

**PART 2**

**Health and Safety Commission  
Accounts**

**and**

**Health and Safety Executive  
Accounts**

**2003/04**

# FOREWORD

## 1 Background information

The Health and Safety at Work etc. Act 1974 provided for the creation of a Health and Safety Commission (HSC) and Health and Safety Executive (HSE) and the continuation of the Employment Medical Advisory Service (EMAS). The Commission came into being on 1 October 1974 and appointed the Health and Safety Executive on 1 January 1975. The aims of the Commission and the Executive, whose existence and functions derive from the 1974 Act, are to protect the health, safety and welfare of employees and to safeguard others, principally the public, who may be exposed to risks from work activities. For further information refer to paragraphs 1 to 277 of the Annual Report.

The financial statements of the Commission and Executive have been prepared pursuant to paragraphs 14 (1) and 20 (1) of Schedule 2 of The Health and Safety at Work etc. Act 1974 in a form determined by the Secretary of State with the approval of the Treasury. They are accruals based financial statements that show the full in-year costs of the Commission and Executive. The financial statements consolidate the figures for the Health and Safety Laboratory (HSL). HSL became an in-house agency of HSE on 1 April 1995 and operates on 'Next Steps Agency' principles under the direction of a Chief Executive, who is also their Accounting Officer. They are required to recover the full cost of their operations in accordance with HM Treasury's 'The Fees and Charges Guide' and are subject to the controls imposed on a net running costs regime.

## 2 Results and appropriations

Net operating cost and resource outturn for HSC was £643 959. The net operating cost for HSE was £197 265 390 and the net resource outturn was £198 050 728. Income earned to the value of £785 338 is required to be paid to the Department for Work and Pensions (DWP, Request for Resources 2) and is included in Schedule 4.

## 3 Review of activities

The Annual Report reviews the delivery of plans published in the HSE Business Plan 2003/04.

## 4 Market value of land and buildings

The leasehold building at Stoneleigh, which has an existing use value of £225 000 has an open market value of nil due to the strict user clause and the bar on assignment and sub-letting. Other than this property, there is no significant difference between the book values and the market values of land and buildings included in these accounts.

## 5 Research and development

HSE's research and development and technical support are detailed in paragraphs 199 to 200 of the Annual Report.

## 6 Future development

The Commission's and Executive's strategic direction for health and safety activity was set out in the Health and Safety Commission's 'A strategy for workplace health and safety in Great Britain to 2010 and beyond', published in February 2004. Further details of HSC's Strategic Plan can be found on HSE's website (<http://www.hse.gov.uk/aboutus/hsc/strategy.htm>).

The Sheffield laboratories of HSL will relocate to Buxton in the Autumn of 2004. A new building, which will also house most of the existing Buxton staff, is currently being built by a consortium, Investors in the Community (Buxton) Ltd.,

under the Government's Private Finance Initiative. Further details, plus photographs of the construction, can be found on HSL's website (<http://www.hsl.gov.uk>).

Following a competitive exercise to provide new serviced accommodation for its North-West Headquarters, HSE chose Kajima Development as the preferred bidder in December 2002. The full business case was approved by DWP in August 2003 and negotiations concluded in October 2003 when contracts were exchanged. Construction has commenced and the projected date for building completion is May 2005.

## 7 Health and Safety Commission members

Chairman: Bill Callaghan.

Other members: George Brumwell CBE, Margaret Burns CBE, Abdul Chowdry, Judith Donovan CBE, Joyce Edmond-Smith, Judith Hackitt, John Longworth, Maureen Rooney CBE, Elizabeth Snape and Owen Tudor.

Owen Tudor resigned with effect from 31 March 2004 and was replaced on 1 April 2004 by Hugh Robertson.

## 8 Health and Safety Executive members

Director General: Timothy Walker CB.

Other members: Kate Timms CB and Justin McCracken.

## 9 Corporate governance

The Health and Safety Commission and the Health and Safety Executive are committed to supporting the Combined Code on Corporate Governance and the Turnbull Report to the extent that the Code can be applied to the Public Sector.

HSC, ('the Commission'), comprises a Chairman and nine members who are all the equivalent of independent non-executive directors. They are appointed on a fixed term basis (see Note 3 in the HSC accounts and Note 2 in the HSE accounts) with no automatic right of reappointment. The appointments are made by the Secretary of State through standard public appointment procedures. Commission members are appointed after consultation with organisations representing employers, employees, local authorities and other relevant bodies.

HSE, ('the Executive'), comprises a Director General and two Deputies who are all the equivalent of executive directors (see page x of the Annual Report). All three members of the Executive are appointed by the Health and Safety Commission under Civil Service rules administered by the Civil Service Commissioners and with the approval of the Secretary of State. The remuneration of the Executive members is arrived at by reference to the Civil Service annual pay review.

