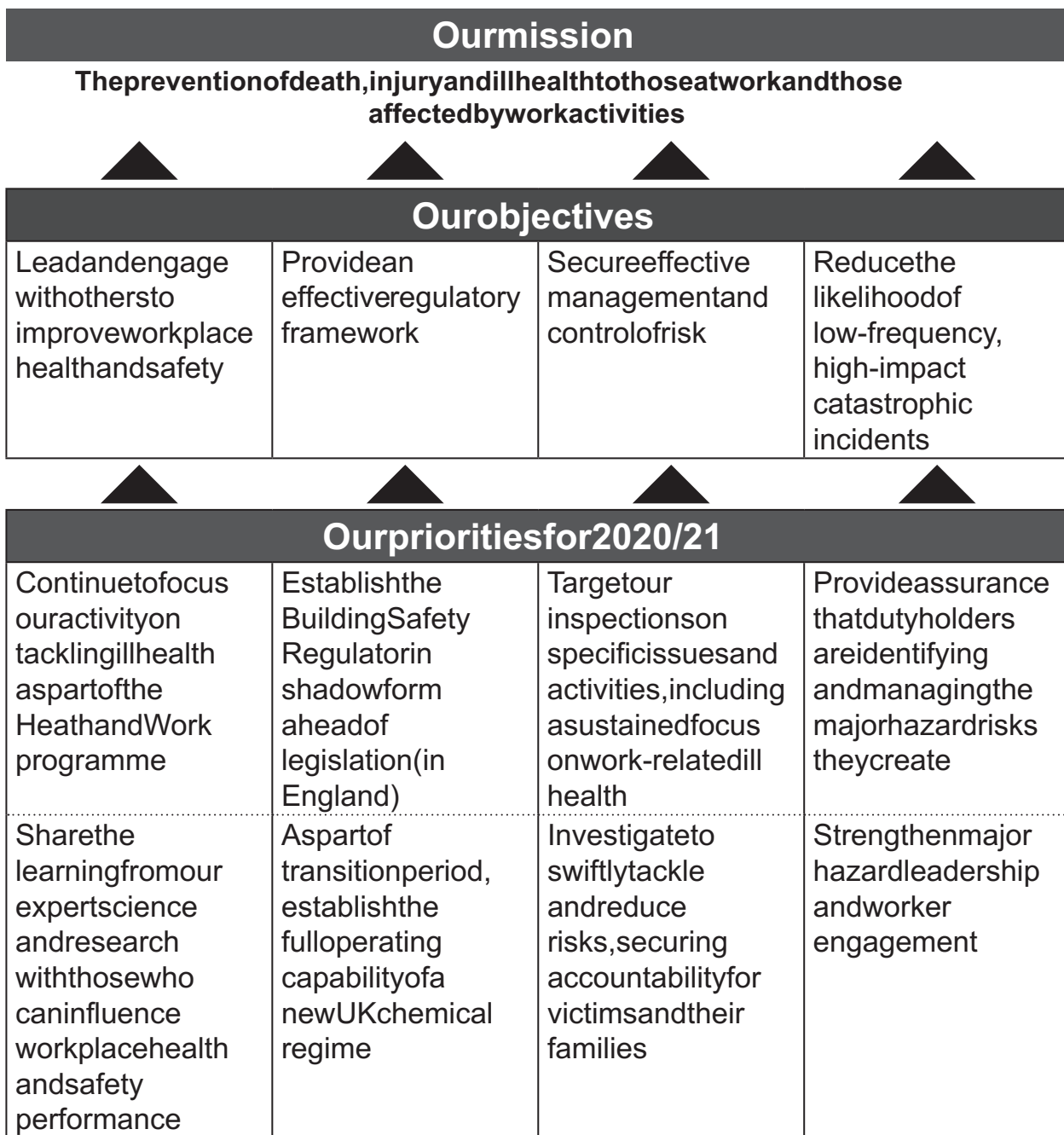
|   |   |
|---|---|
| <p><b>£230.9m</b> Totalexpenditurefor year</p> <p><b>£95.4m</b> Incomeandcost recovery</p> <p><b>£135.5m</b> Taxpayerfunding<br/><i>withinfincialtargetsetby DepartmentforWorkand Pensions</i></p>  | <p><b>2399</b>membersofstaff<br/><i>(averageFTE)</i></p> <p><b>Reducedgreenhousegas emissionsby 47%anduseof domesticflightsby 63%</b><br/><i>(since2009/10baseline)</i></p> |
| <p><b>49</b>ofthe61milestonesdeliveredfromourBusinessPlan</p>   |   |
| <p><b>Enforcementaction</b></p> <p>Completed <b>355</b>prosecutions<br/>witha <b>95%</b>successratefor convictions</p>  | <p>Issuedover <b>7000</b>notices includingapproximately:<br/><b>5000</b>noticesforimprovement<br/><b>1900</b>prohibitionnotices</p>   |
| <p><b>Over 13300</b> proactiveinspectionscompleted</p> <p><b>Deliveryofspecificandtargetedcampaigns</b>usingscientific research,targetedcommunications, stakeholderanddutyholder eventstopromotegoodbehavioursandreduceriskintheworkplace. Theseinclude:</p> <p><b>Foodanddrink: c700</b>inspectionstoapproximately1in5 manufacturingpremises.</p> <p><b>Fabricatedmetals: c600</b>inspectionstoapproximately1in18 manufacturingpremises.</p> <p><b>Wasteandrecycling: c350</b>inspectionstoapproximatelyonethird ofpremises.</p> <p><b>Construction:</b>Twocampaigns <b>c1700</b>inspectionsdelivered.</p> <p><b>Asbestos: c900</b>inspectionsdelivered.</p> <p><b>Woodworking: c650</b>inspectionstoapproximately1in10premises.</p> |   |

|   |  |
|---|--|
| <p><b>90%</b> of duty holders said they had taken action as a result of a visit</p> <p><b>82%</b> stated the outcome of the visit was proportionate to the risks identified</p>   | <p>Aiming to bring swift justice to victims, we completed <b>75%</b> of fatal investigations within 12 months of receiving primacy against our target of 80%</p> |
| <p>Enabling the safe and sustainable use of pesticides and biocides, we completed <b>86%</b> of biocide product and <b>87%</b> of plant protection product evaluations and authorisations within the required deadlines</p> |  |
| <p>Responded to <b>93%</b> of 4770 FOI requests received within our 20-day target</p>   | <p>Handled over <b>32000</b> concerns about workplaces and activities</p>  |
| <p><b>Achieved Disability Confident Level 3</b></p>   |  |

# Looking forward

Our 2020/21 Business Plan <sup>8</sup>finalised in early March details our delivery priorities and is outlined in Figure 2. We are also playing a significant role in supporting the national effort to tackle the COVID-19 pandemic.

**Figure 2 2020/21 Business Plan**



<sup>8</sup> The 2020/21 plan will be available when published on our website [www.hse.gov.uk/aboutus/strategiesandplans/businessplans](http://www.hse.gov.uk/aboutus/strategiesandplans/businessplans)

**Our priorities for 2020/21 (continued)**

|   |   |  |   |
|---|---|--|---|
| Embed learning on business to business burdens into policy design and communication | Prepare and contribute to the Energy Transition (NetZero) government priority and development of offshore renewables sector | Operate effective statutory schemes, ensuring the safe use of potentially harmful substances | Deliver a robust and consistent regulation of decommissioning and dismantlement of oil and gas infrastructure |
|   |   |  | Raise operators' focus on cyber security to ensure appropriate protection against major incidents             |



**Our enablers**

**Enable improvement through efficient and effective delivery**



|   |   |   |  |
|---|---|---|--|
| Invest in our infrastructure focusing on IT to ensure we are fit for the future | Support our people to be the best they can by improving inclusion and wellbeing | Secure a sustainable financial future for HSE by improving performance through data |  |
|---|---|---|--|

# Performance–Analysis

We continue to have robust performance and risk frameworks in place.

Our suite of performance indicators acts as a preliminary risk indicator highlighting potential areas of concern – performance information and operational risks are reviewed monthly by your Executive Management Committee (ExCo) 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 2019/20 are included within the Governance statement on page 122.

## Our performance

The following section provides further detail of HSE's delivery against our published 2019/20 Business Plan.

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# Leadandengagewithothersto improveworkplacehealthand safety

Thissectionsetsoutprogressagainstourprioritiesfor  
thisyear.

## TacklingillhealthaspartoftheHealthand Workprogramme



## Throughouroverallapproachtoillhealth

Alongsideourprimaryregulatoryrole,wehavecontinued  
tofostercollaborativerelationshipswithotherpartsof  
governmentinEngland,ScotlandandWales.Injoining  
upourapproacheswehopetobuildbetteroutcomeson



common health problems, occupational health advice services and the wider wellbeing agenda.

We are working to establish a partnership agreement with the new **Public Health Scotland (PHS) body (and occupational health services)** and continue to highlight the importance of good occupational health to overall public health.

We signed a partnership agreement with **Healthy Working Wales**, which is published on our website,<sup>10</sup> and outlined the respective responsibilities within two Memoranda of Understanding, produced in both Welsh and English, with:

- **Local Authorities and the Care Inspectorate Wales<sup>11</sup>** for securing improvement, effective regulation and any subsequently required investigations in the social care and childcare sector;
- **Healthcare Inspectorate Wales covering healthcare in Wales<sup>12</sup>** which came into effect on 01 July 2019.

By establishing close-working reciprocal arrangements and working collaboratively with partners across the UK we can ensure consistency of policy application and monitor progress to provide assurance to government and the public that health and safety risks are being controlled. It allows for early intervention in policy

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10 [www.hse.gov.uk/aboutus/howwework/framework/mou/hse-hww-partnership-june2019.pdf](http://www.hse.gov.uk/aboutus/howwework/framework/mou/hse-hww-partnership-june2019.pdf)

11 [www.hse.gov.uk/aboutus/howwework/framework/mou/mou-cssiw-hse-la.pdf](http://www.hse.gov.uk/aboutus/howwework/framework/mou/mou-cssiw-hse-la.pdf)

12 [www.hse.gov.uk/aboutus/howwework/framework/mou/hscsu-fod-wales-hiw-mou.pdf](http://www.hse.gov.uk/aboutus/howwework/framework/mou/hscsu-fod-wales-hiw-mou.pdf)



development and sharing of ideas to help improve future productivity through healthier, safer work.

## By building on our work to tackle musculoskeletal disorders (MSDs)

MSDs are the second most common reported cause of work-related ill health in Great Britain, accounting for 36% of all cases and 29% of all working days lost due to ill health.



Building on work from previous years to target work sectors considered most at risk we have **completed a programme of MSD interventions**—with particular emphasis on the manufacturing sector, including regulatory inspections and communications activity. See ‘Secure effective management and control of risk’ on pages 36 to 46.

**In partnership with the transport and logistics sectors**, we conducted research on behavioural change among online retail and parcel carriers with a view to improving our insight and intervention on behaviour change to the work-related musculoskeletal risks within this sector.

The findings from this research have been shared with industry and will enable us to develop a programme of interventions during 2020/21 to influence knowledge, attitudes and behaviour that, over time, will help to reduce the incidence of MSDs in this sector.

**By focusing on reducing exposure to substances causing occupational lung disease**

Occupational lung disease is estimated to result in approximately 12000 deaths every year.

We have continued to focus our proactive interventions on reducing exposure to carcinogens and asthma agents, with a particular emphasis on reducing exposure to welding fumes in the fabricated metal sector, wood dust in wood working premises and flour dust in bakeries. Targeted communications have been used to maximise our impact, including insight-led campaigns focused on changing employer and worker behaviours. See 'Secure effective management and control of risk' on pages 36 to 46.



## By developing tools to support the management of work-related stress

Stress, depression or anxiety is the most commonly reported cause of work-related ill health in Great Britain, accounting for 43% of all cases, and 54% of all working days lost due to ill health. Our focus this year has been on developing and supporting appropriate tools to support the management of stress in various different sectors.

Informed by our work on public sector stress pilots and violence in the NHS and prisons services, we have begun to **publish bespoke work-related stress material for public sector organisations** in our 'Talking Toolkits'.





Together with our NHS Board partner (Ayrshire and Arran), we published our 'Health Talking Toolkit'. We have also published Stress infographics posters for the Health and Education sectors and other interactive 'Talking Toolkits' (generic and for the Education sector). These are all designed to be easily accessible from a number of different social media platforms.

We have **published updated advice for small to medium enterprises (SMEs)** which includes additional information on the use of the Management Standards approach. This aims to simplify risk assessment for work-related stress by identifying the main risk factors, focusing on the underlying causes and their prevention

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and providing a yardstick to gauge an organisation's performance in tackling the key causes of stress. 14

## We promote proportionality in health and safety management

Evidence suggests that many SMEs feel health and safety places excessive or unnecessary demands on them. Often these demands are driven by health and safety 'rules' set by third parties (commonly referred to as 'blue tape'), not regulations, and for SMEs trying to do the right thing the difference may be unclear.



## **We have published a major report into the impacts of *Business to business health and safety rules***

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highlighting how these can influence perceptions of regulatory burdens and duty holder activity. To address the issues identified in this report, we have been working with businesses, accreditation and standards-making bodies, insurers, other government departments and the consultancy profession to promote more proportionate design and implementation of business-to-business rules.

In response to feedback, we have **developed new, simplified guidance for SME's** which has changed the emphasis from risk assessment to risk management and control to ensure that SMEs concentrate their effort on controlling risk in practice rather than spending too much time on assessment and paperwork.

## **We share learning from our expert science and research with those who can influence workplace health and safety improvement**

As outlined in our *Science and evidence strategy*,<sup>16</sup> we have continued to support the health and safety system through evidence from applied health and safety research; addressing challenges from new working practices to enable the healthy and safe introduction of new technologies. HSE's Chief Scientific Adviser (CSA) provides an independent challenge function for our organisation, ensuring that science and engineering

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15 [www.hse.gov.uk/regulation/assets/docs/understanding-impact-business-to-business-health-safety-rules.pdf](http://www.hse.gov.uk/regulation/assets/docs/understanding-impact-business-to-business-health-safety-rules.pdf)

16 [www.hse.gov.uk/research/content/science-evidence-strategy-1620.pdf](http://www.hse.gov.uk/research/content/science-evidence-strategy-1620.pdf)




evidence and advice is robust, relevant and high quality. The CSA also ensures mechanisms are in place so policy making is underpinned by science and engineering. In addition, the CSA is part of the Government Chief Scientific Advisers' network of Departmental CSAs and serves as a participant at Scientific Advisory Group for Emergencies (SAGE<sup>17</sup>) meetings when appropriate.



We have made our science available to those who need it, with the aim of ensuring that the data and knowledge we generate is promoted and used to maximise its impact. The quality of our practical, solution-oriented science means the knowledge we generate can help dutyholders

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17  SAGE provides scientific and technical advice to support government decision makers during emergencies. For more information refer to [www.gov.uk/government/groups/scientific-advisory-group-for-emergencies-sage](https://www.gov.uk/government/groups/scientific-advisory-group-for-emergencies-sage)

improvetheirperformancewhileprotectingthehealthand safetyoftheiremployeesandthepublic.

Wepublishedthe *AnnualScienceReview* <sup>18</sup>atthe endofBritishScienceWeekonourwebsite.This reviewincludescasestudieswhichlinktoour2019/20 campaignsandusesrelevantsocialmediaapplications (egtheChiefScientificAdviser’sTwitteraccount)to promoteoursciencetothewiderpublic.

Wealsopublishedthe *Foresight*report <sup>19</sup>whichidentifies industrysectorswhereourscienceandresearchwork canbeused.

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18 [www.hse.gov.uk/research/content/science-review-2020-new.pdf](http://www.hse.gov.uk/research/content/science-review-2020-new.pdf)

19 [www.hse.gov.uk/horizons/assets/documents/foresight-report-2019.pdf](http://www.hse.gov.uk/horizons/assets/documents/foresight-report-2019.pdf)



# Provide an effective regulatory framework

## Supporting government's fundamental reform of the buildings safety system in England following the Grenfell Tower disaster

We are committed to helping transform the regulatory and accountability framework for buildings safety.

Working in partnership with the Ministry of Housing, Communities and Local Government (MHCLG), Home Office, National Fire Chiefs' Council, Local Government Association, and Local Authority Building Control, we **delivered a significant amount of work to support reform to the buildings safety system in England** following the Grenfell Tower disaster.

Working with industry and other regulators and by sharing our knowledge, experience and expertise of regulating the construction industry, we have provided advice and supported government policy development and the design of the new, more robust safety regime for high-risk buildings. This work has helped shape the Building Safety Reform Bill (expected during 2020/21).

In January 2020, the Secretary of State for Housing, Communities and Local Government announced the creation of a new Building Safety Regulator (BSR) in England to oversee the design, construction and

occupation of high-risk buildings, which is to be established as part of HSE. We will also continue to engage with the devolved administrations on building safety.

We continue to develop guidance, benchmarks, stakeholder relationships and operational arrangements required for this new regime, to ensure that BSR is fully operational as soon as possible after the Building Safety Bill is fully approved.

**We carried out 32 inspections of aluminium composite material ACM cladding removal to support the MHCLG Building Safety Programme.** Findings from our inspections have been fed back to MHCLG and Home Office to help with taking forward changes required to fire legislation and developing the new BSR. While a number of buildings still had combustible cladding in place, half of those inspected had improvements to fire protection measures in progress. The biggest area of non-compliance was general fire precautions—alarms and means of escape—which, as these matters are enforced by Fire and Rescue Authorities, did not result in HSE enforcement action.

## Contributing to government-wide activities on the UK's departure from the EU

The UK's withdrawal from the EU required changes to the chemicals regime to ensure its continued operability.

Working closely with stakeholders in the chemicals industry and the Department for Environment, Food and Rural Affairs (Defra), the Devolved Administrations and other key regulators including the Environment Agency, we developed a suite of regimes for regulating the supply and use of chemicals to help the industry prepare for exit. Feedback from two stakeholder events helped inform the development of guidance for HSE's website.



As the UK left the EU on 31 January 2020, further amendments will be required across the different chemical regimes during 2020/21 to take account of the outcome of negotiations.

In the meantime we have continued to deliver an effective regulatory framework for the supply and use of chemicals and we are contributing to the government's work to plan for the end of the transition period on 31 December 2020.

## **Adventure Activities Licensing Authority (AALA)**

Adventure activities licensing ensures that activity providers follow good safety management practices. These should allow young people to experience exciting and stimulating activities outdoors without being exposed to avoidable risks of death or disabling injury.

During the year we made the necessary arrangements for the continuation of the service on expiry of the contract with the previous supplier. The administration of this service is now managed within HSE from April 2020 and a new supplier has been appointed to undertake inspections on our behalf. This will make efficiency savings and reduce costs.

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

One of the foundations of our role as a regulator is to secure the effective management and control of risk.

We used different interventions to assess and secure effective management and control of hazards and remove risk from the workplace. These include inspections, investigations, permissioning and licensing regimes. Our inspection campaigns for the year have aligned with the specific issues as outlined within our sector plans. 20

## **We have targeted our inspections on specific issues and activities, including a sustained focus on work-related ill health**

### **In woodworking**

Inspections focused on ill-health risks, particularly occupational asthma and sino-nasal cancer which can result from poor control of exposure to wood dusts.





Our woodworking campaign focused intervention activity together with communications to tackle the significant health risks and workers safety issues within this sector. Although we are seeing some success from the impact of our work, the extent of non-compliance found in over half of the 650 inspections indicates that we need to change our intervention approach to ensure duty holders in this sector achieve sustainable improvements in their management and control of risks.

One inspection attracted significant media coverage, where we demonstrated our robust, but proportionate enforcement action concerning 'dry sweeping' practices and risks surrounding employee exposure to harmful wood dust. This has helped to raise awareness of the dangers of wood dust.

We continued to raise awareness of the dangers of dust across a number of high-risk industries and we have had over 20500 users visiting the specific woodworking pages on our website. Other initiatives include our #Dustbuster campaign, with messages appearing in social media conversations.

## Food and drink manufacture

Inspections focused on the movement, storage and handling of heavy loads and from repetitive tasks which cause MSDs within this industry sector, and on the control of asthma agents arising from flour dust in bakeries.



This inspection campaign involved visits to approximately 1 in 5 premises of food and drink manufacturing businesses across the UK. Our inspections found failures to adequately control risks to workers in 35% of these businesses, where we addressed worker exposure to risks from MSDs and exposure to flour dust at bakeries (the most common cause of occupational asthma).

## In manufacturing fabricated metals

Previous inspection campaigns found significant levels of uncontrolled risk, particularly in relation to activities and processes that can cause ill health.

Our programme of inspections this year targeted the control of carcinogens and asthma agents specifically associated with welding fumes, flame cutting, paint-handling processes and metal working fluids to approximately 1 in 18 premises. Significant focus was given to welding fume risk, following new scientific evidence from the International Agency for Research on Cancer which found that exposure to mild steel welding fume can cause lung cancer and possibly kidney cancer.



We conducted wide-ranging engagement with stakeholder groups, co-regulators, the engineering industry, occupational health professionals and local exhaust ventilation suppliers. This engagement explained the required control improvements and involved issuing a safety alert, updating all relevant guidance and engaging with social media and other channels to carry these messages.

We inspected metal fabrication sites where we focused on controlling the risks of developing lung disease from exposure to metal working fluids and welding fumes. As a result of our previous engagement, when visited, duty holders were generally aware of the risk and had carried out the changes required. We took proportionate enforcement action where companies had not changed and persisted in placing their workers at risk.

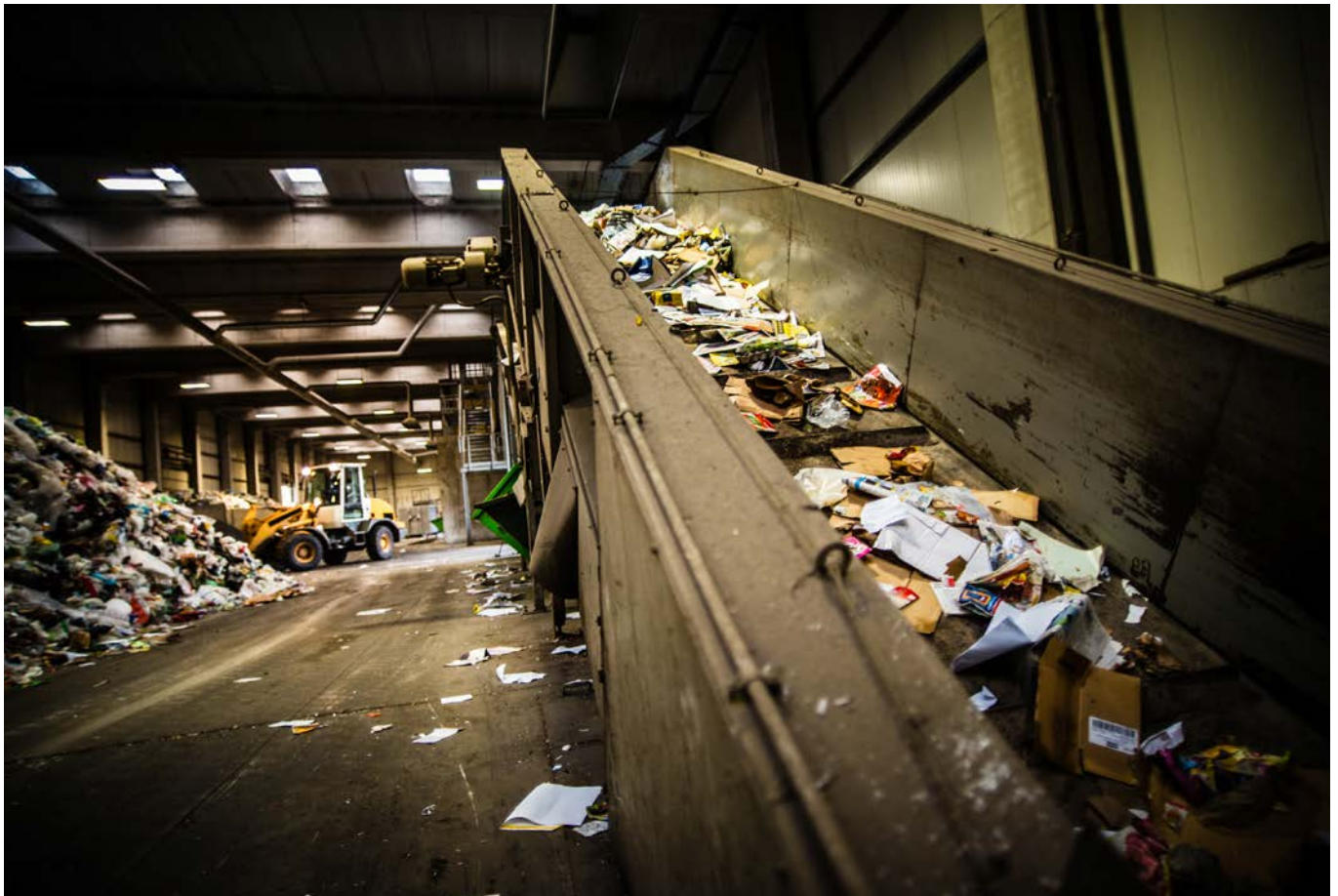
## **In waste and recycling**

Building on previous campaigns, inspection activity focused on the management of maintenance activities and safe isolation practices to prevent fatal and serious incidents within this industry. We also inspected selected premises to assess how effectively the health risks associated with exposure to bioaerosols are being managed.

Our targeted inspection programme (to approximately a third of premises where intelligence received from other regulators indicated known issues) has continued to address the key risks of transport and machinery, and



assessmentofthestandardsofcontrolatpremiseslikely tobegeneratingbioaerosols.



Whilethelevelsofnon-compliancefoundatnewly inspectedsitesremainedhigh,therewerenoted improvementsinthosewehadpreviouslyinspected, indicatingtheimpactthatourinterventionshavehad. Wehavealsobegunworktoimprovebehavioursto promotecontinuedandsustainedcomplianceinthis industry.Wecontinuetoinvestigateincidentsandwhere appropriatehold dutyholders,employersandindividuals toaccountformajorinjury,illhealthandfatalinjuries toworkers.



## In agriculture

The agriculture sector continues to have a high rate of workplace fatalities, injuries and ill health.

The agriculture inspection programme consists of blended, end-to-end interventions, using communications, insight and partner activities to support inspection and address areas of high risk and high public concern, for example inspections of premises with livestock in response to persistent fatal incident rates in this area. This work includes insight-driven inspections, linked to the agriculture compliance events (ACEs), designed to achieve behaviour change among those most at risk of injury.



Our farming interventions identified significant non-compliance associated with high-risk activities, including workplace transport, falls from height and unsafe work equipment. By targeting our intervention activity to those most at risk, our work is helping to reduce fatalities and improve health and safety.

## In construction

Construction remains a hazardous industry, and while performance has improved, the level of incidents and ill health remains high.



Part of four health-focused initiatives this year included a sustained focus on work-related ill health, particularly respiratory hazards like asbestos and dusts such as



respirable crystalline silica. We ran nationwide respiratory risk inspection campaigns which included approximately 1700 inspections across a broad range of industry sites and associated communication activity.

The highest levels of risk were found amongst the smaller employers. Although improvements had been made in health risk management and welfare standards, problems associated with poor control over working at height were still found.

Our findings have been shared with CONIAN (Construction Industry Advisory Network) and with the Asbestos Leadership Council, to highlight to industry performance and the improvements needed. They have also been publicised by Working Well Together regional groups for the benefit of smaller construction employers.

## **Infairgrounds**

Industry performance in relation to public safety is comparatively good, given the number of visitors to fairgrounds and theme parks, and number of rides taken annually. However, recent incidents highlight the risk of failure or incorrect operation of some rides which can result in fatalities and multiple serious injuries.

Public safety is our priority alongside the control of risks to the public both from fixed and travelling fairgrounds, with emphasis on the standards of inspection and maintenance of rides and the control of risks associated with inflatables.



Working closely with the Amusement Device Inspection Procedures Scheme (ADIPS), we delivered a training event for inspection bodies to address poor non-destructive testing practices within the fairground industry. This testing ensures that faults such as cracks in welds and safety critical components are detected and corrected, reducing the risk of catastrophic failure occurring.

We contributed to the review of the Amusement Devices Safety Council (ADSC) to improve governance arrangements within the industry. This enabled the ADSC to drive improvements in technical and operational industry standards.

## **Investigate to swiftly tackle and reduce risks, securing accountability for victims and their families**

Investigation work, whether measured by its impact on health and safety or by the speed, ease and efficiency of our processes, continues to be one of our priorities.

We continue to investigate incidents and health and safety concerns in line with our published selection criteria and seek timely completion of both fatal and non-fatal investigations.

When consistent with HSE's enforcement policy, we prosecute those who commit serious breaches of the law.





## Fatal investigations

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, with completion of 75% of investigations into fatal incidents within this specified timeframe.

There are a number of reasons for this including technical complexity, evidential challenges and delays, often outside of HSE's control. We continue to closely monitor our performance in this area and keep the HSE Board informed throughout the year.

## Non-fatal investigations

Our aim to complete 90% of non-fatal investigations within 12 months of primacy of the incident<sup>21</sup> has been met, with an increase of c11% (6771 cases v 6086 cases from last year) in those incidents meeting the selection criteria for investigation.<sup>22</sup>

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21  By law, you must report certain workplace injuries, near-misses and cases of work-related disease to HSE. This duty is under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, known as RIDDOR. More information on RIDDOR reporting can be found on our website [www.hse.gov.uk/riddor/reportable-incidents.htm](http://www.hse.gov.uk/riddor/reportable-incidents.htm)

22  [www.hse.gov.uk/enforce/incidselcrits.pdf](http://www.hse.gov.uk/enforce/incidselcrits.pdf).

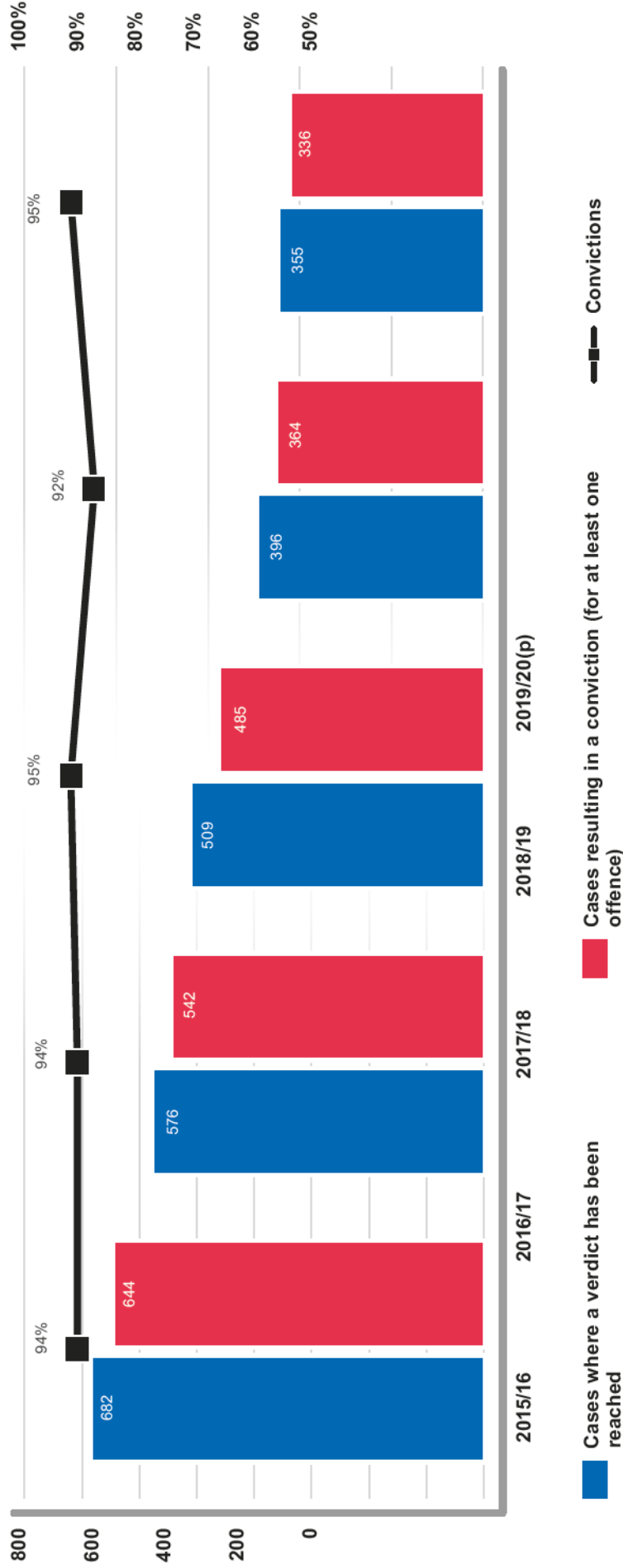
## Table 1 Percentage of fatal and non-fatal investigations completed

|   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20    |
|---|---------|---------|---------|---------|------------|
| Fatal investigations completed within 12 months of primacy (target: 80%)      | 63%     | 68%     | 72%     | 56%     | <b>75%</b> |
| Non-fatal investigations completed within 12 months of incident (target: 90%) | 90%     | 89%     | 89%     | 89%     | <b>90%</b> |

The number and percentage of cases successfully prosecuted by HSE, **holding to account those who failed to meet their obligations**, are shown in Figure 3.

### Figure 3 Prosecution cases<sup>23</sup> (brought by HSE and, in Scotland, COPFS)<sup>24</sup>

There have been 7 prosecutions resulting in fines of over £1 million, and 54 HSE prosecutions resulting in custodial or community service/rehabilitation orders.



<sup>23</sup> The data for prior years has been sourced from official Health and Safety Statistics [www.hse.gov.uk/statistics](http://www.hse.gov.uk/statistics). The figures shown for 2019/20 are based on live operational data and as such are provisional until official statistics are published in autumn 2020.

<sup>24</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 number of prosecutions HSE has taken has reduced each year since 2016. There have been no changes to HSE policy for decision-making but changes to sentencing guidelines for health and safety prosecutions that came into force in February 2016 have led to prosecutions taking longer.

We remain committed to prosecuting where there is sufficient evidence to provide a realistic prospect of conviction and it is in the public interest to do so. We are reviewing the factors which impinge on our prosecution work.

The following are just a few examples of the prosecutions which concluded during 2019/20:

- A yoghurt manufacturing company where an employee suffered serious burn injuries following the release of a hot acidic cleaning solution was fined £600,000. Our investigation found that the company failed to ensure the safety of its employees and that it had not formally trained two engineers in lock-off and isolation procedures, use of permits to work and safe removal of valves. There was no workplace assessment of the risks in place for the safe removal of valves.
- A 6-year-old girl jumped onto a council-maintained bollard which collapsed, throwing her to the ground. She suffered severe and life-changing injuries. The council were convicted after trial, fined £1.4 million and ordered to pay full costs. We kept the parents of



the little girl informed throughout the case and they were glad to see it brought to a successful conclusion.

- We prosecuted an employer after a man was killed whilst working under a bus that had broken down. The employer was sentenced to six months custody, suspended for 18 months, subject to an evening curfew for 30 weeks, and was ordered to pay full costs. We worked closely with the victim's family and ensured the family could read their victim personal statements in person at the sentencing hearing. The family said that talking about their loved one in court aided the grieving process.

## **Operate effective statutory schemes, ensuring the safe use of potentially harmful substances**

We have a statutory role to identify risks arising from the use of chemicals at work and ensure those responsible reduce these risks to levels that are acceptable to society.

### **Through oversight of the chemical industry**

This oversight enables the safe and sustainable use of thousands of pesticides and biocides.

In this capacity we have continued to evaluate and make regulatory decisions on the authorisation of biocidal and plant protection products, approval of active substances, and monitor maximum residue levels of pesticides in food, before they can be sold on the UK market.



This work is demand-led and numbers of applications can vary from year-to-year. It was recognised that it would be challenging to meet our targets because of preparation for leaving the EU and clearing legacy applications. Our aim to complete 90% of plant protection product evaluations and authorisations within the relevant deadlines fell just short of full delivery at 87% of the 1556 plant protection product assessments received in-year.



Our aim to complete 80% biocide product evaluation and authorisations within the relevant deadlines was delivered, achieving above our target at 86% against the 395 biocide product assessments received in-year.

As expected, our work has been heavily impacted by the build up to the UK leaving the EU and clarifying the work required during the Transition Period. This has included developing new procedures to be ready for day one of exiting the EU and supporting industry with guidance and advice when it has been unclear about the post-exit environment.

## **Through regulatory controls of asbestos**

Asbestos can still be present in any building built or refurbished before the year 2000 and is classed as a category 1 human carcinogen. It is estimated that asbestos-related disease caused by exposure decades before current controls were introduced (from 1980s), still kills around 5000 people each year. Published statistics will continue to reflect a similar picture in terms of annual numbers of deaths for years up to 2020 because of the latency of this disease.





Work with asbestos requires a high degree of regulatory oversight. As part of this we:

- operate a statutory asbestos licensing regime – granting and renewing licences to carry out high-risk work with asbestos (subject to assessment that required standards can be met);
- evaluate all licence applications and conduct a proportionate inspection programme of notified licensed asbestos removal work to ensure compliance.

We conducted a programme of inspections of individual licensed contractors to ensure compliance with Control of Asbestos Regulations 2012 completing c900 inspections.

During asbestos inspections to schools (where asbestos was known to be present) we looked at how well asbestos was being managed and controlled. Although we found no immediate risks to health, recommendations were made to improve clarity on roles and responsibilities in management of asbestos and have better awareness training. Findings from these inspections are being used to update guidance for schools and colleges.

We have made significant changes to the assessment process for asbestos licence applications, working with dutyholders and trade associations through the Asbestos Leadership Council to ensure the assessments are robust and carried out consistently and efficiently. Our new processes allow digital evidence submissions, desk-top assessment and online licence fee payment.

We have completed the majority (93%) of asbestos licence applications to time.

## **Dutyholder feedback**

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.

- **90%** of respondents said they had taken action as a result of a visit (91% in 2018/19).
- **82%** of respondents considered the outcome of the visit proportionate to the risks identified (80% in 2018/19).



- **84%** considered the activities inspected were appropriate to the risk (84% in 2018/19).
- **85%** considered the inspection was conducted in an efficient and effective manner (85% in 2018/19).

## 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 32 000 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 85% of investigations into reported health and safety concerns within the agreed timescales;
- carried out follow-up activity on 3030 of 3654 concerns raised by potential whistleblowers (employees, ex-employees, self-employed, 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. We responded to 93% of 4770 FOI requests received within the 20-day target.



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

Our regulatory approach is to provide assurance that risks in highly specialised or high-hazard, strategically important industries are being properly managed.

The approach is described in our Major Hazard Regulatory Model.<sup>25</sup>


## **Provide assurance that dutyholders are identifying and managing the major hazard risks they create**

We used intelligence from multiple sources to deliver a programme of regulatory activities including:

- targeted Inspections to test dutyholders' risk management systems;
- assessment of safety cases and reports by which dutyholders demonstrate how they control major hazards;
- issuing licences, classifications and authorisations for explosives manufacture, storage and transport and genetically modified organism assessments;

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25 [www.hse.gov.uk/regulating-major-hazards/major-hazards-regulatory-model.pdf](http://www.hse.gov.uk/regulating-major-hazards/major-hazards-regulatory-model.pdf)


-  advising planning authorities on proposals for hazardous substance consents and developments around major hazard sites.



We delivered a programme of proactive inspections to address priority areas at major hazard sites focusing on those underperforming dutyholders. This programme focused on and identified failings in control systems to bring about improvement at COMAH<sup>26</sup> sites to reduce risks presented by such sites to workers, the public and the environment.

Our plans in conducting c200 inspections covering UK offshore oil and gas installations were adapted to take

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<sup>26</sup>  Control of Major Accident Hazards



account of installations moving in and out of the UK continental shelf. All but a small number of inspections have identified regulatory non-compliance associated with the management of major accident hazards. These have been raised formally in letters to address these particular areas of non-compliance and will be followed up accordingly, with Improvement or Prohibition Notices issued for the more serious concerns.

Securing compliance in this manner has had a positive impact, increasing safety offshore, reducing the risk of a catastrophic event that could affect workers and the environment.

Our planned aim to assess over 75% of safety cases and reports for major hazard sites to agreed timescales has been fully met, achieving 84% of the 179 dutyholder submissions received, ensuring appropriate arrangements were in place for the control of major accident hazards and to limit the consequences should any occur.

Our performance for other key measures for the major hazards sector covering assessment of licences, classifications, notifications and authorisations to statutory or published timescales is shown as follows:

- Processing of major hazard applications for licences, approvals and notifications within agreed timescales of 75% has been met achieving 76%. The purpose of this work is to provide assurance to society that hazardous materials are being handled safely.

- We delivered 99% against our target of 75%, in reviewing planning applications, and hazardous substances consent applications received, to deliver our statutory advice to required standards and timescale.

## **Strengthen major hazard leadership and worker engagement**

Our priority is to promote effective leadership across high hazard industries and gain commitments to sustained improvement, so that ownership of risks is taken by those with the responsibility to reduce them.



Offshore workforce engagement is also a key inspection priority, promoting a strong proactive safety culture



supported by all who work in, and have an influence on, the offshore working environment.

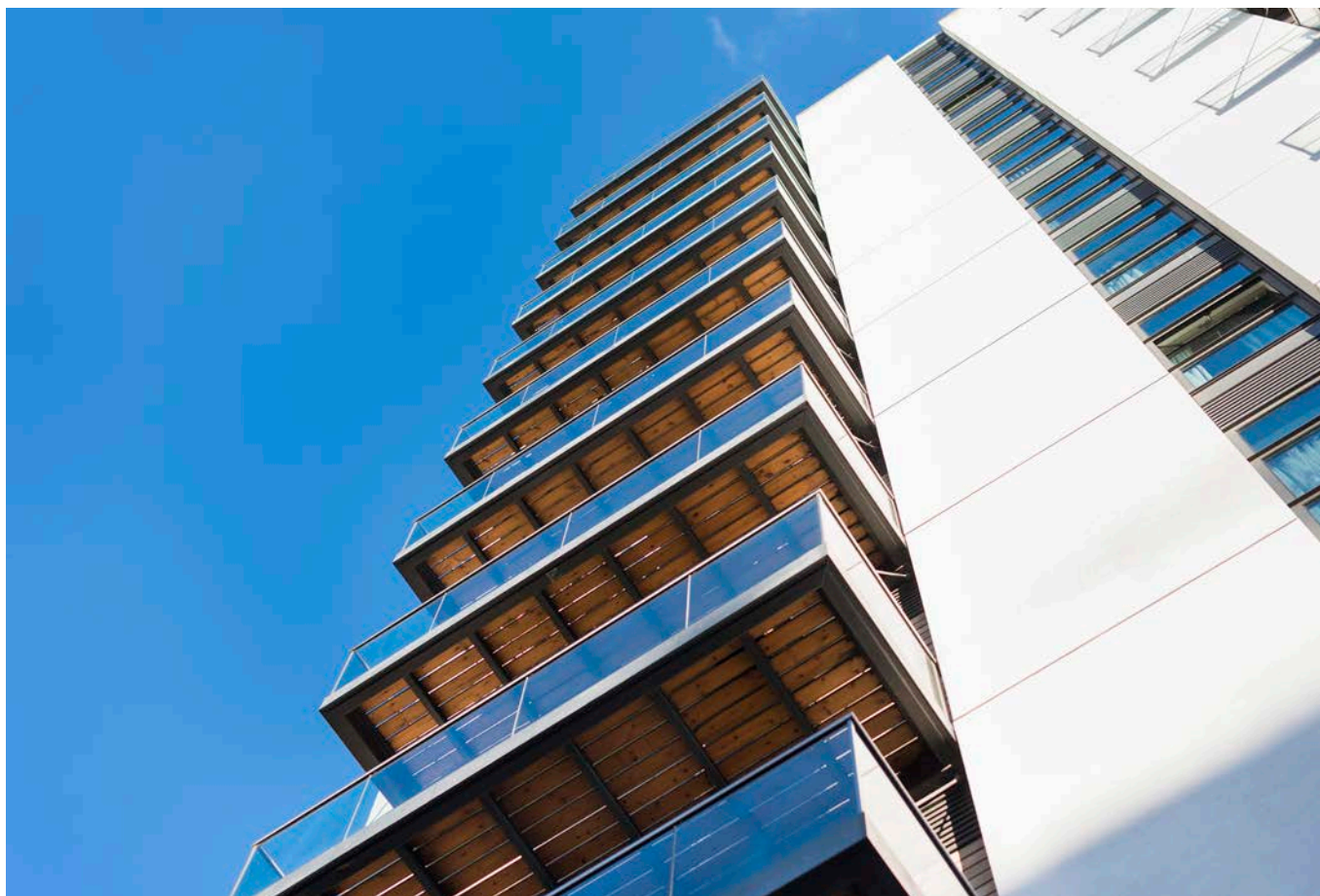
Leadership interventions have been identified as a priority ensuring it's effective in the major hazard sector. We have produced a leadership inspection guide in collaboration with an industry/regulators sub-group of the COMAH Strategic Forum (high level industry/regulator group) aimed at agreeing strategic direction for addressing major hazard management and regulation. This is the first year of bespoke leadership inspections focusing on the most senior leaders in COMAH sites, which will continue into 2020/21.

We completed a programme of c200 inspections within the offshore sector focusing on worker engagement to demonstrate that the workforce is capable of playing their part in managing offshore major accident hazards. Engagement levels were also sampled during onshore stakeholder engagement opportunities and during the assessment of Safety Cases. Overall results indicate a generally increasing understanding of the need for effective workforce engagement and the availability and use of good practice guidance.

## **Secure improvements in the effective management of network assets including gas risers in high-rise homes**

The Grenfell fire highlighted specific issues relating to multiple-occupancy, high-rise buildings, where interaction

between utilities and building control had failed to monitor and manage the development of risk factors.



Gas network installations incorporating both buried and above ground pipes must be subject to inspection. Where pipes are in an unknown or poor condition, continued monitoring, maintenance and replacement, as appropriate, must be carried out, to provide assurance risks are being effectively managed.

Building on previous work, we conducted a programme of inspections and associated intervention activity with gas network operators to provide public assurance arising from health and safety risks associated with gas pipelines supplying consumers within high-rise, multi-occupancy buildings.

Our inspections found network operators were broadly compliant with the legal requirements and where shortfalls were identified we took proportionate action to ensure the relevant duty holders addressed them. Network specific findings and areas for improvement have been communicated and shared with all gas network operators, to ensure that learning is shared across the industry and encourage industry wide improvements.

## **Drive duty holder to reduce the risk of offshore hydrocarbon releases**

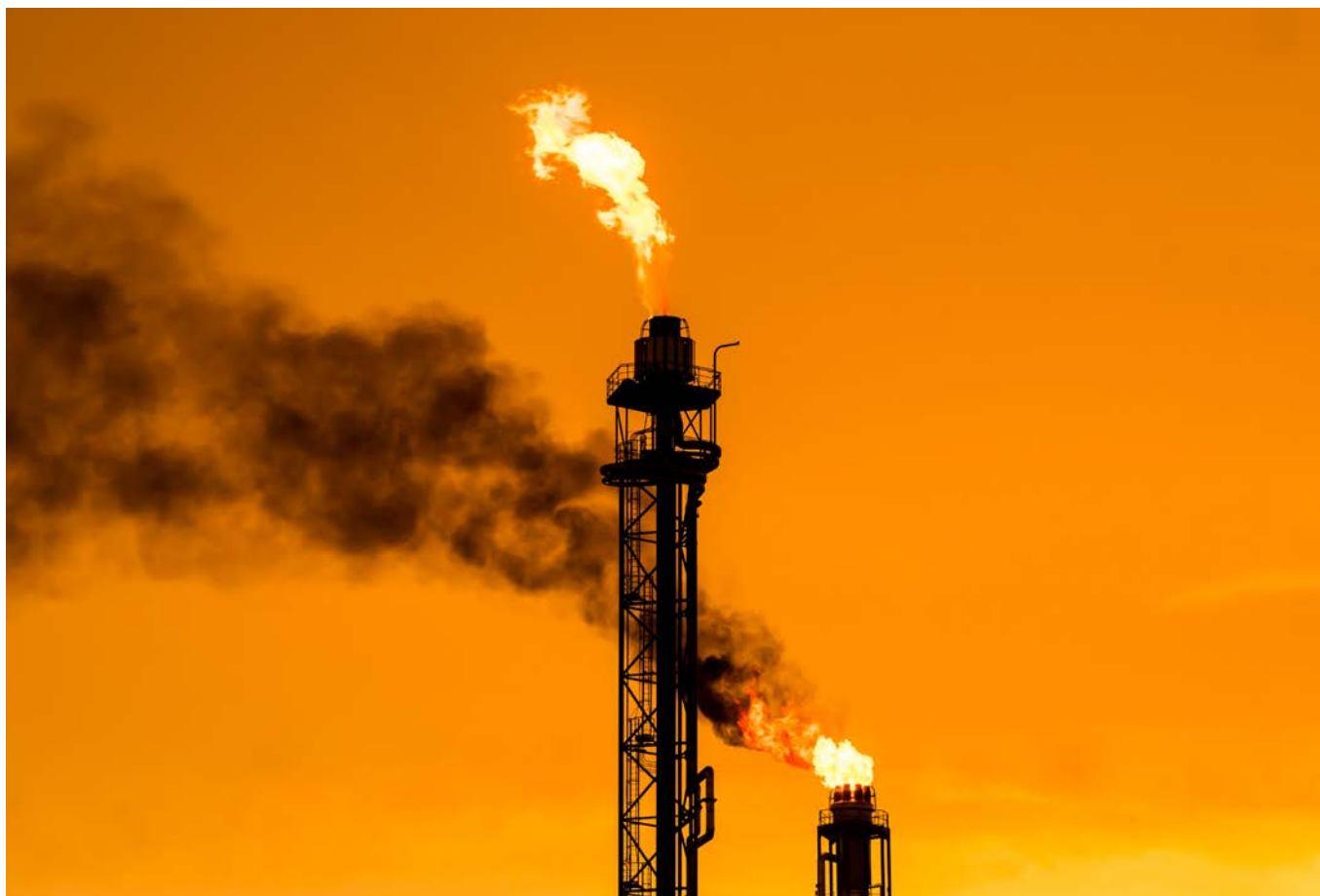
Although the number of hydrocarbon releases (HCRs) in the offshore oil and gas industry has continued to fall year on year, the reduction has largely been achieved by eliminating minor leaks.

Major releases continue to occur, and there have been several in recent years that have come perilously close to disaster, risking multiple fatalities.

Our priority is to secure greater focus by operators to improve their process safety leadership, systems for assurance and operational integrity so the risk of HCRs is reduced.

To encourage industry improvements to work together in this area we hosted a workshop to agree and launch an action plan for industry to reduce the number of major HCRs. We have also held a series of feedback events with duty holders to share good practices and learnings

on HCR reduction which has driven industry to take action to reduce the risk of offshore HCRs.



Our Chair, Martin Temple, together with key industry stakeholders, endorsed the new offshore 'Principles of Process Safety Leadership', launched at the UK Oil and Gas Industry Association Limited (OGUK) Health, Safety and Environment conference. These principles require the industries' senior managers to be fully involved in managing major accident risks. Requiring active workforce engagement to set a positive culture, constant vigilance and regular auditing to look out for the signs of risk, this process highlights the importance of sharing process safety performance information and learning from others.



## **Raise operators' focus on cyber security to ensure appropriate protection against major incidents**

The National Cyber Security Centre has indicated threat levels to cyber security within the UK's major hazard industries are increasing.

Greater integration of IT and industrial control systems requires greater precautions against cyber-attacks on systems delivering major accident controls.

Our priority is to raise operators' focus on cyber security to ensure appropriate protection against major accidents. We have done this through targeted inspections and continuing to influence by our engagement with stakeholders.

On behalf of the Department for Business, Energy and Industrial Strategy (BEIS), we carried out inspections and investigations under the Network and Information Systems (NIS) Regulations.

We published a report of our findings from earlier trial inspections on cyber security at major hazard installations. This report,<sup>27</sup> aimed at operators of major hazard installations, stakeholders, technical experts and the public, gives a snapshot of cyber security progress at such installations and the challenges the sector still faces.