The general functions of the Commission and the Executive are specified in The Health and Safety at Work etc. Act 1974, the Executive being primarily responsible for operational matters. Regular meetings are held both by the HSC and the HSE Board to discuss strategic direction and plans, formulate policy on key issues etc. in order to maintain full and effective control over all significant policy, regulation and guidance, compliance, organisational and financial issues.

Throughout the year and in all material respects, the Executive complied with the terms of the financial memorandum issued by the Secretary of State. A separate statement is made on the system of internal control.

## 10 Equality and diversity

The Executive is an Equal Opportunities Employer with a determination to treat all people fairly, irrespective of gender, ethnic origin, marital status, religious belief, age, sexual orientation or disability. Main achievements during 2003/04 are shown in paragraph 240 of the Annual Report.

## 11 Employee involvement

There are well-established consultation arrangements in HSE for recognised trade unions to contribute to all matters affecting the staff. Staff involvement is actively encouraged as part of day-to-day line management and efforts are being made to improve methods and channels of communication. In addition to formal consultations with HSE Trade Unions, staff are directly consulted and briefed about major proposals for organisational or personnel changes. Further details are shown in paragraphs 266 to 267 of the Annual Report.

## 12 Prompt payments

HSE is committed to the prompt payment of bills for goods and services received and conforms to the principles of the Better Payment Practice Code, issued by the Better Payment Practice Group. Payments are normally made as specified in the contract. If there is no contractual provision, or other understanding, payment is due to be made within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later. HSE's overall performance during 2003/04 was 98.9 per cent (2002/03 98.9 per cent) of invoices paid within the agreed credit period.

## 13 Health and safety within HSE

The Executive aims to set and maintain exemplary standards of performance which are consistent with those recommended by us to others, so as to ensure the health and safety of its staff, as well as others who may work at, or visit our premises. Further details are shown in paragraphs 268 to 269 of the Annual Report.

## 14 Environment

HSE has continued to pursue and promote best environmental practice and to implement initiatives set out in the model policy statement issued by the Department of the Environment, Food and Rural Affairs (DEFRA). Further details are shown in paragraph 258 of the Annual Report.

## 15 Introduction of the euro

On 1 January 2002, 12 euro countries completed their transition to the euro by introducing euro cash. This has had no significant effect on HSE.

While the UK stays outside the EMU, the euro is a foreign currency and HSE processes a relatively small number of foreign currency (European) transactions. HSE continues to manage preparations necessary for possible changeover to the single currency, in line with the Second National Changeover Plan.

## 16 Pension liabilities

Details of pension costs etc. are contained in HSC's Notes to the Accounts, (statement of accounting policies, Note 1(c) and also Note 3) and HSE's statement of accounting policies, (Note 1(k) and also Note 2).

## 17 Auditors

The financial statements of the Commission and Executive are audited under Schedule 2 paragraph 14(2) and 20 of The Health and Safety at Work etc. Act 1974 by the Comptroller and Auditor General whose Certificate and Report appear on pages 114 to 115 and pages 125 to 126.

NAO produced a report titled *Improving health and safety in the construction industry* (May 2004) which looked at the strategic approach taken by HSE in this area and the impact and success of HSE's work to improve the health and safety performance in the construction industry. In addition, HSE has provided information to a number of NAO studies including those on British Energy, improving passenger services through new trains, improving public transport through light rail and setting up Network Rail.

***Timothy Walker CB***

Director General  
Health and Safety Executive  
Accounting Officer  
24 June 2004

***Bill Callaghan***

Chairman  
Health and Safety Commission  
Accounting Officer  
24 June 2004

# STATEMENT OF THE COMMISSION'S, THE EXECUTIVE'S, THE CHAIRMAN'S AND THE DIRECTOR GENERAL'S RESPONSIBILITIES

Under paragraphs 14(1) and 20(1) of Schedule 2 of The Health and Safety at Work etc. Act 1974 the Health and Safety Commission and the Health and Safety Executive are 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 the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Commission's and the Executive's state of affairs at the year-end and of their net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing their accounts the Commission and Executive are required 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission and the Executive will continue in operation.

The Accounting Officer for the Department for Work and Pensions has designated the Chairman of the Health and Safety Commission and the Director General of the Health and Safety Executive as Accounting Officers for the Commission and Executive respectively. Their relevant responsibilities as Accounting Officers, including their responsibilities for the propriety and regularity of the public finances for which they are answerable and for the keeping of proper records are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

# STATEMENT ON INTERNAL CONTROL

## 1 Scope of responsibility

As Accounting Officers (for the Health and Safety Commission (HSC), the Chair, and for the Health and Safety Executive (HSE), the Director General), we have responsibility for maintaining a sound system of internal control that supports the achievement of HSC's and HSE's policies, aims, objectives and strategic priorities agreed with the Department's Ministers, while safeguarding the public funds and assets for which we are personally responsible, in accordance with the responsibilities assigned to us in Government Accounting.