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27 [www.hse.gov.uk/foi/internalops/og/index.htm](http://www.hse.gov.uk/foi/internalops/og/index.htm);  
[www.hse.gov.uk/foi/internalops/og/og-0086.pdf](http://www.hse.gov.uk/foi/internalops/og/og-0086.pdf)

We completed a programme of cybersecurity inspections at onshore operators' sites deemed as Critical National Infrastructure for the supply of oil and upstream gas ('upstream' being prior to entry into the distribution network) using data and intelligence from the NIS Cyber Assessment Framework (CAF) self-assessment reports. As a result, onshore oil and upstream gas operators of essential services continue to improve their countermeasures to protect against disruption of supply by cyber-attack.

We completed a programme of targeted cybersecurity inspections at major hazard installations (non-NIS). During these inspections we assessed the risks from accidental introduction of malware or cyber-attack on industrial automation and controls systems. This included engagement with major hazard stakeholders and trade bodies in the development of four guidance 'Cyber security for Industrial Automation and Control Systems' against which we benchmark operators' measures against malware and cyber-attack.

# Enabling improvement through efficient and effective delivery

To maximise our potential to affect positive change we must continue to use our resources efficiently and effectively. In 2019/20, we undertook a strategic review to determine how we want HSE to develop to face a future world of work while retaining our core regulatory skills and purpose.

We are reviewing performance measurement across HSE and development of an outcome-based performance framework was put on hold, pending a more fundamental review which will align to the new strategy.

## Our infrastructure

To improve performance, we have invested in our computing infrastructure, replacing hardware which was reaching the end of its life. The purchase of new equipment including replacement servers, firewalls and network switches means that our IT platform is now more resilient. This investment will enable the next stage of development which involves redesigning our IT network to deliver services and systems both now and in the future.

We continue to improve our services and the changes we have made to the assessment process for asbestos licence applications allow digital evidence submissions, desk-top assessment and online licence fee payment.

We are managing our buildings to ensure they remain fit for purpose and sustainable: we have reduced the size of our estate by more than a quarter since 2015 and as lease breaks allow, we are continuing to reduce the space we occupy. The smaller footprint reduces the energy we use.

## **Our people**

Our people are at the heart of what we do and the difference we make. Some of the actions we have taken to make HSE an excellent place to work, building a more diverse and inclusive workplace, where everyone feels valued, treated with dignity and respect, are set out on page 154. This includes achievement of Disability Confident Level 3 Leader through external assessment by Business Disability Forum.

We have continued to build a healthy and safe working environment and have set a new focus, commitment and direction for Health Safety and Wellbeing (HSW) by developing and publishing our new HSW Policy Statement of Intent. This is explained on page 165 together with the supporting activities this has involved.

## **Our finances**

The Spending Review (SR) and Autumn Statement 2015 set out the government's plan to ensure the UK's long-term economic security. Over the SR15 period, HSE, like many other public bodies, has received reduced government funding. We have continued a rigorous



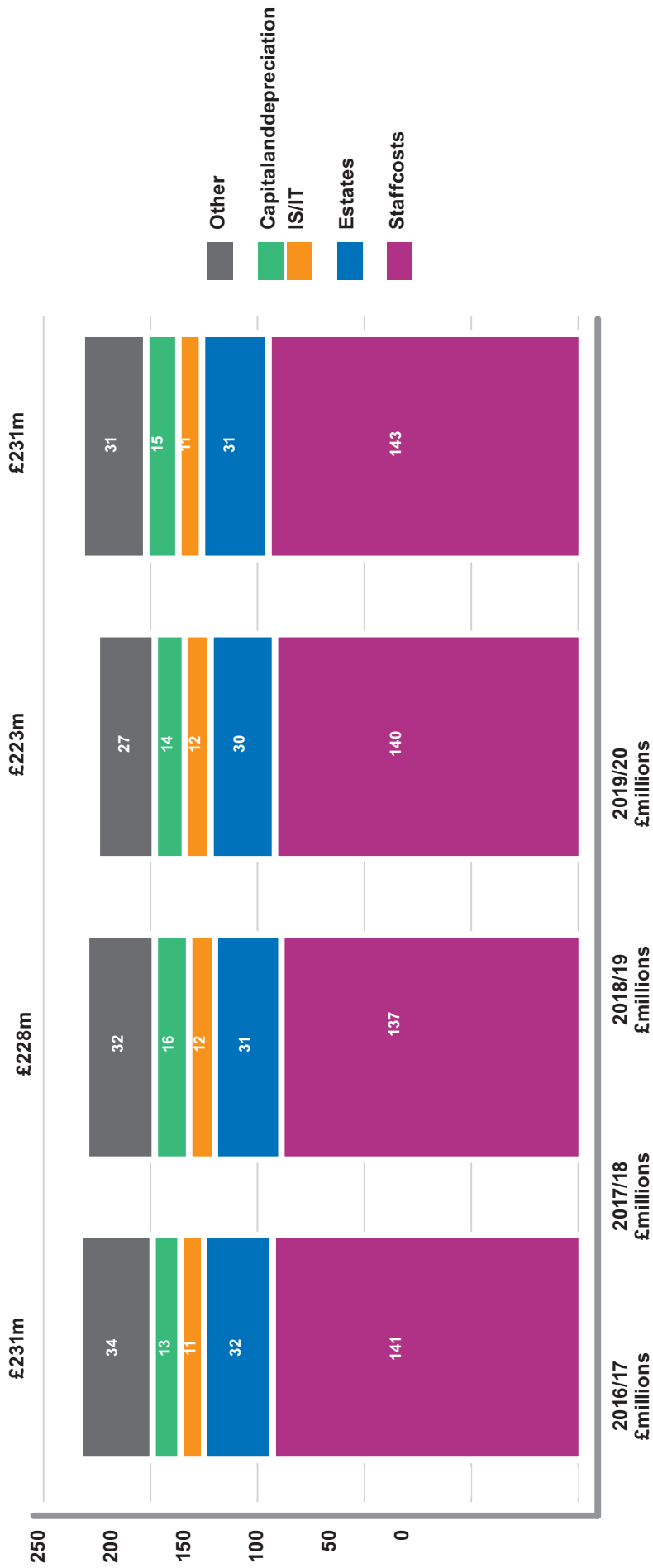
focusondrivingefficiencyandcontinuousimprovement  
inthedeliveryofourfunctions.

Ourtotal expenditureof£230.9million<sup>28</sup>wasfundedbya  
combinationofgrantinaid(£135.5m,59%in2019/20),  
costrecovery(£75.2m,33%)andincomogeneratedfrom  
commercialwork(£20.2m,8%).Ourexpenditurewas  
£8mhigherthaninthepreviousyearandreflectsthat  
wereceivedadditionalfundingforincreasedemployers'  
pensioncontributions;forpreparationstothechemicals  
regimesaheadoftheUKleavingtheEuropeanUnion;  
andforourroletosupportthegovernment'sfundamental  
reformofthebuildingsafetyssystem.

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28 £230.9m: this is the budgetary figure which differs from the total expenditure reported in the SoCNE on page 163 as it does not include capital expenditure.

**Figure 4 HSE expenditure**



## **Management of monies owed to HSE**

The level of debt at 31 March 2020 has reduced to £28m, compared to £33.6m at 31 March 2019, but the underlying balance is consistent with previous year-end balances after allowing for some one-off items at the end of 2018/19. Fee for intervention debt has again increased across the year which includes increased debt being progressed through the queries and independent disputes process. We continue to apply our debt strategy and actively contribute to the Cross-Government Debt Group to ensure consistency in approach and offer payment flexibility for individuals and businesses experiencing financial hardship.

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 uneconomical 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.

## **Financial year 2020/21**

In 2020/21 we will invest in our supporting infrastructure to both improve organisational resilience as well as provide the platform to enable delivery of more regulatory services in an efficient and effective way.

The Spending Review (SR) 2019, which provides funding for 2020/21, has been agreed as one-year rollover of funding within inflation. The figures below assume some initial government funding for work during the transition period with the EU and for setting up the Building Safety Regulator but it is anticipated that further funding for 2020/21 will be agreed for these programmes.

The economic impact of the COVID-19 pandemic will be far reaching and it is essential that we maintain a sustainable financial footing for HSE as we prepare for Spending Review 2020. This is explained in more detail on pages 93 to 98 of the Governance statement.

HSE's Business Continuity plan has been successfully invoked with the majority of staff working effectively from home throughout the period of lockdown. We have conducted health, safety and wellbeing risk assessments in relation to working from home, carrying out regulatory duties and working in internal HSE premises. These are regularly reviewed to manage the risk of COVID-19 Infection from such activities, which will determine the working pattern throughout 2020/21.

HSE's laboratory at Buxton is a designated Public Sector Research Establishment and continued investment in this facility is important as we continue our role in supporting safe and healthy deployment of key enabling technologies.

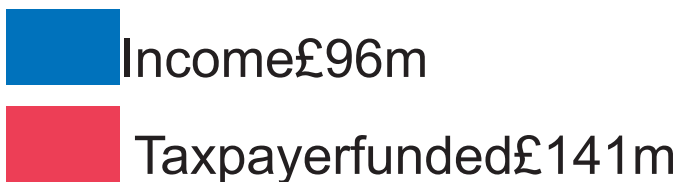
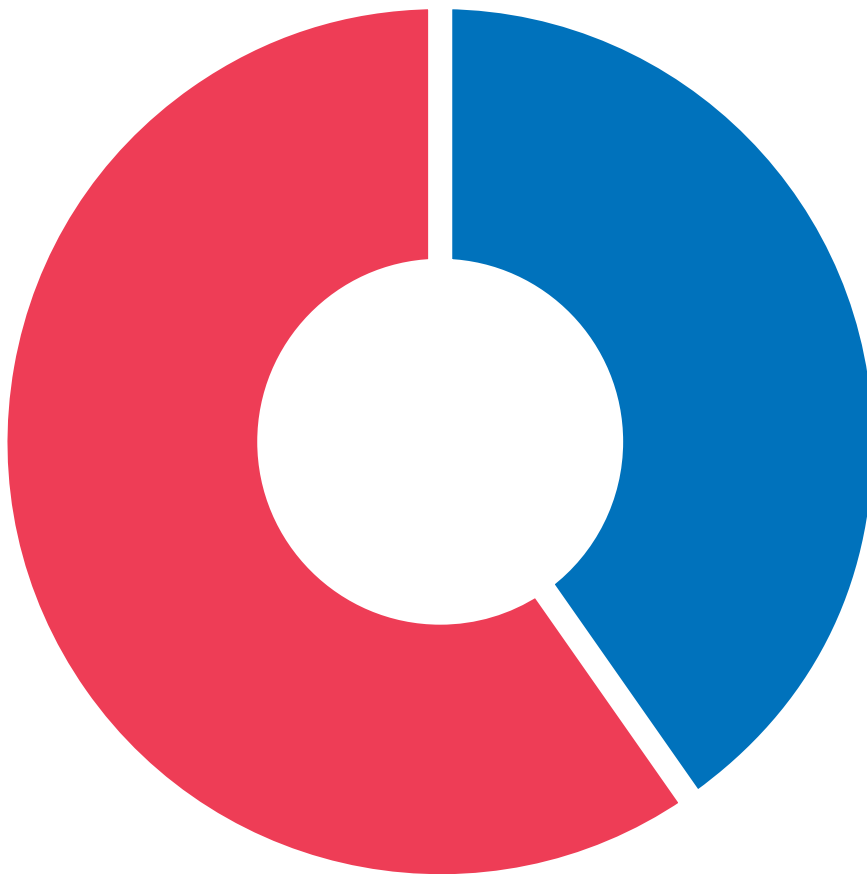


## Our budget for 2020/21 comprises:

- planned total expenditure of £237m;
- £96m (41%) recovered through income;
- £141m (59%) funded through grant in aid.

We estimate that the impact of COVID-19 on HSE's financial position during 2020/21 will be a net increase in costs of between £18m and £25m.

**Figure 5 HSE Funding 2020/21 (£237m)**



### Figure6 HSEExpenditure2020/21(£237m)



Staff costs £149m

Estates £32m

Technical support £6m

Other £13m

Staff related £9m

IS/IT £12m

Depreciation £8m

Capital £8m

# Deliveryofourplannedmilestones

Whenwepublishedour2019/20BusinessPlan,we committedtodeliveringawide-rangingsetofactions asourcontributiontoimprovinghealthandsafety performance.








Someofthekeyperformancedetailofwhatwehave achievedagainstthesepublishedbusinessplan milestonesisreflectedwithinthestrategicthemesunder thePerformanceanalysissectiononpages15to46.

Aspartofourcontributiontoimprovinghealthandsafety performanceacrosstheUKwehavedelivered80%of ourplannedmilestoneswithinyear.

Table2showsallthemilestonesfromtheplanand whetherornottheyweredelivereddduring2019/20.

## Table 2 Business Plan milestones

Delivered  Not delivered 

| <i>Business Plan milestones</i>   | <i>Status</i>   |
|---|---|
| <b>Lead and engage with othersto improve public workplace health and safety</b>   |   |
| Continue to foster collaborative relationships with other parts of government in England, Scotland and Wales as part of our continuing focus on tackling ill health as part of the Health and Work Programme.   |   |
| <ul style="list-style-type: none"> <li>Establish a partnership agreement with the new Public Health Scotland body (and occupational services).</li> </ul>   |    |
| <ul style="list-style-type: none"> <li>Establish a partnership agreement with Healthy Working Wales.</li> </ul>   |    |
| <b>Musculoskeletal disorders (MSDs) - Continue to build on our work from previous years' activity.</b>  |   |
| <ul style="list-style-type: none"> <li>In partnership with the transport and logistics sectors, complete preparatory studies on behavioural change in parcel carriers.</li> </ul>   |  |
| <b>Work-related stress (WRS) - Focus on supporting the provision of appropriate tools to support the management of stress.</b>  |   |
| <ul style="list-style-type: none"> <li>Publish bespoke work-related stress material for public sector organisations, including 'Talking Toolkits' informed by HSE's public stress pilots and work on violence in the NHS and Prison Service.</li> </ul> |  |
| <ul style="list-style-type: none"> <li>Publish updated advice for SMEs on assessing work-related stress risks using the Management Standards.</li> </ul>  |  |
| <b>Promote proportionality in health and safety management</b>  |   |
| <ul style="list-style-type: none"> <li>Publish a summary report of blue-tape evidence.</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>Report to the Board on progress to address the issues in the blue-tape evidence report.</li> </ul>   |  |



| <i>BusinessPlanmilestones</i>  | <i>Status</i> |
|--|---------------|
| <ul style="list-style-type: none"> <li>Developnewguidancefocusingonriskmanagement andcontrol,whichwillbesubjecttouserestingin 2020/21.</li> </ul>  | ✓             |
| <p><b>Sharelearningfromourexpertsscienceandresearchwiththose whocaninfluenceworkplacehealthandsafetyimprovement.</b></p>   |               |
| <ul style="list-style-type: none"> <li>Informedbyourmeasuringstrategy,implementa coordinatedandconsistentapproachtomeasurement toassesstheimpactofthehealthandworkprogramme, andmakethisapproachvisiblenationallyand internationally.</li> </ul> | ✓             |
| <ul style="list-style-type: none"> <li>TocoincidewithBritishScienceWeek,publishaseries ofcasestudieswithintheAnnualScienceReviewwhich linktoHSE’s2019/20campaigns.</li> </ul>  | ✓             |
| <p><b><i>Provideaneffectiveregulatoryframework</i></b></p>   |               |
| <p><b>Supportthegovernment’sfundamentalreformofthebuilding safetysystem(inEngland)followingtheGrenfellTowerdisaster.</b></p>   |               |
| <ul style="list-style-type: none"> <li>Activelycontributetothe fundamentalreformofthe buildingsafetysysteminasamemberoftheJRGand itsworkinggroups[subjecttoappropriatefundingfrom MHCLG].</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>KeydeliverableswillbeinlinewiththeJRGworkplan andwillincludecontributingtotheresponseplansfor ScotlandandWales.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>CarryoutaprogrammeofinspectionsofACMcladding removaltosupporttheMHCLGBuildingSafety Programme.</li> </ul>   | ✓             |
| <p><b>Contribute to government-wide activities on the UK’s departure from the EU.</b></p>  |               |
| <ul style="list-style-type: none"> <li>HSEwillcontributeasnecessarytodeliveryofthe government’sobjectivesforexitfromtheEU.</li> </ul>  | ✓             |

| <i>Business Plan milestones</i>  | <i>Status</i> |
|--|---------------|
| <ul style="list-style-type: none"> <li>Working with Defra, the devolved administrations and other key regulators including the Environment Agency, deliver a suite of regimes for regulating the supply and use of chemicals.</li> </ul>   | ✓             |
| <b><i>Secure effective management and control of risk</i></b>  |               |
| <b>Target our inspections on specific issues and activities, including a sustained focus on work-related ill health within various industry sectors including: Manufacturing; Waste &amp; Recycling; Agriculture; Construction; Fairgrounds; Fatal &amp; non-fatal investigation; Chemicals; Asbestos licensing.</b>                               |               |
| <ul style="list-style-type: none"> <li>Manufacturing – Woodworking: Programme of inspections to approximately 1 in 10 premises.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Manufacturing – Food and drink: Programme of inspections to approximately 1 in 5 premises.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Manufacturing – Fabricated metals: Programme of inspections to approximately 1 in 15 premises. <i>Inspection programme not fully completed as impacted by COVID-19 pandemic restrictions on activities.</i></li> </ul>  | ✗             |
| <ul style="list-style-type: none"> <li>Waste &amp; Recycling – Programme of inspections to approximately a third of premises where intelligence received from other regulators indicates known poor performance.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>Agriculture – Programme of inspections to 10% of businesses invited to attend an agricultural compliance event. These will be split (pro-rata) between attendees and non-attendees. <i>Inspection programme not fully completed as impacted by COVID-19 pandemic restrictions on activities.</i></li> </ul> | ✗             |
| <ul style="list-style-type: none"> <li>Construction – Two health-focused inspection initiatives to approximately 2000 duty holders covering a presentational range of site types and activities.</li> </ul>  | ✓             |

| <i>BusinessPlanmilestones</i>  | <i>Status</i> |
|--|---------------|
| <ul style="list-style-type: none"> <li>Fairgrounds–Programmeofinspectionsbothtofixed andtravellingfairgrounds.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>Fatalinvestigations–Complete80%offatal investigationswithin12monthsofHSEreceiving primacy.</li> </ul>   | ✗             |
| <ul style="list-style-type: none"> <li>Non-fatalinvestigations–Complete90%ofnon-fatal investigationswithin12monthsoftheincident.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>Chemicals–Aimtocompleteplantprotectionproduct evaluationsandauthorisationswithintherelevant deadlines.</li> </ul>   | ✗             |
| <ul style="list-style-type: none"> <li>Chemicals–Aimtocompletebiocideproductevaluation andauthorisationswithintherelevantdeadlines.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Asbestoslicensing–Programmeofinspectionsof individuallicensedcontractorstoensurecompliance withControlofAsbestosRegulations2012byindividual licensees.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Asbestoslicensing–Completeasbestoslicence applicationstotime.</li> </ul>  | ✓             |
| <p><b><i>Reducethelikelihoodoflow-frequency,high-impact catastrophicincidents</i></b></p>  |               |
| <p><b>Provideassurance thatdutyholdersareidentifyingand managingthemajorhazardriskstheycreate.</b></p>   |               |
| <ul style="list-style-type: none"> <li>Aprogrammeofproactiveinspectionstoaddress priorityareasatmajorhazardsites.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Rolloutathree-yearinterventionstrategyto95% ofControlofMajorAccidentHazards(COMAH) establishments. <i>Inspectionprogrammefully completedasimpactedbyCOVID-19pandemic restrictionsonactivities.</i></li> </ul> | ✗             |
| <ul style="list-style-type: none"> <li>Assesssafetycasesandreportstoagreedtimescales.</li> </ul>   | ✓             |

| <i>Business Plan milestones</i>   | <i>Status</i> |
|---|---------------|
| <ul style="list-style-type: none"> <li>Assess licences, classifications, notifications and authorisation to statutory or published timescales.</li> </ul>   | ✓             |
| <b>Strengthen major hazard leadership and worker engagement.</b>  |               |
| <ul style="list-style-type: none"> <li>Complete an initial targeted programme of inspections at COMAH sites, assessing senior executives and board leadership in major hazard control, as a core element of safety management systems.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Complete an inspection programme in the offshore sector focusing on worker engagement – in particular requiring those we inspect to demonstrate that the workforce is capable of playing their part in managing offshore major accident hazards.</li> </ul>                              | ✓             |
| <b>Deliver robust and consistent regulation of decommissioning and dismantlement of offshore oil and gas installations.</b>   |               |
| Develop a regulatory intervention strategy for decommissioning and dismantlement.   | ✓             |
| <b>Secure improvements in the effective management of network assets including gas risers in high-rise homes.</b>   |               |
| <ul style="list-style-type: none"> <li>Feedback to industry via the stakeholder forum Gas Transporters Operational Safety Group on HSE's findings from our interventions in 2018/19.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Building on previous activity, complete a programme of work to track progress with required improvements. This will include targeted inspections to seek industry-wide improvements in the design, installation, inspection maintenance and risk profiling of legacy systems.</li> </ul> | ✓             |
| <b>Drive duty holders to reduce the risk of offshore hydrocarbon releases (HCRs).</b>   |               |
| <ul style="list-style-type: none"> <li>Host an industry workshop to agree and launch an action plan for industry to reduce the number of major HCRs.</li> </ul>   | ✓             |



| <i>BusinessPlanmilestones</i>  | <i>Status</i> |
|--|---------------|
| <ul style="list-style-type: none"> <li>Hold a series of feedback events with duty holders to share good practices and learning on HCR reduction.</li> </ul>  | ✓             |
| <p><b>Raise operators' focus on cyber security to ensure appropriate protection against major incidents.</b></p>   |               |
| <ul style="list-style-type: none"> <li>Publish report of four findings from earlier trial inspections on cyber security at major hazard installations.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>Complete a programme of cyber security inspections at operators' sites deemed as Critical National Infrastructure, using the data and intelligence obtained from the NIS Cyber assessment Framework self-assessment reports.</li> </ul> | ✓             |
| <ul style="list-style-type: none"> <li>Complete a programme of inspections of targeted major hazard sites (non-NIS) to assess risks from accidental introduction of malware or cyber-attack on industrial control system.</li> </ul>   | ✓             |
| <p><b><i>Enable improvement through efficient and effective delivery</i></b></p>   |               |
| <p><b>Develop our strategy and put in place the building blocks to ensure we are fit for the future.</b></p>   |               |
| <ul style="list-style-type: none"> <li>Publish HSE strategy.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>Present proposal to develop an outcome-based performance framework which aligns to the new strategy to the HSE Board for agreement.</li> </ul>  | ✗             |
| <ul style="list-style-type: none"> <li>Develop a framework to support a strategic approach to workforce planning.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Develop a framework to support a strategic approach to understand and progress our development needs.</li> </ul>  | ✓             |
| <ul style="list-style-type: none"> <li>Develop and apply a new change management framework to help deliver the strategy.</li> </ul>  | ✓             |

| <i>Business Plan milestones</i>   | <i>Status</i> |
|---|---------------|
| <ul style="list-style-type: none"> <li>Implement IT assurance review recommendations as agreed by Executive Committee.</li> </ul>   | <b>X</b>      |
| <b>Support our people to be the best they can by strengthening our systems and developing our culture.<sup>29</sup></b>   |               |
| <ul style="list-style-type: none"> <li>Update our HSW roles, responsibilities and capabilities to manage risk.</li> </ul>   | <b>✓</b>      |
| <ul style="list-style-type: none"> <li>Implement a new HSW leadership excellence development programme.</li> </ul>  | <b>✓</b>      |
| <ul style="list-style-type: none"> <li>Publish new arrangements for how we prevent mental ill health, promote wellbeing and support colleagues where the need arises.</li> </ul>  | <b>X</b>      |
| <ul style="list-style-type: none"> <li>Achieve an average working-days lost of 6.0 days per full-time equivalent.</li> </ul>  | <b>X</b>      |
| <ul style="list-style-type: none"> <li>Executive Committee complete programme of face-to-face visits and virtual discussions with all colleagues.</li> </ul>  | <b>✓</b>      |
| <ul style="list-style-type: none"> <li>Hold a series of all staff events.</li> </ul>  | <b>✓</b>      |
| <ul style="list-style-type: none"> <li>Achieve an Engagement Index of 57% (a 3% improvement) as measured through the Civil Service People Survey.</li> </ul>  | <b>X</b>      |
| <ul style="list-style-type: none"> <li>Achieve Disability Confident Level 3.</li> </ul>   | <b>✓</b>      |
| <ul style="list-style-type: none"> <li>Complete a pilot of black, Asian and minority ethnic panels for recruitment and promotion, and report findings and recommendations to Executive Committee.</li> </ul>  | <b>X</b>      |
| <ul style="list-style-type: none"> <li>Achieve a 3% reduction (to 10%) in the percentage of staff who have personally experienced bullying or harassment at work during the past 12 months as measured by the Civil Service People Survey.</li> </ul> | <b>X</b>      |

<sup>29</sup> We have missed a number of milestones relating to our people and our expectations relating to these are explained further in the Staff report.

| <i>Business Plan milestones</i>   | <i>Status</i> |
|---|---------------|
| <b>Secure a sustainable financial future for HSE.</b>   |               |
| <ul style="list-style-type: none"> <li>Develop our Spending Review (SR) 2019 case.</li> </ul>   | ✓             |
| <b>Submit proposals for future fees and charges strategy to HSE Board.</b>  |               |
| <ul style="list-style-type: none"> <li>Submit proposals for future fees and charges strategy to HSE Board.</li> </ul>   | ✓             |
| <ul style="list-style-type: none"> <li>Submit proposals regarding the future strategy to sustain the scientific evidence base in an affordable way to HSE Board.</li> </ul> | ✓             |
| <ul style="list-style-type: none"> <li>Maintain the rate of growth of four externally funded income achieved in the period 2015/16–2018/19.</li> </ul>                      | ✓             |

# 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.

Examples of good practice adopted in year include:

- Rationalisation of the HSE estate has reduced the square meterage by 27% since 2015 and is continuing as lease ends/breaks allow. The smaller footprint brings an associated reduction in energy use for building heat, light and power.
- Elimination of single use plastics is progressing well at our two largest sites at Bootle and Buxton and should be complete in 2020/21.
- Our Buxton site is in the process of shifting from use of bottled water to mains fed water, cutting the use of plastics and saving transport emissions from deliveries.
- A programme of installation of LED lights throughout the Bootle HQ is underway, which will provide significant electricity consumption reduction.
- Modernisation of the IT estate and greater capacity and take-up of videoconferencing, reducing the need for travel to meetings and associated emissions.