HSC and HSE are Non-Departmental Public Bodies established under the Health and Safety at Work etc. Act 1974. (The Health and Safety Laboratory (HSL) is an operating division of HSE which provides health and safety science and research services. It has its own Accounting Officer and arrangements to manage risk.) The sponsoring department is the Department for Work and Pensions (DWP). DWP Ministers have responsibility for health and safety issues in Government. The Chair of the Commission and senior HSE managers meet the DWP Minister with responsibility for health and safety matters quarterly to consider progress towards strategic targets and any emerging risks which could impede progress.

Strategy for securing health and safety in relation to work activities is set by HSC with input and support from HSE. Our strategy in essence covers both immediate workplace risks and the control of major hazards. For the former, our long-term strategy is rooted in 'Securing Health Together' and 'Revitalising Health and Safety' both of which were published in 2000. These are supplemented by a Strategic Plan covering the three-year period from April 2001 to March 2004. Together these documents set out the aims and objectives for HSC/E for this period. On major hazards our strategies reflect the regulatory regimes for those hazards and the aim of avoiding serious failures.

For the future HSE has moved over the last year to improve its strategic focus and a 'Strategy for Workplace Health and Safety in Great Britain to 2010 and beyond' has been agreed with Ministers. This was published in February 2004 and signals our vision to see health and safety as a cornerstone of a civilised society. The focus of the strategy is on delivering the targets agreed with Ministers and set out in 'Revitalising Health and Safety' through well-resourced, efficient programmes of activity with published goals and milestones.

HSC/E's approach to business risk management took place against a change programme in 2003/04 which has created a more modern, responsive and flexible organisation better equipped to deliver HSC's 'Strategy for Workplace Health and Safety in Great Britain'. The strategy emphasises the need to ensure that our approach remains relevant to the modern and changing world of work, to develop and test new approaches and more clearly to factor in the contribution of others.

## 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims, objectives and strategic priorities. It can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of HSC/E's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It has been progressively developed in HSC/E over the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3 Capacity to handle risk

The HSE Board meets formally once a month. It monitors financial, manpower and operational performance, including health and safety, regularly. It also has overall responsibility for the system of internal control including implementing

systems of control and monitoring and reviewing their effectiveness. It has considered the strategic risk register four times in the course of 2003/04 and proposals for changes were adopted. The corporate risk register sets out HSE's strategic risks:

- strategic failure
- organisational capacity failure
- stakeholder management failure
- delivery and quality failure
- financial failure
- human resource management failure

For each of these generic risks a 'risk owner' at Board level has been identified. That owner is responsible for ensuring adequate measures for managing their risks are in place and their adequacy reviewed. Arrangements were also in place for the Accounting Officers to be given 'stewardship statements' by risk owners that the risks they own are being properly managed. The register has also been updated in relation to the detailed control measures in place (or being put in place) to ensure that the risks are adequately controlled.

The Board also agreed 'HSE's Risk Management Framework' in March 2004. This emphasises that HSE's overall strategy is for risk management to be integrated with the organisation's management system if risks to business are to be managed effectively and proportionately. The framework also recognises HSE's wide range of clients and the diverse nature of HSE itself – with people based at regional offices throughout the country, many with a range of specialist skills and knowledge dealing with a wide range of industries.

A work plan has been developed for 2004/05 to further embed the process of risk management across the organisation. This includes identification and delivery of any further training to support effective business risk management. It has been agreed by the Audit Committee, which is chaired by an HSC Commissioner. The Audit Committee is responsible for advising the Accounting Officers on corporate governance issues including risk and internal control.

## 4 The risk and control framework

The Strategic Risk Register described above is the focus for business risk management at corporate level. The controls designed to manage risk have been assessed by the managers concerned to consider effectiveness and, where appropriate, action has been taken or is in hand to add further controls considered necessary. Risk owners have also reviewed the risks they own to test whether the register still addresses those faced by HSE. Plans for mitigation for appropriate risks (eg sudden loss of key facilities) have also been developed.

The Change Programme has impacted on the management of business risk. A major outcome has been re-ordering of the management structure by the establishment of two senior committees to support HSE's main board. The Delivery Board has been established to manage the delivery of HSE's five major programmes. It is chaired by one of HSE's Deputy Director Generals. Its role is to oversee the progress of HSE's strategic programmes.

The Business Improvement and Efficiency Board is chaired by the Director General. Its role is to oversee HSE's business improvement and efficiency programme and ensure it contributes to delivery of HSC/E's mission. It also has a role in ensuring delivery of business improvement and efficiency programmes across the organisation.

Both committees have a specific responsibility for managing any risks to the programmes and projects within their commands where these cannot be effectively addressed at a lower level in the organisation.

A second major development from the Change Programme is that HSE decided to move to a programmes and projects approach to delivering a large proportion of its work. The guidance on developing programme and project work will have built-in guidance on the management of the business risks to those policies and projects.

Third, HSE has set up a Quality Policy and Decision Making Task Group to produce an overview of the various ways that HSE makes policy decisions and implements them and to identify any gaps or improvements that can be made. This cross-HSE group will produce firm proposals by July 2004 setting out how HSE will assure that the principles of good policy decision-making and delivery continue to be integrated into HSE's work. The Group will use the Risk Programme/NAO framework 'Early management of the Risks to Successful Delivery' directly to raise awareness of HSE Board members and senior policy managers. The Group will also use this framework as a primary source document and their project as the vehicle for the practical implementation of the framework, tools and guidance.

In the last year there has been a much greater emphasis on developing the organisation's strategic direction. This focused on the work of the Strategy and Intelligence Division, set up in 2002/03, to develop the strategy (which was agreed by Ministers in February 2004). The new strategy for Britain's health and safety system includes re-definition of how HSE will go about making its contribution to this overall strategy. In doing so the risks to delivering the strategy have been identified.

During 2003/04 a Balanced Scorecard approach for reporting performance was developed and reports to the Board using this format are now made quarterly. As part of this approach the risks which may emerge from 'red' or 'amber' signals and more recently identification of risks arising from movements in indicators (eg 'green' to 'amber') are being identified. Reports on the Balanced Scorecard and on business risk management will be considered quarterly by the Board at the same meeting. Alongside these changes established corporate policies continue to operate and cover a wide range of issues including the health and safety of HSE's own staff and contractors, personnel matters, planning, finance, accounting, procurement, information technology and regularity, propriety and authorisation of expenditure. All are communicated throughout the organisation and are set out in codes and other instructions available to all staff.

Use of resources is subject to clear delegation from HSE's Accounting Officer to individual senior managers and is specified and agreed in writing. Usage is monitored in year. The Accounting Officer, Finance Director and main Budget holders receive monthly finance reports; the Board receives reports quarterly. Formal project management techniques are used for the planning and delivery of all major projects.

Reducing risk to members of the public so far as is reasonably practical is an integral part of HSE's mission. HSC consults formally on all regulatory changes. It is also experimenting with new means of consultation. For example, it is piloting the use of interactive means of communication to consult on proposals to bring Section 28 of the Health and Safety at Work etc. Act 1974 into line with the provisions of the Freedom of Information Act.

## 5 Review of effectiveness

As Accounting Officers, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of this is informed by the work of the internal auditors and executive managers within HSE who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Risk owners; a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit Committee met twice in 2003/04. At its second meeting it agreed that for the future the Chair of the Committee should be taken by one of the non-Executive members of the Audit Committee. It discussed a report in January 2004 on progress on risk management in HSE and will receive regular reports on progress in future.

HSE has an Internal Audit unit, which has direct access to the Accounting Officer and operates to the Government Internal Audit standards. HSL has an internal audit function supplied by a private sector auditor which also works to Government Internal Audit standards. Their work plans are approved by their Audit Committees to whom they also submit regular reports, which include an opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The overall risk management arrangements have been developed in consultation with HSE's Internal Audit Unit and will be subject to regular review by it. The Internal Audit work programmes will continue to focus on testing the adequacy and effectiveness of the systems of internal control in HSE and HSL.

The overall opinion of the Head of Internal Audit is that HSC/E has a generally sound framework of control which provides reasonable assurance regarding the effective and efficient achievements of its objectives and that the organisation will be better able to demonstrate this when its arrangements for business risk management are fully embedded.

## 6 Significant internal control problems (if applicable)

There are no significant internal control problems.

***Timothy Walker CB***

Director General  
Health and Safety Executive  
Accounting Officer  
24 June 2004

***Bill Callaghan***

Chairman  
Health and Safety Commission  
Accounting Officer  
24 June 2004

# HEALTH AND SAFETY COMMISSION

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements on pages 116 to 124 under The Health and Safety at Work etc. Act 1974. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 118 to 119.

### Respective responsibilities of the Commission, Chairman, and Auditor

As described on page 109, the Chairman of the Health and Safety Commission is responsible for the preparation of the financial statements in accordance with The Health and Safety at Work etc. Act 1974 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. The Chairman and the Director General of the Health and Safety Executive are jointly responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Health and Safety at Work etc. Act 1974 and directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the joint statement on pages 110 to 113 reflects the Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officers' Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chairman in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the

expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the net operating cost of the Health and Safety Commission for the year ended 31 March 2004 and of the amount transferred to the Health and Safety Executive and have been properly prepared in accordance with The Health and Safety at Work etc. Act 1974 and with the directions made thereunder by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

***John Bourn***

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP  
30 June 2004

## SCHEDULE I

### HEALTH AND SAFETY COMMISSION: SUMMARY OF RESOURCE OUTTURN 2003/04

	Estimate Net expenditure £'000	Outturn Net expenditure £'000	Net total outturn compared with Estimate saving/(excess) £'000	Prior-year outturn 2002/03 £'000
Request for Resources - Health & Safety Commission	644	644	-	643
Request for Resources - Health & Safety Executive	219 983	198 051	21 932	203 628
Net resource outturn	220 627	198 695	21 932	204 271

Request for Resources is received on a combined basis for HSC and HSE. Any variance is allocated to HSE and is explained in their account (refer pages 127 to 156).