## **GreeningGovernmentCommitments(GGC)**

A summary of HSE's performance at March 2020 against the Greening Government Commitments (GGC) to be reached by 2020 is provided in Table 3. We will provide additional metrics for any new greening commitment requirements for 2020/21 once fully specified and published by government.

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

| Across the HSE estate the aim is to:                             | Against government 2009-10 baseline | Performance for year |                   |                   |                   |
|--|-------------------------------------|----------------------|-------------------|-------------------|-------------------|
|  |                                     | 2016-17              | 2017-18           | 2018-19           | 2019-20           |
| Reduce total greenhouse gas emissions                            | By 32%<br>15170                     | 10946                | 10738             | 8976              | 47%<br>7975       |
| Reduce the number of domestic business travel flights            | By 30%<br>535                       | 289                  | 338               | 342               | 63%<br>196        |
| Continue to reduce amount of waste generated                     | 597 tonnes                          | 386                  | 347               | 288               | 252               |
| Reduce wastes sent to landfill by less than 10% of overall waste | Not given                           | 81 of 366<br>22%     | 24 of 288<br>8%   | 26 of 288<br>9%   | 10 of 252<br>4%   |
| Increase recycling   | Not given                           | 262 of 386<br>68%    | 304 of 347<br>88% | 245 of 288<br>85% | 175 of 252<br>70% |
| Continue to reduce water consumption from baseline figure        | 48758 litres                        | 32940                | 28446             | 30009             | 26461<br>46%      |
| Reduce the amount of paper used.<br>Baseline figures set 2011-12 | By 50%<br>26924 reams               | 24538                | 12281*            | 15450             | 43%<br>15445      |

\* 2017-18 figures particularly low due to the introduction of new printing strategy and associated depletion in stock.



**Sarah Albon**

*Chief Executive and Accounting Officer*

Health and Safety Executive

10 July 2020

# Accountability – Corporate governance report

## Corporate governance report

This report explains HSE's governance structures and how these structures support the achievement of four objectives. It consists of the Statement of the Executive's and Chief Executive's responsibilities, Directors' report, 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 Executive Management Committee. Further detail on HSE's organisational structure can be found on our website.

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### Managing conflicts of interest

Information on how we manage conflicts of interest can be found in the Governance statement on page 98.



## **Personal data-related incidents**

Information on personal data-related incidents can be found in the report of HSE's Data Protection Officer on page 128.

# 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. Her relevant responsibilities as Accounting Officer, including her responsibilities for the propriety and regularity of the public finances for which she 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 which have operated in 2019/20. David Snowball discharged the role of Accounting Officer from 1 April 2019 until my arrival. I sought assurances from David Snowball to inform my approval of this statement.

As the Accounting Officer I have maintained effective governance arrangements during 2019/20 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 DWPM 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 is available on HSE's website.<sup>31</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 pending proposal in a situation where the Accounting Officer has raised an objection. No ministerial directions were given in 2019/20.

## **Coronavirus (COVID-19)**

We have carried out an initial assessment of the impact that the outbreak of coronavirus (COVID-19) and the subsequent measures introduced in the UK will have on HSE.

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31 [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)

## 2019/20

As the lockdown was announced on 23 March 2020, the impact on the 2019/20 financial position has been immaterial:

- We have delivered a small underspend on our income and expenditure budget for the financial year.
- The potential impact on our assets at 31 March 2020 has been considered in preparing these financial statements and we have increased the impairment of our debt balance to take account of how the wider economic impact is likely to affect our customers and dutyholders. The other main area of potential impact is our estate, in particular the two PFI properties. Both have been revalued at 31 March and we have been advised that less certainty can be attached to the valuation than would otherwise be the case.

## 2020/21

We anticipate that the effect on HSE operations during 2020/21 will be material: while our regulatory work has continued throughout the lockdown in certain areas, the closure of many businesses and the health, safety and wellbeing of our own staff mean that we will undertake less cost recoverable and commercial work. We therefore expect a significant reduction in our income and although we are developing a revised plan and there will be offsetting cost reductions, we will inevitably require additional funding from government. As we have the

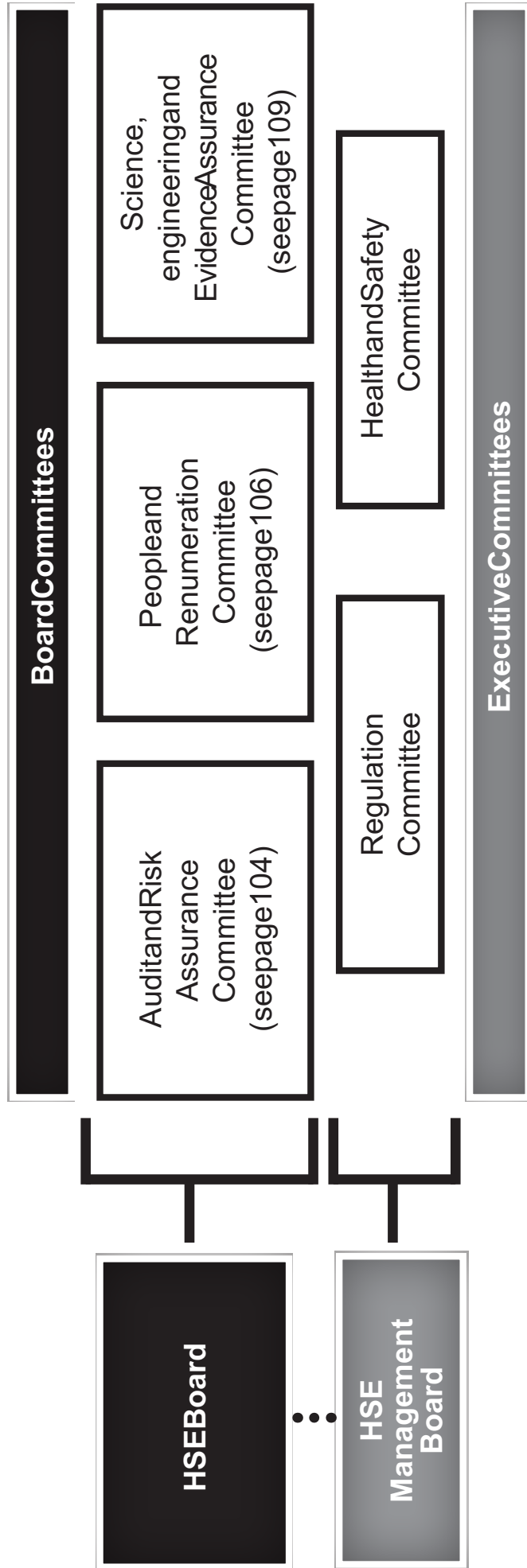
continuing commitment of DWP to provide this funding, these accounts are prepared on a going-concern basis.

Any reduction in asset valuations may be significant but our intention is to remain at our current sites for which the remaining term of the PFI contracts is 15 years and absorb losses through revaluation reserves.

We are continuing to assess the implications on our financial position as well as on our planned work for 2020/21.

# Governance within HSE

## Figure 7 HSE's governance structure at 31 March 2020





## HSEBoard



Martin Temple  
*Chair*



George Brechin



Janice Crawford



Martin Esom



Susan Johnson



John McDermid



Ged Nicholls



Sarah Pinch



Ken Robertson



Kevin Rowan



Claire Sullivan



Mahbub Islam

Mahbub Islam has been co-opted by the Chair into an advisory role for a period of 12 months commencing 1 October 2019, to bring IT/cyber expertise to the Board.

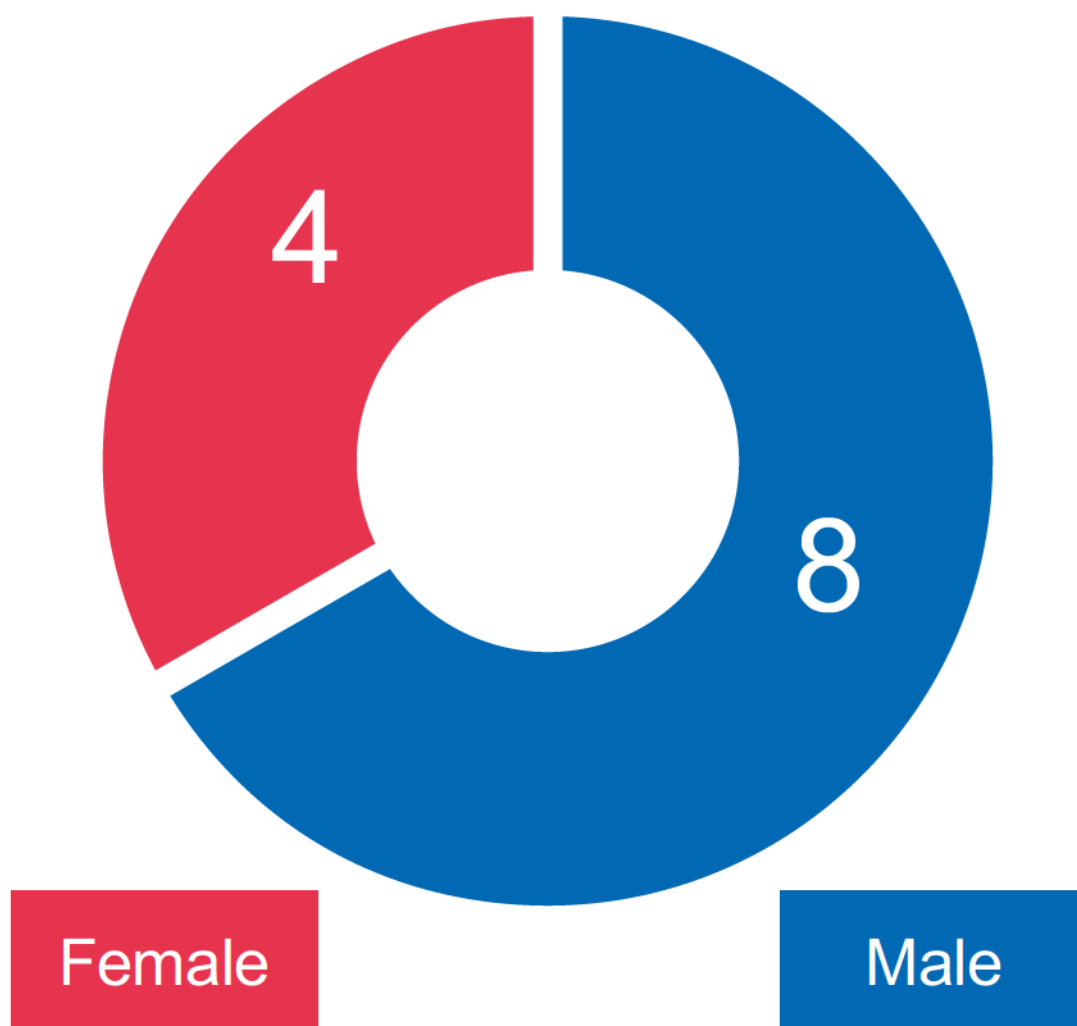
## HSE Board

*Chair:* Martin Temple

*Frequency:* 8 Meetings a year. Three of these were open meetings (December's open meeting was cancelled due to the General Election) and as part of our commitment to engaging with the devolved nations, one of these meetings was held in Scotland.

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

## Figure 8 Board composition as at 31 March by gender



- Biographies of Board members are available on our website<sup>32</sup> as are agendas, papers and minutes of open Board meetings<sup>33</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

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

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

- 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
- The Chief Executive and other Executive Management Committee members attend Board meetings

## Overview of the HSE Board:

- Provides a balance of employee, employer and local authority views
- Sets HSE's overall strategy and objectives within a policy framework set by the government and oversees overall direction for health and safety in Great Britain
- Advises ministers on key issues
- 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>34</sup>

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<sup>34</sup> [www.hse.gov.uk/aboutus/howwework/management/board-operating-framework.pdf](http://www.hse.gov.uk/aboutus/howwework/management/board-operating-framework.pdf)



## Principal areas of focus in 2019/20 have included:

|                 |                                     |   |
|-----------------|-------------------------------------|---|
| <b>Strategy</b> | <b>HSE strategy</b>                 | In 2019 we undertook a strategic review to determine how we want HSE to develop to face a future world of work while retaining our core regulatory skills and purpose. The development of a new strategy will be taken forward during 2020/21.  |
|                 | <b>Health and safety regulation</b> | <p>Amongst its other activities in year the Board:</p> <ul style="list-style-type: none"> <li>reviewed the effectiveness of the Statement of Commitment about HSE's relationship with local authorities as a co-regulator and HSE's oversight of LA regulatory activity;</li> <li>approved the introduction of a new binding exposure limit for crystalline silica dust in mines (through an amendment to the Mines Regulations 2014);</li> <li>agreed proposals included in revised fees regulations for the recovery of costs incurred for approvals/advice in specific regimes.</li> </ul> |
|                 | <b>HSE's science and research</b>   | Agreed ways of using our science and research capability to maximum effect by exploring options to work more collaboratively with government science and other scientific/research establishments whilst continuing to deliver our work to support HSE's core objectives.   |
|                 | <b>EU exit</b>                      | The Board has discussed HSE's activities to ensure businesses and GB were prepared for EU exit.   |
|                 | <b>Building Safety Regulator</b>    | In February 2020, the Secretary of State for Housing, Communities and Local Government announced that HSE would establish a new Building Safety Regulator in England. The Board has continued to have close oversight of HSE's involvement in transforming the regulatory and accountability framework for building safety. Dame Judith Hackitt, who led the government review of building regulations and fire safety, will chair a board to oversee the transition.   |

|                            |  |   |
|----------------------------|--|---|
| <b>Governance and risk</b> | <b>Tailored review</b>                   | The action plan from the independent Tailored Review conducted during 2018/19 was delivered with DWP content that actions had been adequately addressed.  |
|                            | <b>Objectives and priorities for HSE</b> | The Board provided challenge to the priorities for HSE as part of its business planning process for 2020/21.  |
|                            | <b>Risk appetite and management</b>      | The Board reviewed and updated its risk appetite. The Board also considered and, where necessary, challenged HSE's management on the 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 reviews.   |
|                            | <b>Monitoring performance</b>            | <p>The Board considered quarterly performance reports, seeking assurance that HSE's activities, milestones and targets were on track. For example, additional assurances were sought on:</p> <ul style="list-style-type: none"> <li>• performance relating to the percentage of fatal investigations completed within 12 months of HSE receiving primacy; and</li> <li>• reductions in numbers of prosecutions and proactive inspections.</li> </ul> <p>The Board has also scrutinised HSE's financial performance to ensure the HSE has operated within the financial limits set by DWP.</p> |
|                            | <b>HSE Board effectiveness</b>           | In accordance with the Board's Operating Framework and HM Treasury Corporate Governance Code, the Board reviewed its effectiveness in the autumn of 2019. The conclusion was that the Board continued to be effective in discharging its role but needed to focus on becoming less operational and work more on the Board's risk appetite.  |

## Boardsub-committees

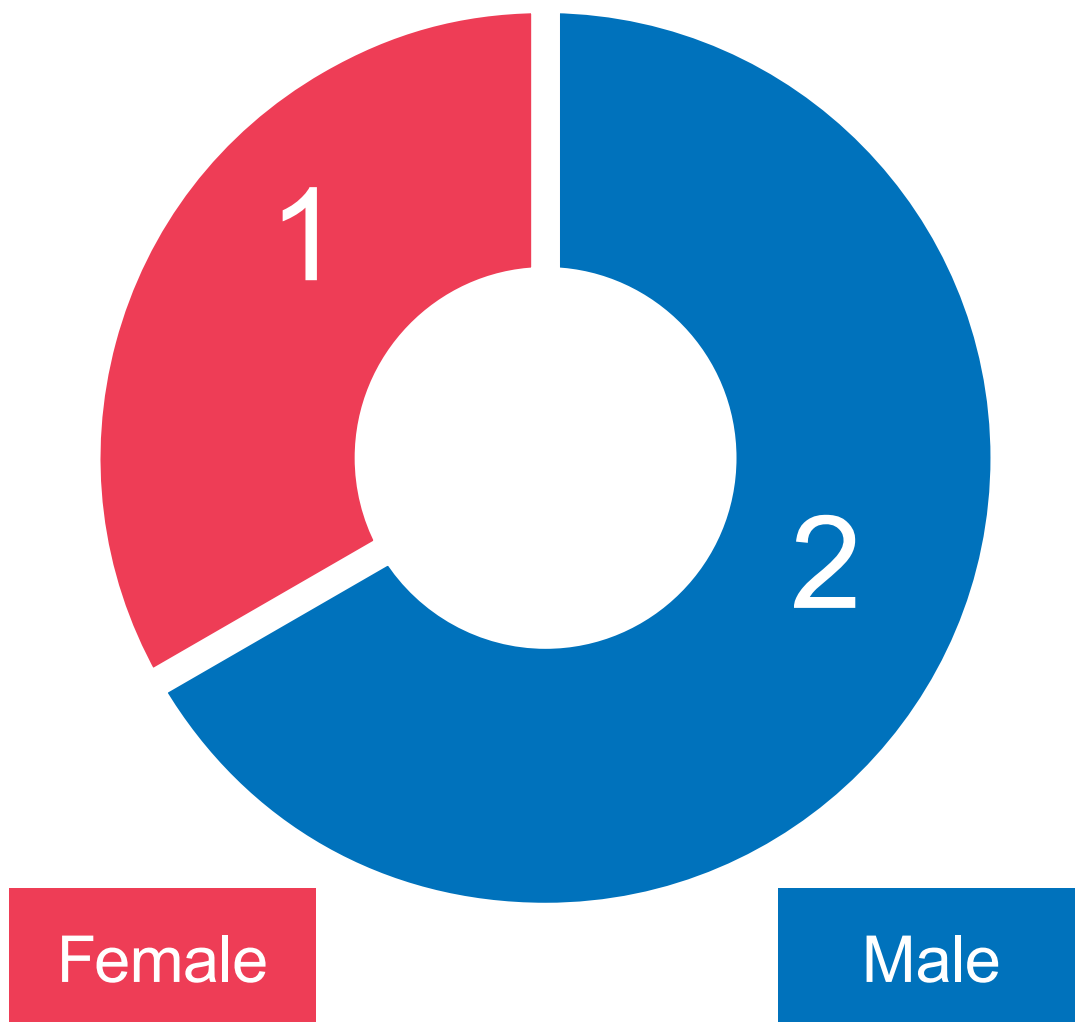
### PeopleandRemunerationCommittee

*Chair:* Martin Temple

*Frequency:* Currently 3 times a year  
(to change to 4 in 2020/21)

*Membership:* Martin Temple, George Brechin; Claire Sullivan

**Figure 9 Committee composition by gender**



***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;
- assures the Board and provides challenge and support to executive directors on HSE's people and capability strategy, including arrangements for succession planning, capability development, People Survey and reward strategies.

***Principal areas of focus during 2019/20:***

- Recruitment challenges including creation of Building Safety Regulation and compliance with Civil Service Commission's recruitment principles
- HSE's gender pay gap
- People Survey results and HSE response

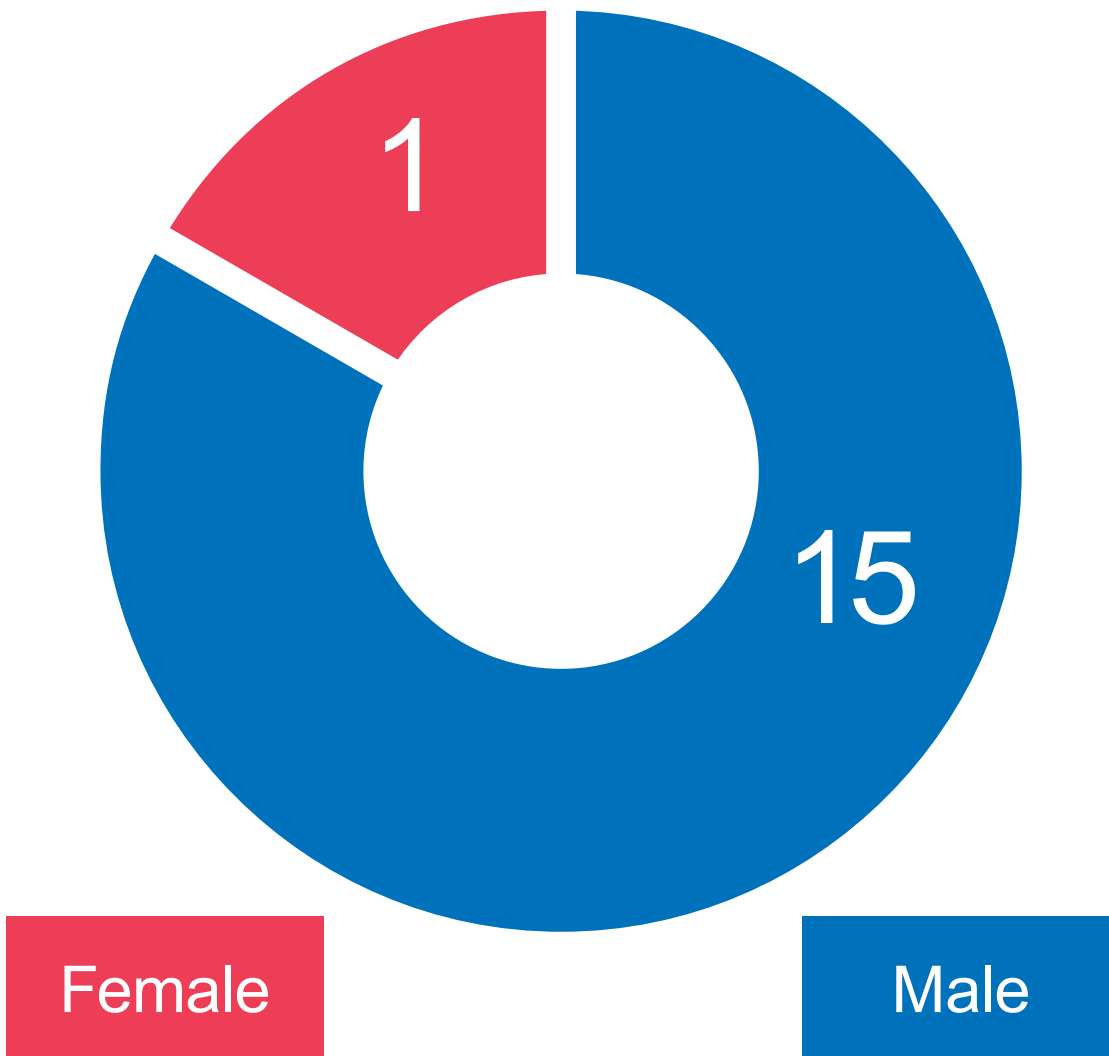


## **Science,EngineeringandEvidenceAssurance Committee**

*Chair:*KenRobertson(fromSeptember2019)replacing  
MartinThomas

*Frequency:*Quarterly

### **Figure10 Committee composition by gender**



*Membership:*NeilBourne(UniversityofManchester);  
PeterBuckle(ImperialCollege);LenLevy(Cranfield  
University);KenRobertson(HSEBoard);LesleyRushton  
(ImperialCollege);MartynThomas(HSEBoard)

Andrew Curran, HSE Chief Scientific Adviser attends to provide information.

***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 carry out science on the priority themes?
- Is the knowledge acquired in the right way?
- Is the knowledge exploited effectively?
- Is the quality of HSE science as good as it should be?
- Does HSE have the right capacity to acquire and disseminate scientific knowledge and to support investigations
- Is HSE's horizon scanning effective?

***Principal areas of focus during 2019/20:***

- Continued to probe overarching science commissioning and prioritisation and timeliness of the science planning process; planned, current and completed work was reviewed
- Considered the very relevant dimensions of impact and evaluation

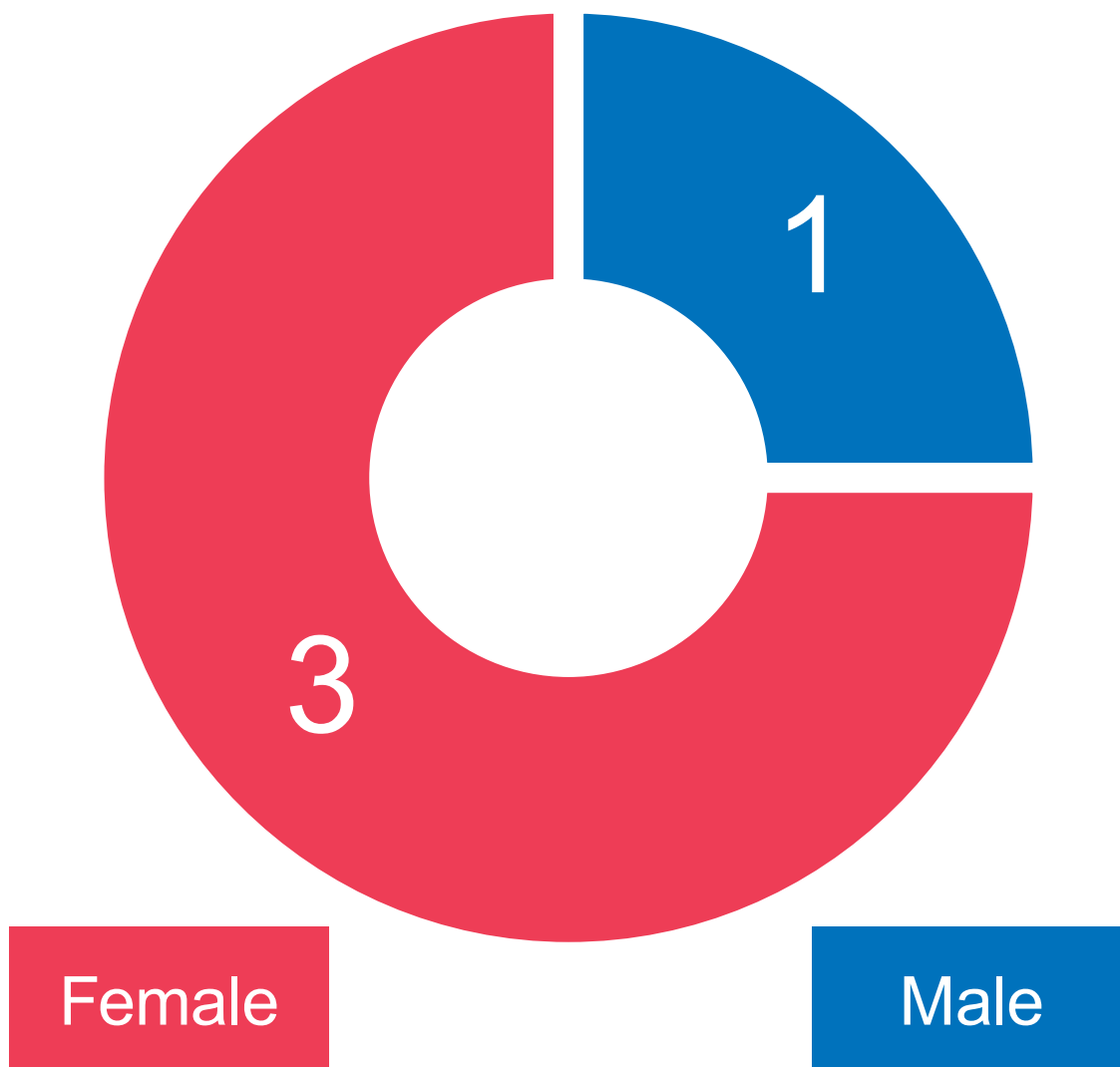
- Deep dives continued to provide strategic assurance and ensured research focused on, and was prioritised by, HSE needs as reflected in corporate plans
- Important SEEAC recommendations have now been implemented as additional criteria embedded in the science governance process. Hence SEEAC contributes to the continuous improvement process

## Audit and Risk Committee

*Chair:* Martin Esom

*Frequency:* Quarterly

**Figure 11 Committee composition as at 31 March by gender**



*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;
- high quality financial reporting and a climate of financial discipline and control;
- internal control systems, including sensible business risk management;
- value for money and efficiency within HSE.

### ***Principal areas of focus during 2019/20:***

- Review and challenge of the Internal Audit programme and ensuring necessary actions are taken in response to recommendations
- Overseeing establishment of a comprehensive assurance framework with an overall assurance plan for financial year 2020/21



- Review the effectiveness of Regulatory Assurance activity
- Review and challenge of management of strategic, external and operational risks including a series of deep dives into key risk areas:
  - General Data Protection Regulations (GDPR) compliance
  - Business Continuity
  - Workforce Planning
- Developing proposals to support the Board in setting its risk appetite
- Oversight of arrangement for the external audit of HSE accounts, including recommending the signing of the accounts by HSE's Accounting Officer

### ***Review of effectiveness***

As required under its terms of reference and as recommended good practice in the Audit Committee handbook, 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. The review identified the areas of Fraud, Bribery and Corruption where improved assurances were needed.

In addition to the formally constituted sub-committees, the HSE Board establishes working groups of the Board, including EU exit and HSE's involvement in the

Government's Building Safety Programme, to enable it to provide greater oversight and challenge in these key areas.

The Board and its sub-committees used a range of management information to monitor performance and support its discussions. This information includes financial, people and operational data.

# Board and Committee attendance during 2019/20

## Table 4 Board and Committee attendance

| Board member<br>(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<br>(1 May 2016–31 July 2020) | 9     | 9 |                                  |      | 3(C)                            | 3 |   |   |
| Jonathan Baume<br>(1 April 2013–30 Sept 2019)         | 3     | 3 |                                  |      |                                 |   |   |   |
| George Brechin OBE<br>(1 April 2013–31 Dec 2021)      | 9     | 9 |                                  |      | 3                               | 3 |   |   |
| Janice Crawford<br>(1 June 2016–31 July 2021)         | 9     | 8 | 4                                | 4    |                                 |   |   |   |
| Martin Esom<br>(1 July 2017–30 June 2021)             | 9     | 8 | 4                                | 4(C) |                                 |   |   |   |
| Susan Johnson OBE<br>(1 June 2016–31 July 2021)       | 9     | 9 | 4                                | 4    |                                 |   |   |   |
| Sir Paul Kenny<br>(16 Jul 2018–31 July 2019)          | 3     | 1 |                                  |      |                                 |   |   |   |
| John McDermid<br>(1 Oct 2019–30 Sept 2024)            | 5     | 5 |                                  |      |                                 |   | 2   | 2 |
| Ged Nichols<br>(1 Sept 2019–31 Aug 2024)              | 6     | 5 |                                  |      |                                 |   |   |   |
| Sarah Pinch<br>(1 Oct 2014–31 July 2020)              | 9     | 8 |                                  |      |                                 |   |   |   |
| Ken Robertson<br>(1 Oct 2016–31 July 2021)            | 9     | 7 |                                  |      |                                 |   | 4<br>(AC) <sup>35</sup>                             | 4 |
| Kevin Rowan<br>(1 June 2016–31 July 2021)             | 9     | 6 |                                  |      |                                 |   |   |   |
| Claire Sullivan<br>(1 Aug 2019–31 July 2024)          | 6     | 5 |                                  |      | 3                               | 2 |   |   |

<sup>35</sup> Acting Chair following Martyn Thomas departure on 30 Sept 2019

| Board member<br>(Term of office)                                     | Board |   | Audit & Risk Assurance Committee |   | People & Remuneration Committee |   | Science, Engineering & Evidence Assurance Committee |   |
|--|-------|---|----------------------------------|---|---------------------------------|---|---|---|
|  | A     | B | A                                | B | A                               | B | A   | B |
| Martyn Thomas CBE<br>(1 Oct 2014–30 Sept 2019)                       | 4     | 4 |                                  |   |                                 |   | 2(C)  | 2 |
| Mahbub Islam<br>(1 Oct 2019–30 Sept 2020)                            | 6     | 6 |                                  |   |                                 |   |   |   |
| <i>Independent members of the Audit and Risk Assurance Committee</i> |       |   |                                  |   |                                 |   |   |   |
| Amanda Hughes<br>(1 Oct 2017–30 Sept 2021)                           |       | 4 | 3                                |   |                                 |   |   |   |

A–Maximum number of meetings the individual could have attended

B–Number of meetings the individual attended

C–Chair

AC–Acting Chair

## Executive Management Committee



**Sarah Albon**  
*Chief Executive*



**Martin Beecroft** □  
*Human Resources* □□



**Selvin Brown**  
*Engagement and Policy*



**David Murray**  
*Finance and Corporate Services*



**Karen Russ**  
*Science and Commercial*



**Angela Storey**  
*Business Change and Operational Services*



**Philip White**  
*Regulation*



Continuity in effective governance has been maintained with Sarah Albon appointed as HSE's new Chief Executive and Accounting Officer on 1 September 2019, replacing David Snowball as acting Chief Executive and Accounting Officer. David Snowball retired from HSE on 22 December 2019.

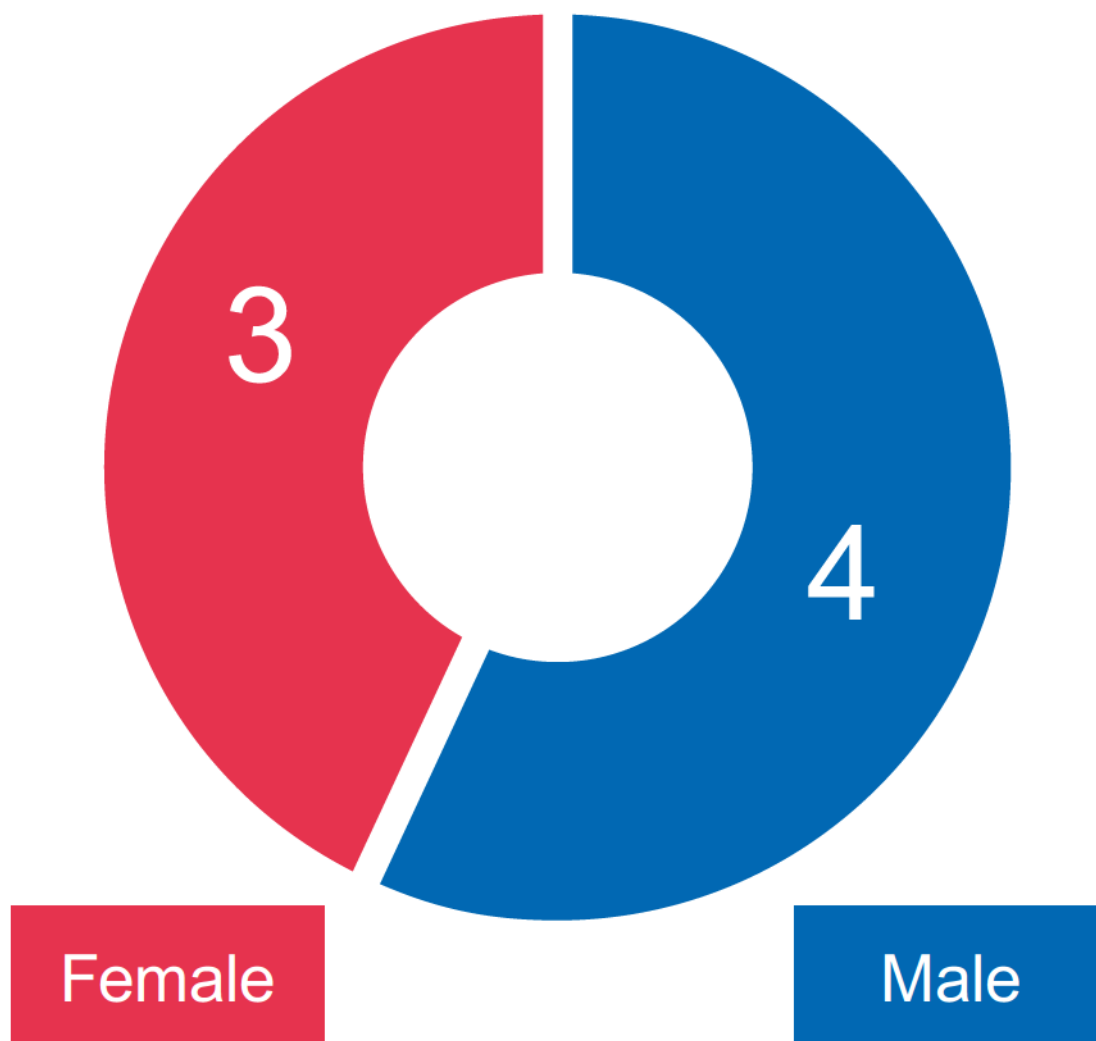
The remuneration of members of the Executive Management Committee is reported in our remuneration report.

## **Executive Management Committee (ExCo)**

*Chair:* Chief Executive

*Frequency:* Monthly

*Membership:* ExCo comprises Chief Executive and Directors of Human Resources; Engagement and Policy; Finance and Corporate Services; Science and Commercial; Business Change and Operational Services; Regulation

**Figure 12 Exco composition by gender*****Overview of the Executive Management Committee:***

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

### ***Sub-committees of Executive Management Committee***

Throughout 2019/20 ExCo has been supported by the following sub-committees (all chaired by a member of ExCo):

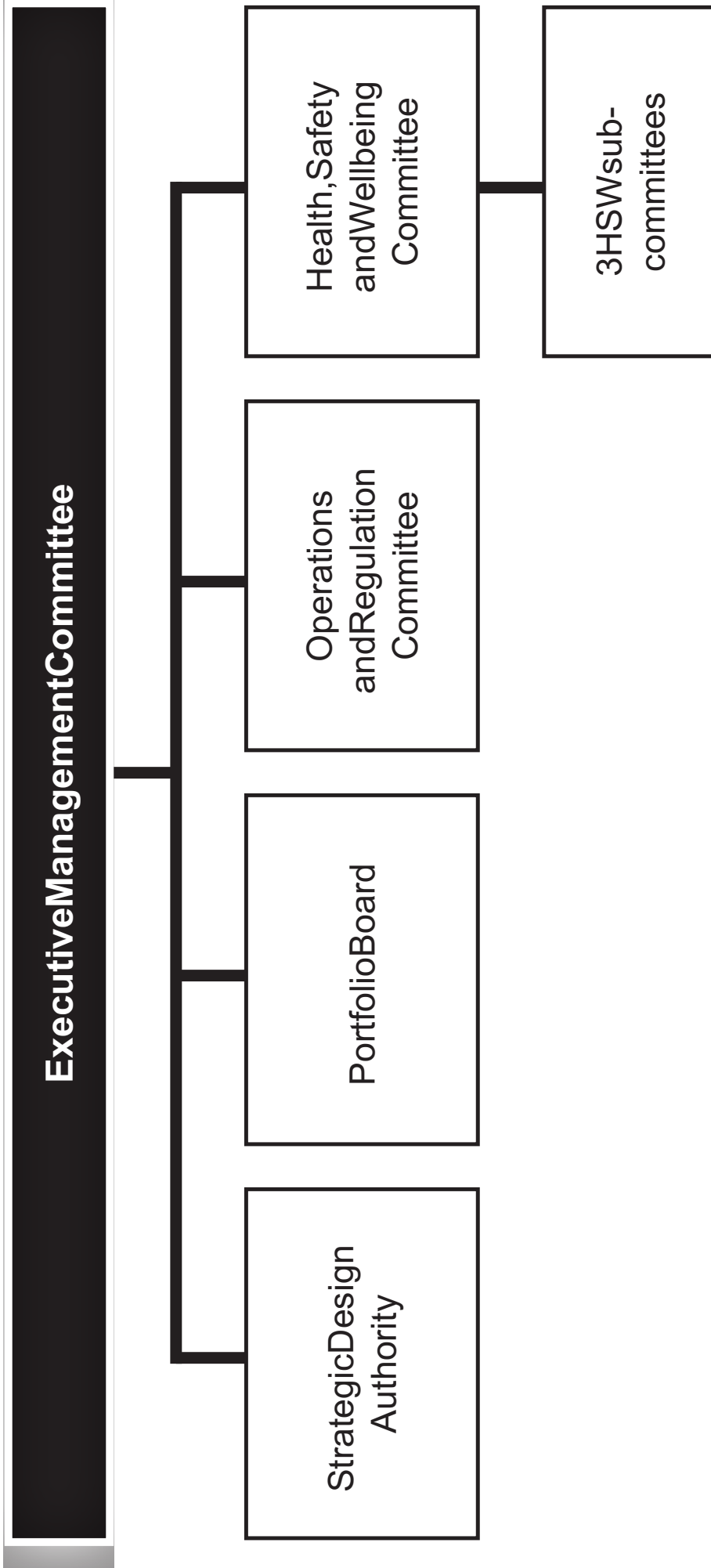
| <b>Committee</b>                                | <b>Responsibility</b>   |
|---|---|
| Regulation                                      | Providing support and assurance on policy and regulatory work, ensuring that these are consistent with government policy and HSE's strategic objectives and are deliverable within HSE's Business Plan. |
| Health and Safety                               | The main forum for joint consultation between management and unions on health and safety matters affecting HSE's people, contractors and visitors.  |
| People and Capability<br>(up to June 2019)      | Ensuring that HSE's policies for developing its people and capabilities are taken forward, including responding to employee feedback. This work is now led by Director of HR, reporting back to MB.     |
| Corporate Efficiency Board<br>(up to June 2019) | Scrutinising staffing and expenditure business cases. MB has taken a more direct role in making key decisions.  |

## ***Changes to governance***

In response to recommendations in the Tailored Review, the Executive Committee (ExCo), formerly MB, reviewed its governance arrangements and in June 2019 decided to: disband the Extended Management Board, whilst retaining insight into operational matters and performance of Operational Directors through other forums; bring key staffing and expenditure business decisions within the direct remit of ExCo; and delegate more responsibility for day to day staffing and expenditure to ExCo members for their Divisions. This included the cessation of the Corporate Efficiency Board which meant increased accountability of Directors for the financial consequences of their decisions.

It was noted during the reviews of Divisional Director Letters of Assurance that new governance arrangements which are being introduced from 1 April 2020 will enable a greater focus on programme and project management to deliver change. The purpose of these changes is to improve effective decision making. Management Board has been made the Executive Management Committee and its function is to support the HSE Board to carry out legislative, policy, operational and administrative functions and requirements, supported by sub-committees as shown in Figure 13.

**Figure 13 New Governance Structure from April 2020**





***New sub-committees:***

**Strategic Design Authority** will ensure we have the right business and operating model in place and that any proposed change initiatives align with the Target Operating Model as well as providing steer and direction for initiatives within the change programme.

**Portfolio Board** is responsible for governance of all significant change projects and maintaining the overall HSE Change Governance Framework.

**Operations and Regulation** committee is responsible for reviewing and improving the performance of the operational divisions, evaluation of regulatory interventions, and the effectiveness of our regulatory processes.

**Health, Safety and Wellbeing** is the main forum for joint consultation between management and unions on health and safety matters affecting HSE's people, contractors and visitors.

***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.

## **Firstlineofdefence**

### **Overallgovernanceandcontrolframework**

HSEhasalongstandinggovernance,riskmanagementandcontrolframework,thekeyelementsofwhicharedescribedwithinthistatement.

Ourframeworkissupportedbyappropriatepolicies,proceduresandguidelinesforstaff.Allcolleaguesareexpectedtocomplywiththosepoliciesandproceduresandappropriateactionisexpectedtobetakenbylinemanagerswherethatisnotthecase.

Whenitisidentifiedimprovementscanbemadetoourframework,additionalactionistaken.Thisincludesimplementingadditionalcontrolsandalso,wherenecessary,improvingthefirstlineofdefencethroughlinemanagementoversight.EvidenceofthisoperatinginpracticecanbeseeninHSE'sresponsetocontrolchallengeshighlightedinthe2018/19AnnualGovernanceStatement(recruitment,healthandsafetyandsalaryoverpayments)andthesubsequentresponseineachoftheseareastostrengthenethecontrolenvironment.Theseareexplainedinmoredetailonpages93to98.

### **Effectivenessofmechanismsforraising concerns**

Inreachingmyconclusions,Ihavetakenintoaccountanyissuesidentifiedthroughourmechanismsforraisingconcerns(whistleblowingandfraud).

## ***Whistleblowing arrangements***

HSE has a well-established policy to support whistleblowers and our procedures offer a number of routes for employees to raise concerns, including nominated officers on both Executive Management Committee (David Murray and Martin Beecroft) and the Board (Susan Johnson). We have a very low number of whistleblowing concerns raised each year. In 2019/20 one case was raised and, following an investigation, was not upheld.

I have also taken assurance from the 2019 Civil Service People Survey, which indicated a clear majority of staff 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 established policies and procedures in relation to fraud, bribery and corruption that are consistent with other government departments. These policies apply to all HSE employees, suppliers, contractors and business partners and cover relevant legislation and individual responsibilities.

## **Second line of defence**

Following the development of an assurance map during 2019/20 HSE has begun to implement actions to take forward and improve our approach to assurance. This has included establishing a small, dedicated

business assurance team whose initial focus has been on bringing improvements, targeted to the following areas:

- improving assurance planning;
- bringing all the disparate assurance strands into one place and distilling it into a digestible format for senior boards and committees;
- clearer and more frequent integrated assurance reporting;
- plugging some of the prioritised assurance gaps;
- helping build assurance into divisional business as usual;
- creating a supportive assurance community that facilitates shared learning;
- aligning assurance with business risk management.

Early improvements include the production and approval of an integrated assurance plan for 2020/21 which brings all planned assurance activity together irrespective of who the provider is. This plan will be routinely monitored and reported to senior boards and committees in HSE. Work will continue in 2020/21 to drive forward improvements to our assurance activity including integrated assurance reporting to provide a clearer and more coherent picture of assurance.

## Risk management framework

Risk management is a key aspect of HSE's internal control framework and is aligned to the cross-government risk management framework.<sup>36</sup> ExCo regularly considers strategic, operational and external risks that are reported through relevant risk registers that detail the controls/ actions required to mitigate these risks to a manageable level.

During the year key risks that were likely to impact on our ability to meet our objectives were identified and assessed for likelihood and impact. Each risk is owned by a Director and is reviewed by ExCo at each monthly meeting where they challenge the mitigating actions put forward and collectively agree the approach to be taken to manage the risk. When considering proposed mitigating actions MB consider the cost and benefit of the action. A review of HSE's risk appetite was undertaken involving workshops with both Board members and senior leaders, resulting in a new risk appetite statement which will help aid decision making going forward.

The most severe risks are reported to the HSE Board quarterly, who provide oversight and challenge on these. Additionally, the Audit Risk and Assurance Committee (ARAC) scrutinise the effectiveness of the risk management framework through quarterly meetings. Finally, the risks that HSE routinely considers are used to inform the annual Audit Plan.

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<sup>36</sup> Management of Risk in Government (Cabinet Office 2017)



## **HSE's risk profile**

The most significant risks we have been addressing in 2019/20 have included:

- managing the varied and wide-ranging risks related to ensuring continued effective operation of the various regimes after the UK moves out of the transition period in December 2020;
- risks pertaining to HSE's role as the new Building Safety Regulator and delivering this important function successfully;
- ensuring HSE acts as an exemplar in the management of Health, Safety and Wellbeing risks to our staff; and
- continuing to manage our financial resources effectively.

Further to a review undertaken by GIAA in 2019/20, HSE will review its approach to regulatory assurance to ensure we maximise the value of this work.

We will also continue to closely monitor the ongoing effectiveness and adequacy of planned and implemented control systems during the ongoing COVID-19 pandemic and the impact on our staff and business going forward.

## **Divisional Director letters of assurance**

All members of Executive Committee (and their Divisional Directors) provided me with a letter of assurance (LoA) that outlined the effectiveness of systems of governance,

risk management and internal control within their areas of responsibility.

I reviewed each of these, and in addition, a number of Directors presented to an Assurance Panel which included a member of ARAC, Director of Finance, the Head of Business, Head of Internal Audit and a member of the business assurance team.

My review highlighted the improved quality of these LoAs. In addition, there were no issues identified in my review which require separate reporting within this statement over and above those already reported included or elsewhere in the Annual Report.

As HSE's new assurance framework beds in, we will continue to review how we can enhance the letters of assurance process further.

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

I have received the Annual Report from the SIRO. This indicates 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, whilst significantly strengthened during the year, require continued management attention to enable full assurance that information risk is being managed effectively.

There were no significant lapses of protective security in 2019/20.

## **Report of HSE's Data Protection Officer**

TheDataProtectionOfficer(DPO)hasprovidedme withhisopiniononHSE'scompliancewithGeneralData ProtectionRegulations(GDPR).

HSEhascontinuedtomakesoundprogressagainst itscomplianceplanoverthelastyear.Allcritical componentsarenowinplace,includingappointmentofa permanentDPO,aprocesstoensureprivacybydesign anddefault,abreachnotificationprocedure,increased trainingandawarenessforstaffandacomprehensive recordofprocessingactivitiescoveringeveryareaof thebusiness.However,theworktodatehasidentified someareasofriskwhichneedfurtherworkinorder tostrengthenourcomplianceposition,includingthe possibilityofaDPOreviewoftheGasSafeRegister contractorrelatedbreaches.

Therehavebeen61databreachesreportedtotheHSE DPOduring19/20ofwhich5werereportabletothe InformationCommissionersOfficer(ICO).

WhilstHSEhasundoubtedlymadeprogressinthisarea, giventhefurtherworkthatneedstobedoneandthedata breachesnotifiedtoICOthisyear,Icanonlytakelimited assuranceinthisarea.

## **Annual Report of the ARAC**

I have also 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 is provided by the Government Internal Audit Agency (GIAA). They have carried out a portfolio of work to provide assurance on the strength of risk, control and governance arrangements. The Head of Internal Audit has provided an overall moderate opinion for 2019/20, indicating some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

In year, GIAA reported on the strength of controls within many of HSE's enabling functions, particularly in respect of financial management. They also noted that we are keen to embed our newly established integrated assurance framework as an integral part of business operations, and that we have an appetite to address any issues arising to mitigate identified risks.

Based on the work undertaken, the Head of Internal Audit has identified two specific areas where she had significant concerns; namely:

- the lack of consistent and effective first and second line regulatory assurance over the work of the operational divisions; and
- compliance with General Data Protection Regulations and Data Sharing with Third Parties which, whilst improving, will need continued attention.



Actions have been agreed as part of the audit reviews and together with my management team I will monitor progress closely to ensure that the control environment in these areas improves.

## **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 Price Waterhouse Coopers LLP (PWC) as the Independent Service Auditor (ISA) in respect of SSCL's performance.

PWC's assurance opinion for the year is 'generally satisfactory with some improvements required'.

I can confirm that there is no material impact on the financial statements as a result of these findings.

## **HSE Tailored Review**

DWP has confirmed it is content that we have implemented all the recommendations which were made by the Tailored Review which was undertaken by DWP in 2018/19. Most are closed, whilst the remainder are now business as usual, including HSE's work to improve organisational effectiveness.

## Complaints reported to Parliamentary and Health Service Ombudsman

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

Table 5 is the latest available PHSO annual analysis of the complaints it received about HSE.

### Table 5 Complaints received by the PHSO about HSE in 2018/19

| Enquiries received | Complaints assessed | Complaints resolved through intervention | Complaints accepted for investigation | Investigations upheld or partly upheld | Investigations not upheld or discontinued |
|--------------------|---------------------|--|---------------------------------------|--|---|
| 25                 | 8                   | 0  | 0                                     | 0                                      | 0   |

## Update on control issues reported in 2018/19

### *Health and Safety*

Following a Notice of Contravention in 2018/19 for the suitability of a risk assessment in an experimental area we developed and piloted a new 'Authority to Operate Process'. This provides a new 'stage and gate' review and decision structure within our high hazard projects. With a clear separation between the health and safety approval to proceed, achieved through a team of suitably competent specialists, this new process now ensures we operate with risks controlled as slow as reasonably practicable.

## ***Recruitment***

Last year we reported that the Civil Service Commission determined there had been a number of breaches of the Civil Service Recruitment Principles in relation to a recruitment campaign for a Grade 6 role. We immediately put in place additional safeguards to strengthen our recruitment practices. We have worked with colleagues across the business to improve awareness of their responsibilities and the consequences of not getting recruitment right. This has led to improved compliance with the principles and policies. We have pro-actively engaged with the Commission and had additional visits this year, including refresher training on the Principles for recruitment colleagues.