#### **Actual outturn - resources**

Request for Resources 2: (Health and Safety Commission and Executive): Actual amount net resource outturn £198 694 686.89. Actual amount of savings in resources over Estimate £21 932 313.11. (HSE only figures are detailed in their account). Net operating cost compared with estimate is made up as follows:

	Estimate £'000	Outturn £'000	Estimate minus outturn saving/(excess) £'000
Administration	226 751	218 474	8 277
Administration Other	10 726	9 462	1 264
<b>Total Administration</b>	<b>237 477</b>	<b>227 936</b>	<b>9 541</b>
Programme	66 311	53 920	12 391
<b>Total Gross Expenditure</b>	<b>303 788</b>	<b>281 856</b>	<b>21 932</b>
Appropriations in Aid (A in A)	(83 161)	(83 947)	786
<b>Net Operating Cost</b>	<b>220 627</b>	<b>197 909</b>	<b>22 718</b>
A in A surrendered to DWP	0	786	(786)
<b>HSC/HSE net resource outturn</b>	<b>220 627</b>	<b>198 695</b>	<b>21 932</b>
Less HSC	(644)	(644)	0
<b>HSE net resource outturn</b>	<b>219 983</b>	<b>198 051</b>	<b>21 932</b>

The Notes on pages 118 to 124 form part of these accounts.

## SCHEDULE 2

### HEALTH AND SAFETY COMMISSION: OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2003/04 £'000	2002/03 £'000
<b>Administration costs</b>			
Staff costs	3	331	387
Other administration costs	4	313	256
Gross administration costs		644	643
Operating income		-	-
Net operating costs		644	643
Net resource outturn	Schedule 1	644	643

All income and expenditure is derived from continuing operations.

*The Notes on pages 118 to 124 form part of these accounts.*

**Bill Callaghan**

Chairman

Health and Safety Commission

Accounting Officer

24 June 2004

# HEALTH AND SAFETY COMMISSION

## ANNUAL REPORT AND ACCOUNTS 2003/04

### NOTES TO THE ACCOUNTS

#### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2003/04 Resource Accounting Manual (RAM) (<http://www.resource-accounting.gov.uk>) issued by HM Treasury. The particular accounting policies adopted by HSC are described below. They have been applied consistently in dealing with the items considered material in relation to the accounts.

##### **(a) Accounts Directions**

In accordance with Accounts Directions issued by the Secretary of State with the approval of the Treasury, the Health and Safety Commission and Health and Safety Executive have prepared a joint Foreword, Statement of Responsibilities and Statement on Internal Control and separate Summary of Resource Outturn (Schedule 1) and Operating Cost Statements (Schedule 2). HSC has not produced a Balance Sheet as any assets and liabilities of HSC are included in the HSE Balance Sheet (Schedule 3) and are not material in value in the context of HSE balances (see Note 2 Request for Resources). HSC has no bank account and all direct and indirect expenditure is paid for by HSE, so the production of a Cash Flow Statement (Schedule 4) is deemed inappropriate. As HSE is responsible for delivering the aims and objectives (Schedule 5), this schedule is not produced for HSC.

##### **(b) Accounting convention**

Consolidated accounts have not been prepared, with the agreement of HM Treasury and National Audit Office, on the basis that there is a statutory requirement to produce separate accounts for HSC and HSE and it would be administratively burdensome and provide no additional information for the reader of the accounts.

##### **(c) Pension costs**

The current Chairman is not a member of the Principal Civil Service Pension Scheme (PCSPS) but arrangements exist whereby the Health and Safety Executive make pension payments analogous to those that would have been made if he had been a member of the PCSPS and are payable out of the current year's funds that are made available. A notional pension cost of 18.5 per cent is added to the Chairman's emoluments.

In line with FRS 17, a pension provision has been set up on a 'by analogy to the PCSPS' basis to account for the value of an equivalent fund for the Chairman. An actuarial valuation of the fund was carried out as at 31 March 2004. It has been undertaken on the following assumptions:

- An investment return in excess of price increases of 3.5 per cent p.a.;
- The earnings cap increases in line with price inflation;
- The gross rate of return is assumed to be 6 per cent p.a. although this assumption has a minor impact on the calculation of the liability;
- In nominal terms these assumptions are then equivalent to an allowance for increases in pensionable salaries of 2.4 per cent p.a. and an allowance for price inflation of 2.4 per cent p.a.;

- Mr Callaghan is not reappointed at the end of his term, and his pension will be preserved until age 60 when it will come into payment.

The provision is included in the HSE accounts.

The appointment of Commission members is non-pensionable.

The employees of the Health and Safety Commission, other than the Chairman and Commission members, are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. For details of the schemes please refer to HSE accounts, accounting policy Note 1(k).