The CS Commission has been clear in recognising our efforts to improve our assurance process. We have received a formal assessment of our performance and compliance from the Commission which is fair, at risk.

## ***Salary overpayments***

We began to improve controls to prevent salary overpayments in 2018/19 after an audit in the previous year identified that this was an area for improvement. We have further enhanced controls during 2019/20, which has included improving line manager awareness of actions they must take prior to their direct reports leaving HSE. New management information has enabled much better monitoring. We also undertook an assurance exercise whereby each HSE division checked

and confirmed that we are paying the right people the right amount.

## **Accounting Officer's conclusion**

I have considered the evidence available to me to produce the Annual Governance Statement, including the independent reviews provided by my internal auditors, Government Internal Audit Agency. In particular, I have reflected on the Head of Internal Audit's opinion for 2019/20 which provided moderate assurance, but identified two specific areas where she had significant concerns. These are:

- the lack of consistent and effective first and second line regulatory assurance over the work of the operational divisions (issuing four audit reports with Limited opinions); and
- compliance with General Data Protection Regulations and Data Sharing with Third Parties (two Limited opinions).

HSE has agreed a series of actions to address the concerns raised within the audit reports and the relevant Boards and Committees will monitor their implementation. In addition, HSE will review its approach to regulatory assurance during 2020/21 to ensure we maximise the value of this work.

Taking this in account with the other evidence available to me, I conclude that HSE overall has satisfactory governance, risk management and internal controls systems.



# **Accountability– Remunerationandstaff report**

## **Remunerationandstaffreport overview**

This report sets out HSE’s policy for remuneration of senior civil servants, how that policy has been implemented, and 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.

## **Remunerationreport**

### **Servicecontracts**

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 Commissions 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.

**Table 6 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>37</sup> |           | Total (£'000)             |         |
|---|--|---------|------------------------|---------|---|---------|---|-----------|---------------------------|---------|
|   | 2019-20  | 2018-19 | 2019-20                | 2018-19 | 2019-20   | 2018-19 | 2019-20   | 2018-19   | 2019-20                   | 2018-19 |
| Sarah Albon <sup>38</sup><br><i>Chief Executive</i> | <b>75-80</b><br><b>(130-135</b><br><b>FYE)</b> | -       | <b>5-10</b>            | -       | -   | -       | <b>155</b><br><b>000</b>                          | -         | <b>240-</b><br><b>245</b> | -       |
| Martin Beecroft <sup>39</sup>                       | <b>85-90</b><br><b>(110-115</b><br><b>FYE)</b> | -       | -                      | -       | -   | -       | <b>34</b><br><b>000</b>                           | -         | <b>120-</b><br><b>125</b> | -       |
| Selvin Brown <sup>40</sup>                          | <b>100-</b><br><b>105</b>                      | 95-100  | <b>5-10</b>            | 10-15   | -   | -       | <b>60</b><br><b>000</b>                           | 46<br>000 | <b>165-</b><br><b>170</b> | 155-160 |

37  The value of pension benefits accrued during the year is calculated as (a) the real increase in pension multiplied by 20 plus (b) the real increase in any lump sum less (c) 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. The pension benefit 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.

38  Sarah Albon took up appointment as Chief Executive on 2 September 2019. The bonus paid relates to Sarah's service during 2018/19 when she was Chief Executive of the Insolvency Service.

39  Martin Beecroft joined HSE from DWP initially on an interim basis from 1 July 2019. He became permanent HR Director on 6 November 2019.

40  Selvin Brown left HSE on 29 April 2020.

|                                 | Salary (£'000)             |                       | Bonus payments (£'000) |       | Taxable expenses and other benefits in kind to nearest £100 |       | Pension benefits (to nearest £1000) <sup>37</sup> |                     | Total (£'000)  |         |
|---------------------------------|----------------------------|-----------------------|------------------------|-------|---|-------|---|---------------------|----------------|---------|
|                                 |                            |                       |                        |       |   |       |   |                     |                |         |
| Dr Karen Russ                   | <b>115-120</b>             | 110-115               | -                      | -     | -   | -     | <b>45000</b>                                      | 45000 <sup>41</sup> | <b>160-165</b> | 160-165 |
| Angela Storey                   | <b>95-100</b>              | 95-100                | -                      | -     | -   | -     | <b>38000</b>                                      | 37000               | <b>130-135</b> | 130-135 |
| Philip White                    | <b>95-100</b>              | 70-75 (95-100 FYE)    | -                      | -     | -   | -     | <b>67000</b>                                      | 125000              | <b>160-165</b> | 195-200 |
| David Murray                    | <b>110-115</b>             | 110-115               | <b>5-10</b>            | 10-15 | -   | -     | <b>50000</b>                                      | 49000               | <b>170-175</b> | 170-175 |
| David Snowball <sup>42</sup>    | <b>85-90 (115-120 FYE)</b> | 110-115 (115-120 FYE) | <b>10-15</b>           | 10-15 | <b>8900</b>   | 11400 | <b>71000</b>                                      | 260000              | <b>175-180</b> | 390-395 |
| Karen Nightingall <sup>43</sup> | <b>15-20 (95-100 FYE)</b>  | 95-100                | -                      | 10-15 | -   | -     | <b>7000</b>                                       | 38000               | <b>25-30</b>   | 145-150 |

41 2018/19 recalculated in 2019/20 by MyCSP to 45000.

42 Dr David Snowball was appointed acting Chief Executive and Accounting Officer from Friday 15 June 2018 until 1 September 2019. He retired from HSE on 22 December 2019.

43 Karen Nightingall left HSE on 7 June 2019.

## Table 7 Board (non-executive directors) single total figure of remuneration (subject to audit)

|   | Salary (£'000) |         | Bonus payments (£'000) |         | Taxable expenses and other benefits in kind to nearest £100 |         | Pension benefits (to nearest £1000) <sup>44</sup> |         | Total (£'000) |         |
|---|----------------|---------|------------------------|---------|---|---------|---|---------|---------------|---------|
|   | 2019-20        | 2018-19 | 2019-20                | 2018-19 | 2019-20   | 2018-19 | 2019-20   | 2018-19 | 2019-20       | 2018-19 |
| Martin Temple CBE                                   | <b>80-85</b>   | 80-85   | -                      | -       | <b>14 800</b>   | 11 400  | -   | -       | <b>95-100</b> | 90-95   |
| Sarah Pinch   | <b>15-20</b>   | 15-20   | -                      | -       | <b>100</b>  | 900     | -   | -       | <b>15-20</b>  | 15-20   |
| Martyn Thomas CBE<br><i>Term ended 30 Sept 2019</i> | <b>5-10</b>    | 15-20   | -                      | -       |   | 300     | -   | -       | <b>5-10</b>   | 15-20   |
| Jonathan Baume<br><i>Term ended 31 Aug 2019</i>     | <b>5-10</b>    | 15-20   | -                      | -       |   | 300     | -   | -       | <b>5-10</b>   | 15-20   |
| George Brechin OBE                                  | <b>15-20</b>   | 15-20   | -                      | -       |   | 200     | -   | -       | <b>15-20</b>  | 15-20   |
| Susan Johnson OBE                                   | <b>15-20</b>   | 15-20   | -                      | -       | <b>100</b>  | 200     | -   | -       | <b>15-20</b>  | 15-20   |
| Janice Crawford                                     | <b>15-20</b>   | 15-20   | -                      | -       | <b>100</b>  | 200     | -   | -       | <b>15-20</b>  | 15-20   |
| Ken Robertson                                       | <b>15-20</b>   | 15-20   | -                      | -       |   | 700     | -   | -       | <b>15-20</b>  | 15-20   |
| Kevin Rowan   | <b>15-20</b>   | 15-20   | -                      | -       | -   | -       | -   | -       | <b>15-20</b>  | 15-20   |
| Martin Esom   | <b>15-20</b>   | 15-20   | -                      | -       | <b>100</b>  | 400     | -   | -       | <b>15-20</b>  | 15-20   |
| Paul Kenny<br><i>Term ended 31 Jul 2019</i>         | <b>5-10</b>    | 10-15   | -                      | -       | -   | 400     | -   | -       | <b>5-10</b>   | 10-15   |
| John McDermid<br><i>Term started 01 Oct 2019</i>    | <b>5-10</b>    | -       | -                      | -       | -   | -       | -   | -       | <b>5-10</b>   | -       |
| Gerard Nichols<br><i>Term started 01 Sept 2019</i>  | <b>5-10</b>    | -       | -                      | -       | -   | -       | -   | -       | <b>5-10</b>   | -       |
| Claire Sullivan<br><i>Term started 01 Aug 2019</i>  | <b>10-15</b>   | -       | -                      | -       | -   | -       | -   | -       | <b>10-15</b>  | -       |

44 □ 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.



## 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 6 and 7.

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 2019/20 are based on 2018/19 performance and comparative bonuses for 2018/19 are based on 2017/18 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 2019/20 was £140-145000 (2018/19, £135-140000). This was 3.53 times (2018/19, 3.47) the median remuneration of the workforce, which was £40335 (2018/19, £39647).

In both 2019/20 and 2018/19, one employee received remuneration in excess of the highest-paid director. These contractors were employed on specific projects and have now left the organisation.

Remuneration ranged from £19960 to £152500 (2018/19, £18997 to £152500).

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 8 Chief Executive and Executive Management Committee/Management Board pension benefits (this information is subject to audit)

|                                       | Accrued pension at pension ages at 31/3/20 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31/03/20 | CETV at 31/03/19 | Real increase in CETV |
|---------------------------------------|---|--|------------------|------------------|-----------------------|
|                                       | £'000   | £'000  | £'000            | £'000            | £'000                 |
| Sarah Albon<br><i>Chief Executive</i> | 50-55 plus lump sum<br>115-120                                  | 5-7.5 plus lump sum<br>15-17.5                               | 972              | 830              | 130                   |
| Martin Beecroft                       | 40-45   | 0-2.5  | 674              | 644              | 24                    |
| Selvin Brown                          | 40-45 plus lump sum<br>65-70                                    | 2.5-5 plus lump sum<br>0-2.5                                 | 682              | 613              | 36                    |
| Dr Karen Russ                         | 10-15   | 2.5-5  | 153              | 111              | 28                    |
| Angela Storey                         | 5-10  | 0-2.5  | 92               | 61               | 21                    |
| Philip White                          | 40-45 plus lump sum<br>125-130                                  | 2.5-5 plus lump sum<br>7.5-10                                | 958              | 850              | 66                    |
| David Murray                          | 55-60   | 2.5-5  | 912              | 841              | 29                    |
| David Snowball                        | 75-80   | 2.5-5  | 1575             | 1517             | 72                    |
| Karen Nightingall                     | 5-10  | 0-2.5  | 115              | 108              | 4                     |

## 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 Principal Civil Service Pension Scheme (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 appropriated 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% 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 his 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 the appointed provider - Legal & General. 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

thetwoschemesbutnotthatpartofthatpensionmay  
bepayablefromdifferentages.)

FurtherdetailsabouttheCivilServicepension  
arrangementscanbefoundatthewebsite  
[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pensions scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pensions scheme or arrangement to secure pension benefits in another pensions scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits 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 pensions 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 member 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 that is 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 benefit transferred from another pensions 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 £3229 (2018/19 £3847) were paid to the independent members of the Audit and Risk Assurance Committee as shown in Table 9.

### **Table 9 Honoraria and expenses paid to independent members of the Audit and Risk Assurance Committee**

|  | 2019-20<br>Total honoraria<br>and expenses<br>£'000 | 2018-19<br>Total honoraria and<br>expenses<br>£'000 |
|--|---|---|
| Amanda Hughes<br>(1 Oct 2017 to 30 Sep 2021) | 4   | 4   |

## Staff Report

Analysis of staff numbers and costs is provided in Tables 10 to 12 and Figures 14 and 15.

## Table 10 Staff Costs (this information is subject to audit)

|   | <i>Permanently employed staff</i> | <i>Others*</i> | <i>2019-20 Total</i> | <i>2018-19 Total</i> |
|---|-----------------------------------|----------------|----------------------|----------------------|
|   | <i>£'000</i>                      | <i>£'000</i>   | <i>£'000</i>         | <i>£'000</i>         |
| Wages and salaries                                | 101810                            | 1946           | 103756               | 105508               |
| Employers' National Insurance <sup>45</sup>       | 11611                             | -              | 11611                | 11682                |
| Pension costs                                     | 27484                             | -              | 27484                | 21715                |
| Lump sum exit costs                               | 411                               | -              | 411                  | 738                  |
| <b>Total (as reported in the SoCNE)</b>           | <b>141316</b>                     | <b>1946</b>    | <b>143262</b>        | <b>139643</b>        |
| Less recoveries in respect of outward secondments | -                                 | -              | -                    | -                    |
| <b>Total net costs</b>                            | <b>141316</b>                     | <b>1946</b>    | <b>143262</b>        | <b>139643</b>        |

\*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 benefits schemes but employer's 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 account of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)).

For 2019/20, employers' contributions of £26.9 million were payable to the PCSPS (2018/19 £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

<sup>45</sup> Includes Apprenticeship Levy payments of £160,000 during 2019/20.



every four years following a full scheme evaluation. The contribution rates are set to meet the cost of the benefits accruing during 2019/20 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 £120,913 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 £3846, 0.5% of pensionable pay, were payable to the PCSP Stoc over 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 2020 were £21888. Contributions prepaid at that date were £nil. 5 persons (2018/19: 3 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £20691 (2017/18: £25817).

## Table 11 Staff numbers (this information is subject to audit) - The average number of full-time equivalent (FTE)

| Permanent staff | Other | 2019-20 Total | 2018-19 Total |
|-----------------|-------|---------------|---------------|
| 2 375           | 24    | 2 399         | 2 453         |

## Table 12 The total HSE staff in post by full-time equivalents (FTE) and occupational group as at 31 March 2020

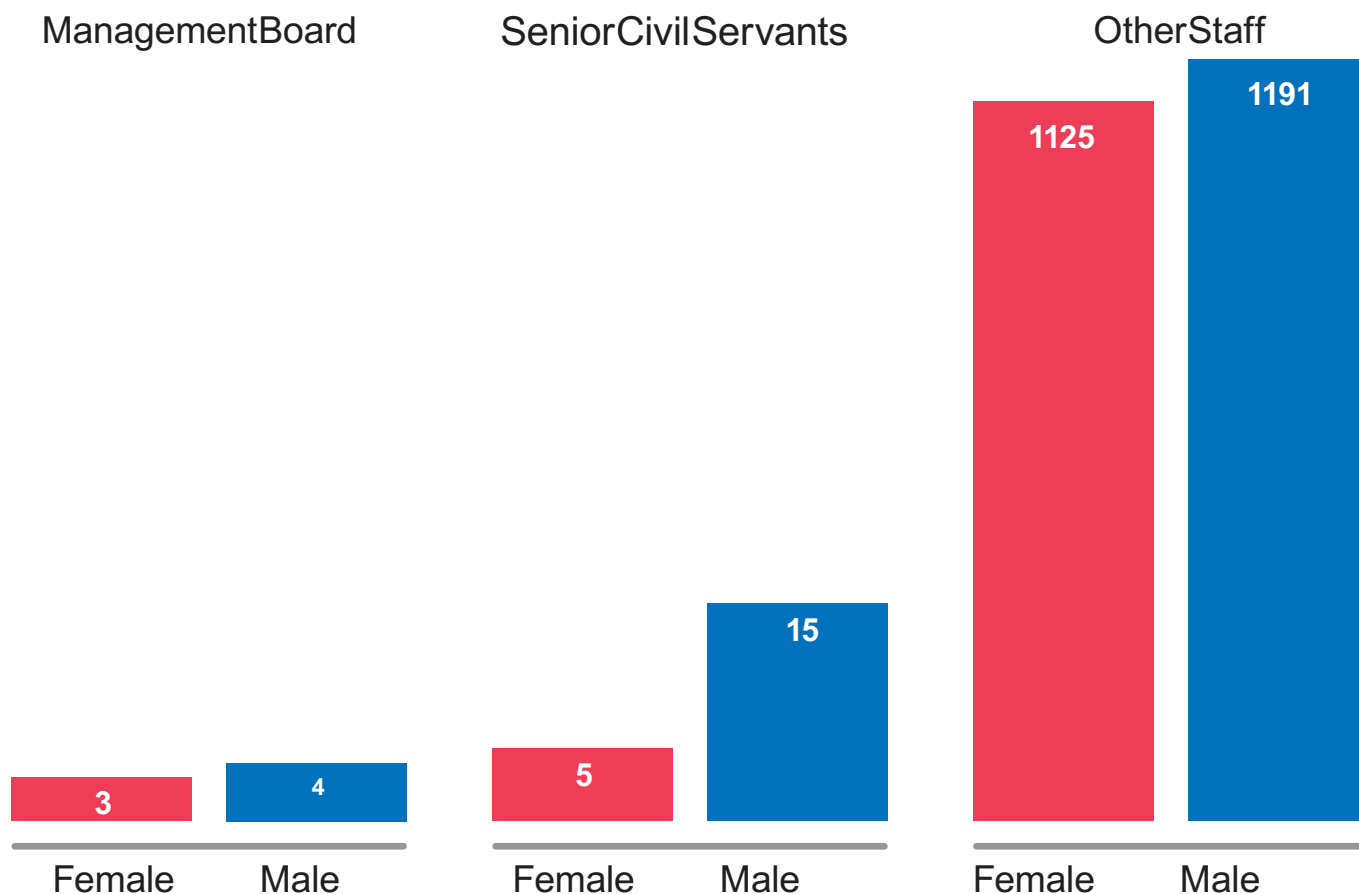
| Occupational group  | 31 March 2020 | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|---------------|
| Inspectors and visiting health and safety staff <sup>46</sup> | 1 059         | 1 066         | 1 058         |
| Other professional or specialist staff                        | 1 014         | 1 048         | 1 081         |
| Other staff   | 270           | 294           | 327           |
| <i>(of whom are apprentices)</i>                              | <b>(16)</b>   | <b>(52)</b>   | <b>(56)</b>   |
| Contingent labour <sup>47</sup>                               | 28            | 18            | 12            |
| <b>Total staff<sup>48</sup></b>                               | <b>2 371</b>  | <b>2 426</b>  | <b>2 478</b>  |

46  Comprises inspectors, visiting officers and regulatory compliance officers.

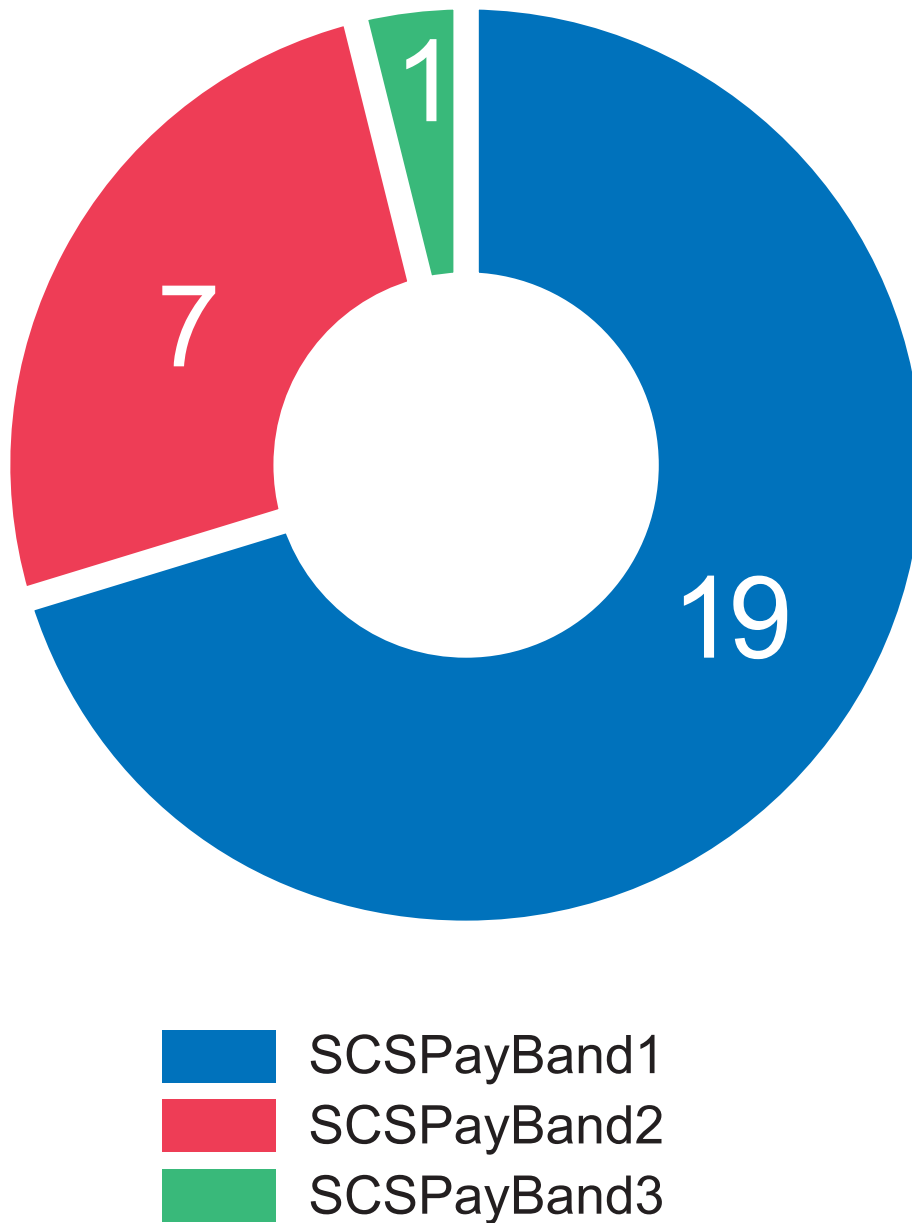
47  'Contingent labour' is defined as temporary staff not on HSE's payroll, which may include agency workers, specialist contractors, interim managers etc.

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

**Figure 14 The total HSE staff in post by FTE and gender (excluding Chair and contingent labour) as at 31 March 2020**



## Figure 15 Senior civil servants as at 31 March 2020 <sup>49</sup>



<sup>49</sup> The generic, cross government ranges for each SCSPay band are: 1: £70,000 to £117,800; 1A: £70,000 to £128,900; 2: £92,000 to £162,500; and 3: £115,000 to £208,100

## 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 aim to join the rest of the Civil Service in being an inclusive employer. 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.

We began the Year of Inclusion with workshops entitled Behaviour Matters, building an inclusive culture, and will continue this theme through 2020/21.

We achieved Disability Confident Level 3 Leader through external assessment by Business Disability Forum in June 2019. We are committed to continuing to ensure reasonable adjustments are considered and implemented



for all colleagues who require them. We utilise fully occupational health to support this.

All HSE people policies, including for recruitment, retention and development of colleagues, aim to create and support a diverse and inclusive culture, for example, including a Positive Action statement in all adverts. All training and development opportunities are accessible and open to all.

We are committed to delivering the three limbs of the Public Sector Equality Duty and publish diversity information for all staff in post, including our SCS, on our website.<sup>50</sup> As at 31 March 2020, the ExCo consisted of 4 male and 3 female members.

## Pay

We published our third gender pay gap report in February 2020.<sup>51</sup> The results show that HSE has a mean gender pay gap of 21.96% (a 1.1% reduction since 2018) and a median gender pay gap of 22.07% (a 2.99% reduction since 2018).

Our gender pay gap has reduced, and whilst we have made some headway with our ongoing actions, we also acknowledge the gap is still significant. Our objectives include achieving a much better gender balance across all grades and disciplines in HSE. This includes an initial

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

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

focus on senior leadership roles, improving their career development and by improving our talent acquisition.

The HSE ExCo is fully committed to reducing our Gender Pay Gap and we are continuing to take steps in this direction.

## **Expenditure on consultancy**

There was no consultancy spend during the financial year (£0.02m 2018/19).

## **Expenditure on contingent labour**

HSE spent a total of £1.83 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 13-15 indicate the number of off-payroll arrangements HSE has had in place.

## Table 13 For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

|  | Number |
|--|--------|
| <b>Number of existing engagements as of 31 March 2020</b>                      | 10     |
| Of which:  |        |
| Number that have existed for less than one year at time of reporting           | 6      |
| Number that have existed for between one and two years at time of reporting    | 4      |
| 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 14 For all new off-payroll engagements, or those that reached six months in duration between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

|  | Number |
|--|--------|
| <b>Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020</b> |        |
| Of which:  |        |
| Number assessed as caught by IR35  | 7      |
| 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                                    | 6      |
| Number of engagements that saw a change to IR35 status following the consistency review                                | 0      |

## Table 15 For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

|  | Number          |
|--|-----------------|
| Number of off-payroll engagements of board members and/or senior officials with significant responsibility, during the financial year  | 0               |
| Total number of individual on-payroll and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility', during the financial year | 4 <sup>52</sup> |

## 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 pensions scheme. Ill-health retirement costs are met by the pensions scheme and are not included in the table.

52 The four individuals are: the Chief Executives (David Snowball replaced by Sarah Albon); Director for Planning, Finance and Procurement; Director of Science and Commercial.



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

| Exit package cost band                       | Number of other departures agreed |                |
|--|-----------------------------------|----------------|
|  | 2019-20                           | 2018-19        |
| < £10,000                                    | -                                 | -              |
| £10,000 - £25,000                            | 1                                 | 4              |
| £25,000 - £50,000                            | 4                                 | 3              |
| £50,000 – £100,000                           | 2                                 | 6              |
| £100,000 - £150,000                          | 1                                 | 1              |
| <b>Total number of exit packages by type</b> | <b>8</b>                          | <b>14</b>      |
| <b>Total resource cost £</b>                 | <b>410 511</b>                    | <b>737 814</b> |

All 8 departures left via non-VE scheme exits. There were no compulsory redundancies in 2019/20 (1 in 2018/19).

## **Supporting our people to be the best they can by strengthening our systems and developing our culture**

Our 2019/20 Business Plan included ten milestones relating to our people. We delivered five of these milestones (see page 77). We did not achieve the ambition we set ourselves in the following areas and we will continue to take actions in 20/21 to make the necessary improvements:

- publish new arrangements for how we prevent mental ill health, promote wellbeing and support colleagues where the need arises;
- achieve an average working-days lost of 6.0 days per full-time equivalent

- achieve an Engagement Index of 57% (a 3% improvement) as measured through the Civil Service People Survey;
- complete a pilot of black, asian and minority ethnic panels for recruitment and promotion, and report findings and recommendations to Executive Committee;
- achieve a 3% reduction (to 10%) in the percentage of staff who have personally experienced bullying or harassment at work during the past 12 months as measured by the Civil Service People Survey.

## 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 FTE**

|  | Number |
|--|--------|
| Number of employees who were relevant union officials during the relevant period | 70     |

## Table 18 Percentage of times spent on facility time

| Percentage of time | Number of employees FTE |
|--------------------|-------------------------|
| 0%                 | 0                       |
| 1-50%              | 70                      |
| 51-99%             | 0                       |
| 100%               | 0                       |

## Table 19 Percentage of pay bills spent on facility time

|   |           |
|---|-----------|
| Total cost of facility time                             | 251046    |
| Total pay bill  | 140905000 |
| Percentage of the total pay bill spent on facility time | 0.18%     |

## Table 20 Paid trade union activities

| As a percentage of total paid facility time hours, hours spent by employees who were relevant union officials during the relevant period on paid trade union activities |    |
|---|----|
| Times 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 Commissions Recruitment Principles 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 our annual compliance statement. The Principles require departments to publish summary

information about their recruitment and the use of permitted exceptions to fair and open competition and selection on merit.

Throughout this year, HSE has continued with internal safeguarding measures to check and improve our compliance with the Principles, and this has been evidenced across the business with a greater awareness of responsibilities, and of the consequences of not getting recruitment right. We are pro-active in engaging with the Commission and had additional visits this year—including refresher training on the Principles for recruitment colleagues.

A key theme this year has been around improving our diversity outcomes in recruitment. We reviewed the outcomes and use of selection tests within our main campaign of trainee regulators with help from the government occupational psychologist team. Changing how we do this by introducing an additional selection step to compliment the online test has shown positive results so far with a more diverse pool at assessment and at offer stage. Our attraction strategy ensures we target diverse pools of candidates, for example through specific universities, including the Open University.

We continue to recruit specialists including scientists in preparation for EU exit. In common with the wider economy, HSE faced challenges in attracting appropriate candidates for some of the more specialised roles. Significant work has taken place on preparation to recruit

the next round of graduates for Chemical Regulations Division, as well as resourcing for the new Building Safety Regulator. This was announced in February this year and will require significant recruitment to fully resource the model.

Lastly, we carried out an internal review of our current recruitment delivery service that has identified a series of improvements to recruit individuals more quickly whilst improving the quality of how we deliver our services.

## **Employee health and safety**

We set a new focus, commitment and direction for Health Safety and Wellbeing (HSW) by developing and publishing our new HSW Policy Statement of Intent. Built over 6 months in consultation with working groups and TU colleagues, it was launched during a series of events held across the country for all colleagues. It sets out our commitment to lead HSW through our people and improve our systems to support and enable colleagues to manage our risks.

To integrate this new approach, we designed and ran a 'leadership excellence in HSW' NEBOSH development programme. This programme provided opportunities for senior leaders to consider and develop ideas to implement our statement of intent with teams and individuals and, begin a process of behaviour and culture change.



Regular internal communication, supplemented with promotion materials and events, took place throughout the year to keep HSW at the forefront of people’s minds.

We also published revised HSW roles and responsibilities to demonstrate the part everyone has to play and get necessary support to enable our colleagues to fulfil our policy statements of intent.

We have integrated both physical and psychological health and wellbeing into our HSW management arrangements and this provides balance to our approach. We have continued to prioritise mental health and wellbeing through improved support services, new risk assessment arrangements and awareness training for colleagues.

## Table 21 Reported health and safety incidents in HSE

| Event Category           | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|--------------------------|---------|---------|---------|---------|
| Accident <sup>53</sup>   | 30      | 30      | 65      | 28      |
| Incident <sup>54</sup>   | 139     | 93      | 142     | 171     |
| Ill health <sup>55</sup> | 58      | 29      | 55      | 65      |

We have been raising further awareness of both physical and psychological health during the year and have encouraged all colleagues to let us know about ill health

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

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

55 Includes displays screen equipment related ill health, work related stress and other ill health (i.e. diagnosed conditions).

through our HSE Event Reporting System. This is the likely reason for an increase in the number of near misses reported, while the number of accidents reported is similar to last year. This increase indicates a continued long-term improvement in safety as we report and capture more changes to our risk from our work activities before they lead to actual injury or ill health.

The outcomes of four investigations are helping us to improve our arrangements which continue to be a key priority in 2020/21.

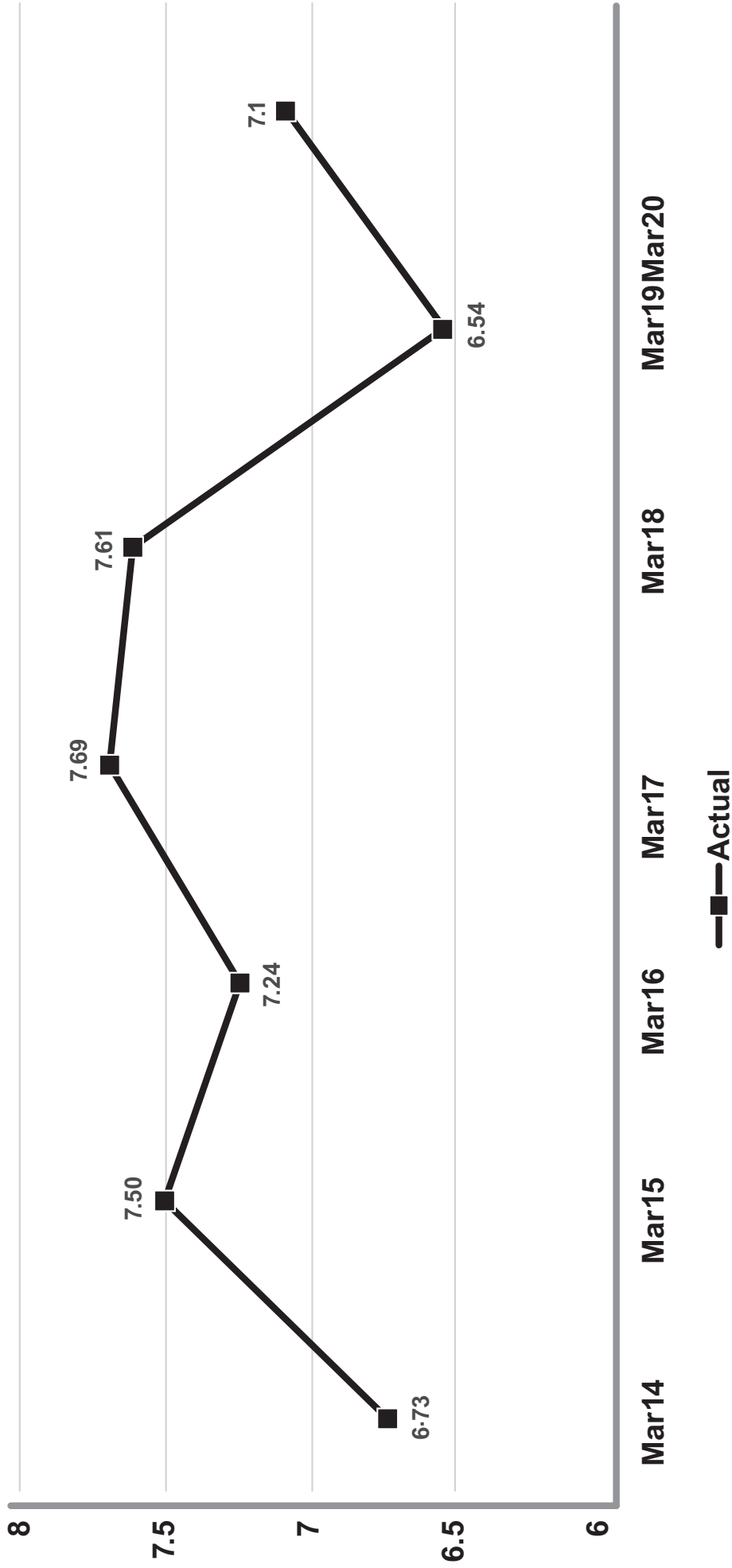
We have made improvements to processes in our high hazard project work following a Notice of Contravention in 2018/19 for the suitability of a risk assessment in an experimental area. More details can be found on page 132.

## **Sickness absence data**

The 2019/20 figure for average working days lost per FTE is 7.10 days in comparison to 6.54 days per FTE in 2018/19.

Although the target set in our Business Plan to achieve an average working days lost of 6 days per FTE was not met, support continues to be given to managers to deal with attendance issues in particular for long-term absences. As part of our Health, Safety and Wellbeing Strategy there are now health, safety and wellbeing business partners who are supporting managers and staff on wellbeing and attendance.

Figure 16 Average Working Days Lost



# Accountability – Parliamentary accountability report

The report brings together the key Parliamentary accountability disclosures.

## Regularity of expenditure

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

Special payments <sup>56</sup> made by HSE to staff and members of the public amounted to 2 cases during 2019/20 to the value of £44,000 (2018/19: 5 cases totalling £51,000).

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<sup>56</sup> Special payments include compensation paid to staff and members of the public.

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

|   | 2019-20<br><i>No of cases</i> | 2019-20<br><i>£'000</i> | 2018-19<br><i>No of cases</i> | 2018-19<br><i>£'000</i> |
|---|-------------------------------|-------------------------|-------------------------------|-------------------------|
| Cash losses                             | 31                            | –                       | 18                            | –                       |
| Claims waived or abandoned              | 848                           | 1318                    | 723                           | 1193                    |
| Fruitless payments                      | 1                             | –                       | 2                             | –                       |
| Stock, stores and obsolete publications | 4                             | –                       | 3                             | 1                       |
| Total losses                            | 884                           | 1318                    | 746                           | 1194                    |
| Special payments                        | 2                             | 44                      | 5                             | 51                      |
| Total losses and special payments       | 886                           | 1362                    | 751                           | 1245                    |

## 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)

| Cash Losses                                | 2019-20       |              |                               | 2018-19       |              |                               |
|--|---------------|--------------|-------------------------------|---------------|--------------|-------------------------------|
|  | <i>Income</i> | <i>Cost</i>  | <i>Surplus/<br/>(deficit)</i> | <i>Income</i> | <i>Cost</i>  | <i>Surplus/<br/>(deficit)</i> |
|  | £'000         | £'000        | £'000                         | £'000         | £'000        | £'000                         |
| HSE fees and charges                       |               |              |                               |               |              |                               |
| Biocides and plant protection              | 11163         | 12372        | (1,209)                       | 13472         | 13806        | (334)                         |
| Control of major hazards                   | 11148         | 11297        | (149)                         | 11147         | 11360        | (213)                         |
| Enforcement of offshore safety legislation | 17133         | 17471        | (338)                         | 17678         | 17378        | 300                           |
| Fee for intervention                       | 15344         | 15385        | (41)                          | 14142         | 15681        | (1539)                        |
| <b>Total</b>                               | <b>54788</b>  | <b>56525</b> | <b>(1737)</b>                 | <b>56439</b>  | <b>58225</b> | <b>(1786)</b>                 |
| Other HSE fees                             | 2322          |              |                               | 2450          |              |                               |
| <b>Total fees and charges</b>              | <b>57110</b>  |              |                               | <b>58889</b>  |              |                               |



**Sarah Albon**

*Chief Executive and Accounting Officer*

Health and Safety Executive

10 July 2020

# 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 2020 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 2020 and of the net operating 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 Standard 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.

## **Emphasis of matter – Disclosure in relation to uncertainty in revaluations of land and buildings**

I draw attention to Note 5 *Property Plant and Equipment* of the financial statements, which describes the effects of a material valuation uncertainty on the professional revaluations of land and building assets arising from the impacts of COVID-19 on land markets and building material costs. My opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Health and Safety Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Health and Safety Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Health and Safety Executive's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Responsibilities of the Board and Accounting Officer for the financial statements**

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

## **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 it 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- I conclude on the appropriateness of the Health and Safety Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health and Safety Executive's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may Health and Safety Executive to cease to continue as a going concern.

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 Board and the Accounting Officer 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 Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the 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 havenoobservationstomakeonthesefinancial statements.

**GarethDavies**

*ComptrollerandAuditorGeneral*

NationalAuditOffice

157-197BuckinghamPalaceRoad,Victoria,

LondonSW1W9SP

13July2020



# Financial statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

(The notes on pages 93 to 114 form part of these accounts.)

|   |       | 2019-20        | 2018-19<br>restated |
|---|-------|----------------|---------------------|
|   | Notes | £'000          | £'000               |
| Staff costs   | 2     | <b>143262</b>  | 139643              |
| Other operating costs   | 3     | <b>80054</b>   | 77730               |
| <b>Total operating expenditure</b>                              |       | <b>223316</b>  | 217373              |
| Fees and charges  | 4     | <b>(57110)</b> | (58889)             |
| Other operating income  | 4     | <b>(38248)</b> | (32571)             |
| <b>Total income</b>   |       | <b>(95358)</b> | (91460)             |
| <b>Net operating expenditure</b>                                |       | <b>127958</b>  | 125913              |
| <b>Other comprehensive net expenditure</b>                      |       |                |                     |
| Items which will not be reclassified to net operating costs:    |       |                |                     |
| Net (gain)/loss on revaluation of property, plant and equipment |       | <b>(401)</b>   | (3230)              |
| <b>Comprehensive net expenditure</b>                            |       | <b>127557</b>  | 122683              |

All income and expenditure for the year ended 31 March 2020 is derived from continuing operations.

The restatement is due to a change in accounting estimator relating to the Redgrave Court PFI contract, which is explained at Note 1.

# Statement of Financial Position as at 31 March 2020

(The notes on pages 93 to 114 form part of these accounts.)

|  | Notes | 2019-20<br>£'000 | 2018-19<br>restated<br>£'000 | 01 April<br>2018<br>restated<br>£'000 |
|--|-------|------------------|------------------------------|---------------------------------------|
| <b>Non-current assets</b>                                |       |                  |                              |                                       |
| Property, plant and equipment                            | 5     | 117141           | 116947                       | 116789                                |
| Intangible assets  | 6     | 1455             | 2071                         | 1995                                  |
| Trade and other receivables due after more than one year | 7     | 1827             | 2035                         | 788                                   |
| <b>Total non-current assets</b>                          |       | <b>120423</b>    | 121053                       | 119572                                |
| <b>Current assets</b>                                    |       |                  |                              |                                       |
| Trade and other receivables                              | 7     | 40887            | 46872                        | 42748                                 |
| Cash and cash equivalents                                | 8     | -                | 943                          | 1369                                  |
| <b>Total current assets</b>                              |       | <b>40887</b>     | 47815                        | 44117                                 |
| <b>Total assets</b>                                      |       | <b>161310</b>    | 168868                       | 163689                                |
| <b>Current liabilities</b>                               |       |                  |                              |                                       |
| Trade and other payables                                 | 9     | (31946)          | (30496)                      | (31514)                               |
| Provisions & pension liabilities                         | 10    | (66)             | (365)                        | (130)                                 |
| <b>Total current liabilities</b>                         |       | <b>(32012)</b>   | (30861)                      | (31644)                               |
| <b>Total assets less current liabilities</b>             |       | <b>129298</b>    | 138007                       | 132045                                |
| <b>Non-current liabilities</b>                           |       |                  |                              |                                       |
| Other payables   | 9     | (82449)          | (84966)                      | (87407)                               |
| Pension liabilities                                      | 10    | (987)            | (965)                        | (903)                                 |
| <b>Total non-current liabilities</b>                     |       | <b>(83436)</b>   | (85931)                      | (88310)                               |
| <b>Total assets less total liabilities</b>               |       | <b>45862</b>     | 52076                        | 43735                                 |
| <b>Taxpayers' equity</b>                                 |       |                  |                              |                                       |
| General fund   |       | 5274             | 11889                        | 6701                                  |
| Revaluation reserve                                      |       | 40588            | 40187                        | 37034                                 |
| <b>Total taxpayers' equity</b>                           |       | <b>45862</b>     | 52076                        | 43735                                 |

The restatement is due to a change in accounting estimator relating to the Redgrave Court PFI contract, which is explained at Note 1.

The image shows two handwritten signatures in black ink. On the left is the signature of Sarah Albon, and on the right is the signature of Martin Temple. Both signatures are written in a cursive, flowing style.

**Sarah Albon**

*Chief Executive and  
Accounting Officer*

Health and Safety

Executive

10 July 2020

**Martin Temple**

*Chair*

Health and Safety

Executive

10 July 2020

# Statement of Cash Flows

## for the year ended 31 March 2020

(The notes on pages 93 to 114 form part of these accounts.)

|  | Notes | 2019-20         | 2018-19<br>restated |
|--|-------|-----------------|---------------------|
|  |       | £'000           | £'000               |
| <b>Cashflows from operating activities</b>   |       |                 |                     |
| Net operating cost   |       | (127958)        | (125913)            |
| Adjustments for non-cash transactions  | 3,4   | 11770           | 8828                |
| (Increase)/decrease in trade and other receivables   | 7     | 6193            | (5371)              |
| Less movements in receivables relating to impairments  | 3     | (4792)          | (1504)              |
| Increase/(decrease) in trade payables  | 9     | (1344)          | (3280)              |
| Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure                                     |       | 418             | 6053                |
| Use of provisions  | 10    | (366)           | (126)               |
| <b>Net cash outflow from operating activities</b>  |       | <b>(116079)</b> | <b>(121313)</b>     |
| <b>Cashflows from investing activities</b>   |       |                 |                     |
| Purchase of property, plant and equipment  |       | (4400)          | (4221)              |
| Purchase of intangible assets  |       | (26)            | (1124)              |
| Proceeds of disposal of property, plant and equipment  |       | 380             | 384                 |
| <b>Net cash outflow from investing activities</b>  |       | <b>(4046)</b>   | <b>(4961)</b>       |
| <b>Cashflows from financing activities</b>   |       |                 |                     |
| Funding from DWP   |       | 121343          | 128536              |
| Capital element of payments in respect of finance leases and on-statement of financial position PFI contracts                                  | 9     | (2437)          | (2688)              |
| <b>Net financing</b>   |       | <b>118906</b>   | <b>125848</b>       |
| <b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b> |       | <b>(1219)</b>   | <b>(426)</b>        |
| <b>Cash and cash equivalents at the beginning of the period</b>  | 8     | <b>943</b>      | 1369                |
| <b>Cash and cash equivalents at the end of the period</b>  | 8     | <b>(276)</b>    | 943                 |

The restatement is due to a change in accounting estimator relating to the Redgrave Court PFI contract, which is explained at Note 1.



# Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

(The notes on pages 93 to 114 form part of these accounts.)

|  | Notes | (a)<br>General<br>Fund<br>restated | (b)<br>Revaluation<br>Reserve | Total<br>Reserves<br>restated |
|--|-------|------------------------------------|-------------------------------|-------------------------------|
|  |       | £'000                              | £'000                         | £'000                         |
| <b>Balance at 31 March 2018</b>                          |       | (4)                                | 37034                         | 37030                         |
| Restatement of PF at 1 April 2018                        | 1     | 6705                               | -                             | 6705                          |
| Restated balance at 1 April 2018                         |       | 6701                               | 37034                         | 43735                         |
| Movement on implementation of IFRS 9                     |       | 2488                               | -                             | 2488                          |
| Funding from DWP   |       | 128536                             | -                             | 128536                        |
| Comprehensive net expenditure for the year               |       | (122683)                           | -                             | (122683)                      |
| Movements in reserves:                                   |       |                                    |                               |                               |
| – Net gain on revaluation                                | 5     | -                                  | 3231                          | 3231                          |
| Recognised in Statement of Comprehensive Net Expenditure |       | (3231)                             | -                             | (3231)                        |
| Transfer between reserves                                |       | 78                                 | (78)                          | -                             |
| <b>Balance at 31 March 2019</b>                          |       | 11889                              | 40187                         | 52076                         |
| <b>Funding from DWP</b>                                  |       | <b>121343</b>                      | -                             | <b>121343</b>                 |
| <b>Comprehensive expenditure for the year</b>            |       | <b>(127557)</b>                    | -                             | <b>(127557)</b>               |
| Movements in reserves:                                   |       |                                    |                               |                               |
| <b>Additions – Net gain on revaluation</b>               | 5     | -                                  | 401                           | 401                           |
| Recognised in Statement of Comprehensive Net Expenditure |       | (401)                              | -                             | (401)                         |
| Transfer between reserves                                |       | -                                  | -                             | -                             |
| <b>Balance at 31 March 2020</b>                          |       | <b>5274</b>                        | <b>40588</b>                  | <b>45862</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.

The restatement is due to a change in accounting estimator relating to the Redgrave Court PFI contract, which is explained at Note 1.

# Notes to the Accounts

## 1 Statement of accounting policies

### Restatement of 2018/19 figures

During 2019/20, we have revisited the accounting treatment of the PFI contract for our headquarters at Redgrave Court, Bootle. As this is a contract for provision of the building and facilities management, we have applied the latest guidance around separating the payment streams for capital repayment, interest and services. This has resulted in the following restatement of balances as at 31 March 2019:

- change in opening liability for Redgrave Court at 31 March 2019 of £6.88m (from £49.96m to £43.08m), which improves the opening net asset position from £39.5m to £46.2m;
- reallocating the charges between capital, interest and service charges has had no significant impact on reported net expenditure as the Unitary payment and cashflow remain unchanged. The reallocation of the charge reduced 2018/19 net expenditure by £178,000 in 18/19: finance charges have reduced by £1.5m which is offset by increased service charges of £1.7m.

### 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 2019/20

Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury.

The economic impacts of COVID-19 will be far-reaching and we have set out our view on how this will affect HSE on pages 49–50. Government funding for HSE is set out in the Main Estimate (published in May 2020) which covers the financial year to 31 March 2021. Funding beyond that will be determined as part of Spending Review 2020 but the following indicate government support for HSE:

- our prominent role in the effort to manage the COVID-19 pandemic and the announcement of an additional £14.19m funding for HSE in 2020/21 (by the Business Secretary on 11 May 2020);
- the announcement in January 2020 that the new Building Safety Regulator would be established within HSE;
- additional funding for developing systems for UK Chemicals and other regimes at the end of the EU transition period.

On 20 May 2020 HMT issued revised guidelines around the consideration of going concern and whether there are any material uncertainties in this area. HSE consider there are not such material uncertainties, the majority of our funding is statutory and there are no consultations on changing the existence, nature or funding of HSE.

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 2020. We've also taken into account the specific interpretations and adaptations included in the FReM.

### **IFRS 16 Leases will be effective for HSE from 1 April 2021**

IFRS 16 has been effective since 1 January 2019 for the private sector and will be introduced in the 2021/22 FReM to replace IAS 17.

The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease



(on balance sheet). It also requires recognition of all qualifying leases on balance sheet. The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised.

Our expectation is that 20 of HSE's existing operating leases will meet the definition of a lease under IFRS 16, resulting in recognition from 1 April 2021 of assets with a material value, along with a lease liability of the same amount. This will result in additional depreciation charges in the Statement of Comprehensive Net Expenditure which will be offset by a similar reduction in rental expenditure.

### **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 is applied in accordance with 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. 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 recorded net of VAT and 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. Our accounting policy for each significant 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***

Income is recognised over time as the statutory work has no alternative use for HSE and payment would be required for the work done to date. This method is considered appropriate as this represents the amount that HSE would be entitled to on performance to date.

- 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** 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** 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.

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 Website Costs and the specific criteria as determined by IAS 38 Intangible Assets.

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

| Asset Category                                | Capitalisation Threshold | Depreciation/Amortisation Period              |
|---|--------------------------|---|
| Freehold buildings                            | n/a                      | Remaining life as assessed by valuers         |
| Leasehold buildings                           | n/a                      | Period remaining on lease or next rent review |
| PFI buildings                                 | n/a                      | 60 years' designated life                     |
| Leasehold improvements                        | £100,000                 | Remaining lease period, up to 20 years        |
| Individual IT assets                          | £5,000                   | 3 to 7 years                                  |
| IT hardware pooled                            | £5,000                   | 3 to 6 years                                  |
| Plant and machinery                           | £5,000                   | 5 to 10 years                                 |
| Individual/pooled 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 individual 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 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.

We have calculated a further impairment to our debt due to the anticipated impact of the COVID-19 pandemic on the economy and our current best estimate of how this will affect HSE customers and duty holders and therefore debt recovery.

## **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 rates 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 contributions 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 these segments and to assess their performance. The Board has identified the Chief Executive as the Chief Operating Decision Maker. The Chief Executive reviews HSE's operational and financial performance at an aggregated level and these accounts do not include a statement of operating costs by operating segment.

## 2 Staff costs

|   |   |               | <b>2019-20</b> | <b>2018-19</b> |
|---|---|---------------|----------------|----------------|
|   | <i>Permanently<br/>employed<br/>staff</i> | <i>Others</i> | <i>Total</i>   | <i>Total</i>   |
|   | <i>£'000</i>                              | <i>£'000</i>  | <i>£'000</i>   | <i>£'000</i>   |
| Wages and salaries                                | <b>101810</b>                             | <b>1946</b>   | <b>103756</b>  | 105508         |
| Employers' National Insurance <sup>57</sup>       | <b>11611</b>                              | -             | <b>11611</b>   | 11682          |
| Pension costs                                     | <b>27484</b>                              | -             | <b>27484</b>   | 21715          |
| Lump sum exit costs                               | <b>411</b>                                | -             | <b>411</b>     | 738            |
| Total (as reported in the SoCNE)                  | <b>141316</b>                             | <b>1946</b>   | <b>143262</b>  | 139643         |
| Less recoveries in respect of outward secondments | -   | -             | -              | -              |
| Total net costs                                   | <b>141316</b>                             | <b>1946</b>   | <b>143262</b>  | 139643         |

Further detail about the staff costs and the number of people employed by HSE is included in the Staff Report on pages 149–154.

<sup>57</sup> Includes Apprenticeship Levy payments of £495,000 during 2019/20.