## 2 Request for Resources

Pursuant to Section 43 of The Health and Safety at Work etc. Act 1974, the Commission is financed by Request for Resources from the Department for Work and Pensions (Request for Resources 2).

The total Request for Resources received by the Health and Safety Commission from the Department for Work and Pensions for the financial year 2003/04 was £197 066 000 and after deducting £330 939 for staff costs and £313 019 for other operating charges, the sum of £196 422 042 was allocated to the Health and Safety Executive. These transactions pass through Reserves in the Balance Sheet but produce a nil value in HSC.

	<b>£'000</b>
Opening general fund 1 April 2003	<b>NIL</b>
Net parliamentary cash funding	<b>197 066</b>
Net operating cost	<b>644</b>
Cash transfer to HSE (refer HSE Schedule 4)	<b>196 422</b>
Closing general fund 31 March 2004	<b>NIL</b>

### 3 Expenditure of the Health and Safety Commission

	2003/04 £'000	2002/03 £'000
Staff Numbers and Costs:		
(a) Staff costs of the Health and Safety Commission:		
Wages and salaries	267	312
Social security costs	23	24
Other pension costs	18	27
Pension paid to former Chairmen	23	23
<b>Sub Total</b>	<b>331</b>	<b>386</b>
Inward Secondments	-	1
<b>Total</b>	<b>331</b>	<b>387</b>
Less recoveries in respect of outward secondments	-	-
<b>Total Net Costs</b>	<b>331</b>	<b>387</b>

	2003/04 Nos.	2002/03 Nos.
(b) The average number of employees during the year of the account, other than the Chairman and Commission members was made up as follows:		
Non-specialist staff	4.5	6

*Note:*

*For further details on pension arrangements for non specialist staff please refer to HSE accounts (accounting policy Note 1(k) and Note 2).*

(c) Emoluments of the Chairman

2003/04						
Salary	Other taxable benefits (to nearest £100)	Real Increase in pension at 60	Total accrued pension at 60 at 31 March 04	CETV at 31 March 04	Real increase in CETV	
£'000	£	£'000	£'000	£'000	£'000	£'000
Bill Callaghan 95-100	0	0-2.5 plus 2.5-5 increase in lump sum	35-40 plus 110-115 lump sum	482	20	

2002/03						
Salary	Other taxable benefits (to nearest £100)	Real Increase in pension at 60	Total accrued pension at 60 at 31 March 03	CETV at 31 March 03		
£'000	£	£'000	£'000	£'000	£'000	£'000
Bill Callaghan 95-100	0	0-2.5	0-5	450		

Notes:

*Salary* 'Salary' includes gross salary, performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

*Pensions* No Commission members, other than the Chairman, have pensions (see Note 1(c)). There are no outstanding contributions payable to the Civil Service Superannuation Vote at 31 March 2004. There were no Employer contributions to partnership pension accounts during the year.

CETV (Cash Equivalent Transfer Value) is the actuarially assessed value of the Chairman's pension scheme benefits accrued by him.

(d) Emoluments of the Commission members:

	2003/04			
	Salary	Fees	Other taxable benefits (to nearest £100)	Total
	£	£	£	£
George Brumwell CBE	1 475	1 836	-	3 311
Margaret Burns CBE	1 475	7 421	7 900	16 796
Abdul Chowdry	1 475	3 519	6 100	11 094
Judith Donovan CBE	1 475	4 590	3 100	9 165
Joyce Edmond-Smith	1 475	5 714	700	7 889
Judith Hackitt	1 475	2 142	-	3 617
John Longworth	1 475	2 924	300	4 699
Maureen Rooney CBE (1)	123	-	-	123
Owen Tudor	1 475	2 778	-	4 253
Elizabeth Snape (2)	615	918	-	1 533
	12 538	31 842	18 100	62 480

(d) Emoluments of the Commission members:

	2002/03			
	Salary	Fees	Other taxable benefits (to nearest £100)	Total
	£	£	£	£
George Brumwell CBE	1 443	1 820	-	3 263
Margaret Burns CBE	1 443	6 499	6 900	14 842
Abdul Chowdry	1 443	5 136	4 100	10 679
Judith Donovan CBE	1 443	5 100	3 000	9 543
Joyce Edmond-Smith	1 443	5 997	400	7 840
Judith Hackitt	1 443	1 816	-	3 259
John Longworth	1 443	1 445	100	2 988
Maureen Rooney CBE (1)	1 443	1 204	-	2 647
Owen Tudor	1 443	4 537	-	5 980
	12 987	33 554	14 500	61 041

*Notes:*

(1) *Died May 2003*

(2) *Appointment commenced 1 November 2003*

*The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Other taxable benefits for Commission members include mileage and an accommodation allowance, as appropriate. Any ensuing tax liability is met by HSC.*

*The Chairman and Commission members are appointed for a fixed term of up to three years. The Chairman is part-time, working four days a week. If the Chairman or a member leaves the Commission other than on the expiry of their term of office, and it appears to the Secretary of State that there are special circumstances that justify the payment of compensation, a payment can be made as determined by the Secretary of State with Treasury approval.*

## 4 Non staff administration costs of the Health and Safety Commission

	2003/04 £'000	2002/03 £'000
General administrative expenses	212	130
Travel, subsistence and hospitality for:		
Chairman, Commission members and support staff (see note below)	60	65
Rent, rates, maintenance and other premises costs	41	61
	<b>313</b>	<b>256</b>

*Note:*

*Travel, subsistence and hospitality expenses for the Chairman and Commission members was £51 726 (2002/03 £61 030), while the total for the support staff was £8 718 (2002/03 £3 888).*

## 5 Related party transactions

The Health and Safety Commission is an Executive Non-Departmental Public Body with Crown status and is sponsored by the Department for Work and Pensions (DWP).

DWP is regarded as a related party. During the year, HSC did not have any material transactions with DWP or other entities for which DWP is regarded as the parent Department.

None of the Commission members or any persons connected with them have any interest in any material transactions with HSC/HSE or received benefits from their suppliers during the year.

## HEALTH AND SAFETY EXECUTIVE:

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements on pages 127 to 156 under The Health and Safety at Work etc. Act 1974. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 134 to 137.

## Respective responsibilities of the Executive, Director General and Auditor

As described on page 109 the Director General of the Health and Safety Executive is responsible for the preparation of the financial statements under The Health and Safety at Work etc. Act 1974 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. The Director General and the Chairman of the Health and Safety Commission are jointly responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Health and Safety at Work etc. Act 1974 and directions made thereunder by the Secretary of State, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Executive has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the joint statement on pages 110 to 113 reflects the Executive's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Executive's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director General in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Executive's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Health and Safety Executive at 31 March 2004 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year ended and have been properly prepared in accordance with The Health and Safety at Work etc. Act 1974 and the directions made thereunder by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

***John Bourn***

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP  
30 June 2004

## SCHEDULE I

### HEALTH AND SAFETY EXECUTIVE: SUMMARY OF RESOURCE OUTTURN 2003/04

	Estimate Net Expenditure	Outturn Net Expenditure	Net total outturn compared with Estimate saving/(excess)	Prior-year outturn
	£'000	£'000	£'000	£'000
Net operating cost	219 983	197 265		201 633
Net resource outturn (see note below)	219 983	198 051	21 932	203 628

*Note:*

*Analysis of income payable to the Department for Work and Pensions*

*As a Non-Departmental Public Body, the Health and Safety Executive retains income generated in order to fund its activities.*

*Amounts payable in 2003/04 were £786 692.48 of which £786 692.48 (see also Schedule 4) was outstanding at 31 March 2004.*

*Amounts paid in 2003/04 were £2 285 878.83 of which £2 285 878.83 related to 2002/03 and £0 related to 2003/04.*

#### **Actual outturn - resources**

Request for Resources 2. Actual amount net resource outturn £198 050 728.35. Actual amount of savings in resources over Estimate £21 932 271.65. Net operating cost compared with Estimate is made up as follows:

	Estimate	Outturn	Estimate minus outturn saving/(excess)
	£'000	£'000	£'000
Administration	226 751	218 474	8 277
Administration Other	10 726	9 462	1 264
Total Administration	<u>237 477</u>	<u>227 936</u>	<u>9 541</u>
Programme	66 311	53 920	12 391
<b>Total Gross Expenditure</b>	<u>303 788</u>	<u>281 856</u>	<u>21 932</u>
Appropriations in Aid (A in A)	(83 161)	(83 947)	786
<b>Net Operating Cost</b>	<u>220 627</u>	<u>197 909</u>	<u>22 718</u>
A in A surrendered to DWP	0	786	(786)
<b>HSC/HSE net resource outturn</b>	<u>220 627</u>	<u>198 695</u>	<u>21 932</u>
Less HSC	(644)	(644)	0
<b>HSE net resource outturn</b>	<b>219 983</b>	<b>198 051</b>	<b>21 932</b>

*The Notes on pages 134 to 156 form part of these accounts.*

## SCHEDULE 2

### HEALTH AND SAFETY EXECUTIVE: OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2003/04 £'000	2002/03 £'000
<b>Administration costs</b>			
Staff costs	2	146 363	145 645
Other administration costs	3	81 569	80 679
Gross administration costs		227 932	226 324
Operating income	5	(51 304)	(46 477)
EU Income		(601)	(523)
<b>Net administration costs</b>		<b>176 027</b>	<b>179 324</b>
<b>Programme costs</b>			
Expenditure	4	29 603	29 161
Less income	4 & 5	(8 365)	(6 852)
<b>Net programme costs</b>		<b>21 238</b>	<b>22 309</b>
<b>Net operating cost</b>	6 & 7	<b>197 265</b>	<b>201 633</b>
<b>Net resource outturn</b>	6 & 7	<b>198 051</b>	<b>203 628</b>