### 3 Other operating costs

|  | Notes | 2019-20<br>£'000 | 2018-19<br>restated<br>£'000 |
|--|-------|------------------|------------------------------|
| Rentals under operating leases                         |       | 3 174            | 3 808                        |
| PFI service charges <sup>58</sup>                      |       | 12 324           | 11 304                       |
| PFI Interest and finance lease charges                 |       | 6 241            | 6 436                        |
| Auditor's remuneration – Statutory audit <sup>59</sup> |       | 90               | 85                           |
| Accommodation  |       | 8 227            | 7 127                        |
| Travel and subsistence                                 |       | 6 558            | 7 503                        |
| IT expenditure and telecoms                            |       | 10 594           | 12 119                       |
| Legal costs  |       | 5 590            | 6 224                        |
| Staff development and training                         |       | 1 036            | 1 653                        |
| Publications   |       | 573              | 697                          |
| Shared services costs <sup>60</sup>                    |       | 1 800            | 1 903                        |
| Scientific sub-contract technical support              |       | 3 725            | 2 279                        |
| Scientific equipment                                   |       | 2 111            | 1 780                        |
| Research and development                               |       | 856              | 1 155                        |
| Pesticides – purchase of samples                       |       | 880              | 776                          |
| Chemicals Regulation testing                           |       | 1 137            | 969                          |
| Other expenditure                                      |       | 3 208            | 2 979                        |
| <b>Other operating costs</b>                           |       | <b>68 124</b>    | <b>68 797</b>                |

58  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.

59  During the year, HSE has not purchased any non-audit services from its auditor, National Audit Office (NAO) or Ernst & Young (EY) who performed the audit on NAO's behalf, under a framework contract. In 2020/21, HSE has benefitted from non-audit services, under a contract with the Department for Business, Energy and Industrial Strategy (BEIS). This work has been performed and managed completely separately from the audit and HSE has not contracted directly with EY for the provision of those services.

60  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.

|   | Notes | 2019-20<br>£'000 | 2018-19<br>restated<br>£'000 |
|---|-------|------------------|------------------------------|
| <b>Non-cash items:</b>                              |       |                  |                              |
| Depreciation and amortisation of non-current assets | 5,6   | <b>7077</b>      | 7349                         |
| Charge for expected future credit losses            |       | <b>4792</b>      | 1504                         |
| Reversal of previous losses on revaluation of PPE   |       | <b>(243)</b>     | (538)                        |
| Loss on disposal of non-current assets              |       | <b>55</b>        | 89                           |
| Movement in provisions                              | 10    | <b>89</b>        | 423                          |
| Training funded through Apprenticeship Levy         |       | <b>160</b>       | 106                          |
| <b>Total non-cash items</b>                         |       | <b>11930</b>     | 8933                         |
| <b>Total operating costs</b>                        |       | <b>80054</b>     | 77730                        |

## 4 Income

|  | 2019-20<br>£'000 | 2018-19<br>£'000 |
|--|------------------|------------------|
| Fees and charges   |                  |                  |
| Biocides and plant protection                            | 11 163           | 13 472           |
| Control of major accident hazards                        | 11 148           | 11 147           |
| Enforcement of offshore safety legislation               | 17 133           | 17 678           |
| Fee for intervention                                     | 15 344           | 14 142           |
| Other fees and charges                                   | 2 322            | 2 450            |
| <b>Total fees and charges</b>                            | <b>57 110</b>    | <b>58 889</b>    |
| <b>Other operating income</b>                            |                  |                  |
| Prosecutions   | 4 436            | 4 509            |
| Commercial income <sup>61</sup>                          | 20 171           | 17 090           |
| Supply of accommodation and core IT to ONR <sup>62</sup> | 6 087            | 5 898            |
| Provision of REACH services to Defra <sup>63</sup>       | 657              | 747              |
| DEFRA EU exit  | 4 260            | 3 400            |
| Other income   | 2 452            | 753              |
| Non-cash government grant – Apprenticeship Levy          | 160              | 106              |
| EU income  | 25               | 68               |
| <b>Total other operating income</b>                      | <b>38 248</b>    | <b>32 571</b>    |
| <b>Total income</b>                                      | <b>95 358</b>    | <b>91 460</b>    |

Further information relating to HSE's fees and charges can be found on page 170 and 171.

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

62 Supply of services to ONR includes £3 871 000 (2018/19 £3 668 000) for accommodation.

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



## 5 Property, plant and equipment

| 2019-20   | 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         |
| <b>Costor valuation opening balance at 1 April 2019</b> | <b>3010</b> | <b>95526</b> | <b>12114</b>           | <b>13030</b>           | <b>3263</b>    | <b>19620</b>        | <b>8573</b>            | <b>321</b>                | <b>155457</b> |
| Reclassifications                                       | -           | 11           | 248                    | (36)                   | -              | 78                  | -                      | (301)                     | -             |
| Additions   | -           | 213          | 155                    | 2659                   | 134            | 821                 | 79                     | 2360                      | 6421          |
| Revaluations  | (99)        | (1757)       | -                      | -                      | -              | -                   | -                      | -                         | (1856)        |
| Disposals   | -           | -            | (756)                  | (1523)                 | (873)          | -                   | (279)                  | -                         | (3431)        |
| <b>Balance at 31 March 2020</b>                         | <b>2911</b> | <b>93993</b> | <b>11761</b>           | <b>14130</b>           | <b>2524</b>    | <b>20519</b>        | <b>8373</b>            | <b>2380</b>               | <b>156591</b> |
| Depreciation opening balance at 1 April 2019            | -           | 649          | 7999                   | 8349                   | 1403           | 15977               | 4133                   | -                         | 38510         |
| Reclassifications                                       | -           | (20)         | 20                     | -                      | -              | -                   | -                      | -                         | -             |
| Charge  | -           | 2201         | 862                    | 1777                   | 294            | 737                 | 565                    | -                         | 6436          |
| Revaluations  | -           | (2501)       | -                      | -                      | -              | -                   | -                      | -                         | (2501)        |
| Disposals   | -           | -            | (754)                  | (1524)                 | (438)          | -                   | (279)                  | -                         | (2995)        |
| <b>Accumulated depreciation at 31 March 2020</b>        | <b>-</b>    | <b>329</b>   | <b>8127</b>            | <b>8602</b>            | <b>1259</b>    | <b>16714</b>        | <b>4419</b>            | <b>-</b>                  | <b>39450</b>  |
| <b>Net book value at 31 March 2020</b>                  | <b>2911</b> | <b>93664</b> | <b>3634</b>            | <b>5528</b>            | <b>1265</b>    | <b>3805</b>         | <b>3954</b>            | <b>2380</b>               | <b>117141</b> |
| Asset financing   |             |              |                        |                        |                |                     |                        |                           |               |
| Owned   | 2911        | 6291         | 3634                   | 5528                   | 1265           | 3805                | 2495                   | 2380                      | 28309         |

| 2019-20  | Land<br>£'000 | Buildings<br>£'000 | Leasehold<br>improve-<br>ments<br>£'000 | Information<br>technology<br>£'000 | Motor<br>vehicles<br>£'000 | Plant and<br>machinery<br>£'000 | Furniture<br>and<br>fittings<br>£'000 | Assets<br>under<br>construction<br>£'000 | Total<br>£'000 |
|--|---------------|--------------------|---|------------------------------------|----------------------------|---------------------------------|---------------------------------------|--|----------------|
| On-Statement of<br>Financial Position<br>PFI contracts | -             | 86087              | -                                       | -                                  | -                          | -                               | 1459                                  | -  | 87546          |
| Finance lease  | -             | 1286               | -                                       | -                                  | -                          | -                               | -                                     | -  | 1286           |
| <b>Net book value<br/>at 31 March<br/>2020</b>         | <b>2911</b>   | <b>93664</b>       | <b>3634</b>                             | <b>5528</b>                        | <b>1265</b>                | <b>3805</b>                     | <b>3954</b>                           | <b>2380</b>                              | <b>117141</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 January 2020) is significantly lower than the outstanding repayment liability to the contractor for the remainder of the 30-year PFI agreement. The construction cost to the contractor was approximately £60 million.

Jones Lang LaSalle Ltd (JLL) provide HSE with a professional and independent valuations service and undertook a desktop valuation of the PFI buildings and retained estate at the Buxton Laboratory site as at 31 March 2020. The valuation was based on a depreciated replacement cost (DRC) basis and provides a value of £71.8 million once adjusted for irrecoverable VAT on build costs.

Both revaluations we have received to support the values included in the 2019/20 financial statements contain a 'material valuation uncertainty' declaration, due to the current COVID-19 pandemic. This does not mean the valuation cannot be relied upon; rather it is used in order to be clear and transparent with all parties that—in the current circumstances—less certainty can be attached to the valuation than would otherwise be the case.

Due to the significance of the Buxton Laboratory to our financial statements, we have discussed the DRC valuation further with JLL to fully understand the impact. The DRC approach values the site on a market basis and the building on a cost basis, adjusted for obsolescence, and aggregates the two elements. Considering our discussions with our valuers, we note that whilst land values are market driven, we anticipate that agricultural and employment use land values will remain relatively stable. In relation to the cost of replacing the subject buildings, we do not consider that the current crisis will have a negative impact upon the valuation as JLL advise impacts could cause the cost of material to be more likely to increase, but not have a significant impact on the valuation of assets disclosed at 31 March 2020. While there remains some uncertainty around this valuation, we consider this to be the best valuation available at the point of preparing the accounts.

All other 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 Priestley House. Assurance of its valuation is provided by making an assessment of local market conditions using publicly available information and assurance from our estate manager the building has not changed in condition.

| Building                          | Lastfullrevaluationdateand professionalvaluationservice |
|-----------------------------------|---|
| RedgraveCourt,Bootle              | 31January2020–Cushman& Wakefield                        |
| HealthandSafetyLaboratory, Buxton | 31January2020–JonesLang LaSalleLtd                      |
| PriestleyHouse,Basingstoke        | 31March2016–CarterJonas                                 |
| VictoriaPlace,Carlisle            | 31December2018–Cushman& Wakefield                       |



| 2018-19  | 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  |
| Costor valuation opening balance at 1 April 2018 | 2982  | 92790     | 12448                  | 13358                  | 4015           | 19032               | 8792                   | 151                       | 153568 |
| Reclassifications                                | -     | 607       | (456)                  | -                      | -              | -                   | -                      | (151)                     | -      |
| Additions  | -     | 208       | 378                    | 1062                   | 421            | 588                 | 639                    | 321                       | 3617   |
| Revaluations                                     | 28    | 1927      | -                      | -                      | -              | -                   | -                      | -                         | 1955   |
| Disposals  | -     | (6)       | (256)                  | (1390)                 | (1173)         | -                   | (858)                  | -                         | (3683) |
| Balance at 31 March 2019                         | 3010  | 95526     | 12114                  | 13030                  | 3263           | 19620               | 8573                   | 321                       | 155457 |
| Depreciation opening balance at 1 April 2018     | -     | 416       | 7148                   | 7773                   | 1784           | 15241               | 4417                   | -                         | 36779  |
| Charge   | -     | 2048      | 1036                   | 1967                   | 394            | 736                 | 574                    | -                         | 6755   |
| Revaluations                                     | -     | (1814)    | -                      | -                      | -              | -                   | -                      | -                         | (1814) |
| Disposals  | -     | (1)       | (185)                  | (1391)                 | (775)          | -                   | (858)                  | -                         | (3210) |
| Accumulated depreciation at 31 December 2019     | -     | 649       | 7999                   | 8349                   | 1403           | 15977               | 4133                   | -                         | 38510  |
| Net book value at 31 March 2019                  | 3010  | 94877     | 4115                   | 4681                   | 1860           | 3643                | 4440                   | 321                       | 116947 |
| Asset financing                                  |       |           |                        |                        |                |                     |                        |                           |        |
| Owned  | 3010  | 8373      | 4115                   | 4681                   | 1860           | 3643                | 2881                   | 321                       | 28884  |
| On-Statement of Financial Position PFI contracts | -     | 85163     | -                      | -                      | -              | -                   | 1559                   | -                         | 86722  |
| Finance lease                                    | -     | 1341      | -                      | -                      | -              | -                   | -                      | -                         | 1341   |
| Net book value at 31 March 2019                  | 3010  | 94877     | 4115                   | 4681                   | 1860           | 3643                | 4440                   | 321                       | 116947 |

## 6 Intangible assets

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

| <b>2019-20</b>                                   | <b>Websites</b> | <b>Purchased software licences</b> | <b>Internally developed software</b> | <b>Payments on account and assets under construction</b> | <b>Total</b> |
|--|-----------------|------------------------------------|--------------------------------------|--|--------------|
|  | <b>£'000</b>    | <b>£'000</b>                       | <b>£'000</b>                         | <b>£'000</b>   | <b>£'000</b> |
| Cost or valuation at 1 April 2019                | 711             | 5120                               | 431                                  | 286  | 6548         |
| Additions in year                                | -               | 15                                 | -                                    | 10   | 25           |
| Disposals  | -               | (842)                              | -                                    | -  | (842)        |
| <b>Balance at 31 March 2020</b>                  | <b>711</b>      | <b>4293</b>                        | <b>431</b>                           | <b>296</b>   | <b>5731</b>  |
| Amortisation at 1 April 2019                     | 312             | 3821                               | 344                                  | -  | 4477         |
| Charge in year                                   | 111             | 459                                | 71                                   | -  | 641          |
| Disposals  | -               | (842)                              | -                                    | -  | (842)        |
| <b>Accumulated amortisation at 31 March 2020</b> | <b>423</b>      | <b>3438</b>                        | <b>415</b>                           | <b>-</b>   | <b>4276</b>  |
| <b>Net book value at 31 March 2020</b>           | <b>288</b>      | <b>855</b>                         | <b>16</b>                            | <b>296</b>   | <b>1455</b>  |

| 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      | 4947                        | 431                           | -   | 6089  |
| Reclassifications                         | -        | -                           | -                             | -   | -     |
| Additions in year                         | -        | 383                         | -                             | 286   | 669   |
| Disposals                                 | -        | (210)                       | -                             | -   | (210) |
| Balance at 31 March 2019                  | 711      | 5120                        | 431                           | 286   | 6548  |
| Amortisation at 1 April 2018              | 200      | 3624                        | 270                           | -   | 4094  |
| Charge in year                            | 112      | 408                         | 74                            | -   | 594   |
| Disposals                                 | -        | (211)                       | -                             | -   | (211) |
| Accumulated amortisation at 31 March 2019 | 312      | 3821                        | 344                           | -   | 4477  |
| Net book value at 31 March 2019           | 399      | 1299                        | 87                            | 286   | 2071  |

## 7 Trade receivables and other current assets

|   | <i>31 March<br/>2020</i> | <i>31 March<br/>2019</i> |
|---|--------------------------|--------------------------|
|   | <i>£'000</i>             | <i>£'000</i>             |
| <b>Amounts falling due within one year</b>          |                          |                          |
| Trade receivables*                                  | <b>16,952</b>            | 25 935                   |
| Deposits and advances                               | <b>514</b>               | 604                      |
| Accrued income                                      | <b>20,358</b>            | 17 282                   |
| Prepayments   | <b>1,865</b>             | 2 096                    |
| VAT   | <b>1,171</b>             | 955                      |
| Other receivables                                   | <b>27</b>                | -                        |
|   | <b>40 887</b>            | 46 872                   |
| <b>Amounts falling due after more than one year</b> |                          |                          |
| Trade receivables                                   | <b>1 815</b>             | 2 016                    |
| Deposits and advances                               | <b>12</b>                | 19                       |
|   | <b>1 827</b>             | 2 035                    |
| <b>Total</b>  | <b>42 714</b>            | 48 907                   |

\* □ The trade receivables balance at 31 March 2020 is stated net of expected future credit losses, which amounts to £6 370k (31 March 2019: £2 753k).

For 2019/20, this includes £3m for revenues against health and safety investigations which we have assessed as unlikely to collect based on a review of economic information. We have also calculated a further impairment to our debt due to the current COVID-19 pandemic of £0.6m

## Contract assets

IFRS 15 Revenue from contracts with customers requires disclosure of contract assets (which are shown below) and contract liabilities (included below note 9).

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 2020, the accrued income balance relating to commercial work where further work must be completed before we are able to invoice customers is £2.5m (31 March 2019 £1.8m). These balances are distinct from other receivables for which only the passage of time is required before consideration is due from customers or duty holders.



Incomewhichisexpectedtoberecognisedinfuture yearswhichrelatedtoperformanceobligationsthat are partiallyunsatisfiedatthereportingdate:

| <i>Recognised</i>   | <i>31March2020</i>               |   | <i>31March2019</i>               |   |
|---------------------|----------------------------------|---|----------------------------------|---|
|                     | <i>Within<br/>1Year<br/>£000</i> | <i>More<br/>than<br/>1Year<br/>£000</i> | <i>Within<br/>1Year<br/>£000</i> | <i>More<br/>than<br/>1Year<br/>£000</i> |
| Commercialcontracts | <b>3369</b>                      | <b>483</b>                              | 6965                             | 1174                                    |

## 8 Cashandcashequivalents

|  | <i>31March<br/>2020</i> | <i>31March<br/>2019</i> |
|--|-------------------------|-------------------------|
|  | <i>£'000</i>            | <i>£'000</i>            |
| OpeningBalance                               | <b>943</b>              | 1369                    |
| Netchangeincashandcashequivalent<br>balances | <b>(1219)</b>           | (426)                   |
| ClosingBalance*                              | <b>(276)</b>            | 943                     |

\* At31March2020theaccountwasoverdrawnanddisclosedwithinTradeandotherpayables.

## 9 Trade and other payables

|   | <b>31 March<br/>2020</b> | <b>31 March<br/>2019<br/>restated</b> |
|---|--------------------------|---------------------------------------|
|   | <b>£'000</b>             | <b>£'000</b>                          |
| <b>Amounts falling due within one year</b>  |                          |                                       |
| Taxation and social security  | <b>2824</b>              | 2930                                  |
| Pension contributions   | <b>2826</b>              | 2363                                  |
| Trade payables  | <b>1236</b>              | 1137                                  |
| Accruals and deferred income  | <b>19713</b>             | 21097                                 |
| Capital accruals  | <b>2552</b>              | 531                                   |
| On-Statement of Financial Position PFI contracts and Finance lease**                | <b>2519</b>              | 2438                                  |
| Balance with Government Banking Service*  | <b>276</b>               | -                                     |
|   | <b>31946</b>             | 30496                                 |
| <b>Amounts falling due after more than one year</b>                                 |                          |                                       |
| Imputed finance lease element of on-Statement of Financial Position PFI contracts** | <b>81055</b>             | 83571                                 |
| Finance lease**   | <b>1394</b>              | 1395                                  |
|   | <b>82449</b>             | 84966                                 |
| <b>Total</b>  | <b>114395</b>            | 115462                                |

\* Cash and cash equivalents - See note 8.

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

## Contract Liabilities

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

HSE contract liabilities reflect our obligation to transfer goods or services to customers where we have been prepaid. These are accounted for as deferred income in the table above. **The balance at 31 March 2020 was £5.0m (31 March 2019: £6.2m)**

## 10 Provisions for liabilities and charges

### Provision for retired Chairs' pension

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

| <i>2019-20</i>                              | <i>Chairs' pension by analogy</i> | <i>Dilapidations</i> | <i>Total</i> |
|---|-----------------------------------|----------------------|--------------|
|   | <i>£'000</i>                      | <i>£'000</i>         | <i>£'000</i> |
| Balance at 1 April 2019                     | 1030                              | 300                  | 1330         |
| Provided (written back) in year             | 89                                | (125)                | (36)         |
| Utilised in year                            | (66)                              | (175)                | (241)        |
| <b>Balance at 31 March 2020</b>             | <b>1053</b>                       | <b>-</b>             | <b>1053</b>  |
| <b>Expected timing of future repayments</b> |                                   |                      |              |
| Falling due within one year                 | 66                                | -                    | 66           |
| Falling due after more than one year        | 987                               | -                    | 987          |

| <b>2019-20</b>                       | <b>Chairs' pension by analogy</b> | <b>Dilapidations</b> | <b>Total</b> |
|--------------------------------------|-----------------------------------|----------------------|--------------|
|                                      | <b>£'000</b>                      | <b>£'000</b>         | <b>£'000</b> |
| Balance at 1 April 2018              | 968                               | 65                   | 1033         |
| Provided in year                     | 123                               | 300                  | 423          |
| Utilised in year                     | (61)                              | (65)                 | (126)        |
| Balance at 31 March 2018             | 1030                              | 300                  | 1330         |
| Expected timing of future payments   |                                   |                      |              |
| Falling due within one year          | 65                                | 300                  | 365          |
| Falling due after more than one year | 965                               | –                    | 965          |

## 11 Capital commitments

| <b>Contracted commitments not otherwise included in these financial statements</b> | <b>31 March 2020</b> | <b>31 March 2019</b> |
|--|----------------------|----------------------|
|  | <b>£'000</b>         | <b>£'000</b>         |
| Property, plant and equipment  | <b>1426</b>          | 1213                 |
| Intangible assets  | <b>24</b>            | 36                   |
| <b>Total commitment</b>  | <b>1450</b>          | 1249                 |

## 12a Commitments under non-PFI leases

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

| <b>(i) Operating leases</b>                       | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
|   | <b>£'000</b>         | <b>£'000</b>         |
| Not later than one year                           | <b>3345</b>          | 3400                 |
| Later than one year and not later than five years | <b>3234</b>          | 4346                 |
| Later than five years                             | <b>3</b>             | 25                   |
| <b>Total committed</b>                            | <b>6582</b>          | 7771                 |

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

| <b>(ii) Finance leases</b>                        | <b>31 March</b> | <b>31 March</b> |
|---|-----------------|-----------------|
|   | <b>2020</b>     | <b>2019</b>     |
|   | <b>£'000</b>    | <b>£'000</b>    |
| <b>Gross liabilities</b>                          |                 |                 |
| Not later than one year                           | <b>147</b>      | 147             |
| Later than one year and not later than five years | <b>588</b>      | 588             |
| Later than five years                             | <b>5907</b>     | 6054            |
| <b>Total gross liabilities</b>                    | <b>6642</b>     | 6789            |
| Less: interest element                            | <b>(5246)</b>   | (5391)          |
| <b>Present value of obligations</b>               | <b>1396</b>     | 1398            |

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.



## 12b Rental income from sub-leases

As at 31 March 2020 HSE had granted leases for buildings with rental income expected to be received, which falls due as shown below.

| Income from rental under operating leases for the following periods comprise: | <i>31 March<br/>2020</i><br>£'000 | <i>31 March<br/>2019</i><br>£'000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year   | <b>6726</b>                       | 6448                              |
| Later than one year and not later than five years                             | <b>12416</b>                      | 15583                             |
| Later than five years   | <b>3</b>                          | 1159                              |
| <b>Total committed</b>  | <b>19145</b>                      | 23190                             |

## 13 Commitments under PFI contracts

HSE has entered into the following contracts let under the Private Finance Initiative that have been assessed under IFRIC4; IFRIC12; IAS16 and IAS17.

### 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 week term, 'design, build, finance and operate' contract with Investors in the

Community (Buxton) Limited (ICBLtd), 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 £12.3 million (2018/19: £11.4 million). The payments to which HSE is committed (also includes the capital payment disclosed in the Statement of Cash Flows on page 185) are as follows:

|   | <b>31 March<br/>2020</b> | <b>31 March 2019</b>  |
|---|--------------------------|-----------------------|
|   | <b>£'000</b>             | <b>restated £'000</b> |
| Not later than one year                           | <b>13694</b>             | 12870                 |
| Later than one year and not later than five years | <b>55943</b>             | 51881                 |
| Later than five years                             | <b>151830</b>            | 156132                |
| <b>Total committed</b>                            | <b>221467</b>            | 220883                |

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

Total obligations for the following periods comprise:

| <b>Gross liabilities</b>                          | <b>31 March<br/>2020</b> | <b>31 March<br/>2019<br/>restated</b> |
|---|--------------------------|---------------------------------------|
|   | <b>£'000</b>             | <b>£'000</b>                          |
| Not later than one year                           | <b>8430</b>              | 8532                                  |
| Later than one year and not later than five years | <b>35306</b>             | 34918                                 |
| Later than five years                             | <b>97781</b>             | 106599                                |
| Total committed                                   | <b>141517</b>            | 150049                                |
| Less interest element                             | <b>(57946)</b>           | (64041)                               |
| <b>Present value of obligations</b>               | <b>83571</b>             | 86008                                 |

| <b>Present value of obligations</b>               | <b>31 March<br/>2020</b> | <b>31 March<br/>2019<br/>restated</b> |
|---|--------------------------|---------------------------------------|
|   | <b>£'000</b>             | <b>£'000</b>                          |
| Not later than one year                           | 2516                     | 2437                                  |
| Later than one year and not later than five years | 13829                    | 12512                                 |
| Later than five years                             | 67226                    | 71059                                 |
| <b>Total present value of obligations</b>         | 83571                    | 86008                                 |

## 14 Other financial commitments

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

|   | <b>31 March<br/>2020</b> | <b>31 March<br/>2019</b> |
|---|--------------------------|--------------------------|
|   | <b>£'000</b>             | <b>£'000</b>             |
| Not later than one year                           | <b>14832</b>             | 10433                    |
| Later than one year and not later than five years | <b>18605</b>             | 11804                    |
| Later than five years                             | <b>2865</b>              | 2860                     |
| <b>Total committed</b>                            | <b>36302</b>             | 25097                    |

## 15 Related party transactions

HSE is a Crown Non-Departmental Public Body and is sponsored by DWP, which is regarded as a related party. During the year, HSE had 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 Environment, 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 commercial lease. HSE has also had significant transactions with Ministry of Housing, Communities and Local Government who we are working with to create the Building Safety Regulator.

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 former 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 2019/20 we paid £336 000 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). Martin has had no involvement in the original procurement exercise, individual appointments or management of the contract.
- Martyn Thomas's term with HSE ended on 30 September 2019. He 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 £894,000 during 2019/20 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.

## **16 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. 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.

## **17 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.

## 18 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 administered by HSE under the terms of the SCA and are reviewed by the Gain Share Governance Board before Executive Management Committee 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 2020 the balance within the Gain Share account was £4.6m and is not included within HSE's Statement of Financial Position.

## 19 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.