*All income and expenditure is derived from continuing operations.*

### Statement of Recognised Gains and Losses for the year ended 31 March 2004

	2003/04 £'000	2002/03 £'000
Net gain/(loss) on revaluation of tangible fixed assets (Refer Note 16)	31	724
Increase to provision arising on actuarial valuation of pensions by analogy	(83)	-
Total recognised gains and losses for the financial year	(52)	724

*The Notes on pages 134 to 156 form part of these accounts.*

## SCHEDULE 3

### HEALTH AND SAFETY EXECUTIVE: BALANCE SHEET AS AT 31 MARCH 2004

	Notes	£'000	31 March 2004 £'000	31 March 2003 £'000
<b>Fixed assets</b>				
Tangible assets	9		27 176	27 847
<b>Debtors: falling due after more than one year</b>	12		406	1 261
<b>Current assets</b>				
Stocks	11	2 255		1 883
Debtors	12	21 973		19 719
Cash at bank and in hand	13	137		91
		<b>24 365</b>		<b>21 693</b>
Creditors (amounts falling due within one year)	14	<b>(11 312)</b>		<b>(9 859)</b>
<b>Net current assets</b>			<b>13 053</b>	<b>11 834</b>
<b>Total assets less current liabilities</b>			<b>40 635</b>	<b>40 942</b>
Creditors (amounts falling due after more than one year)	14		-	(10)
Provisions for liabilities and charges	15		<b>(3 435)</b>	<b>(3 522)</b>
			<b>37 200</b>	<b>37 410</b>
<b>Taxpayers' equity</b>				
General fund	21		<b>34 332</b>	34 183
Revaluation reserve	16		<b>2 868</b>	3 227
			<b>37 200</b>	<b>37 410</b>

The Notes on pages 134 to 156 form part of these accounts.

**Timothy Walker CB**

Director General  
Health and Safety Executive  
Accounting Officer  
24 June 2004

## SCHEDULE 4

### HEALTH AND SAFETY EXECUTIVE: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Note	2003/04 £'000	2002/03 £'000
Net cash outflow from operating activities		(187 063)	(191 161)
Capital expenditure and financial investment		(5 887)	(7 897)
Receipts due to DWP which are outside the scope of HSE's activities		1	4
Payments of amounts due to DWP		(2 286)	(1)
Financing		196 422	193 070
(Decrease) / increase in cash in the period	Refer over	1 187	(5 985)
<b>Notes</b>			
<b>Reconciliation of operating cost to operating cash flows</b>			
<b>Net operating cost</b>		197 265	201 633
Adjust for non-cash transactions		(9 156)	(10 827)
Adjust for movements in working capital other than cash	10	(2 227)	(2 077)
Adjust for movements in creditors over one year	14	10	15
Use of provisions	15	1 171	2 417
<b>Net cash outflow from operating activities</b>		187 063	191 161
<b>Analysis of capital expenditure and financial investment</b>			
Purchase of fixed assets		6 295	8 489
Proceeds of disposal of fixed assets		(408)	(592)
<b>Net cash outflow from investing activities</b>		5 887	7 897
<b>Analysis of financing and reconciliation to the net cash requirement</b>			
From DTLR		-	145 418
From DWP		196 422	47 652
Decrease / (increase) in cash		(1 187)	5 985
<b>Adjustment for payments and receipts not related to Supply</b>			
Amounts due to DWP			
- received in a prior year and paid over		(2 286)	(1)
- received and not paid over		1	4
- Excess non operating Appropriations in Aid re. disposal of fixed assets		-	288
- Excess Appropriations in Aid included in income		786	1 995
<b>Net cash requirement</b>		193 736	201 341

The amount of grant actually issued to support the net cash requirement = £196 422 000

**Reconciliation of net cash outflow as per Note 13 to movement in cash as per Schedule 4 above.**

	<b>2003/04</b>	<b>2002/03</b>
	<b>£'000</b>	<b>£'000</b>
Net cash inflow (outflow) (as per Note 13)	<b>46</b>	(4 409)
Movement in uncleared payments (included within creditors)	<b>1 141</b>	(1 576)
Increase / (Decrease) in cash in the period (as per Schedule 4)	<b>1 187</b>	(5 985)

*The Notes on pages 134 to 156 form part of these accounts.*

## SCHEDULE 5

### HEALTH AND SAFETY EXECUTIVE: RESOURCES BY AIMS AND OBJECTIVES FOR THE YEAR ENDED 31 MARCH 2004

	2003/04			2002/03		
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000
<b>Aims/objectives</b>						
<b>First aim:</b>						
To modernise, simplify and support the regulatory framework, including EU and other international work	36 245	(4 052)	32 193	39 929	(3 781)	36 148
<b>Second aim:</b>						
To secure compliance with the law in line with the principles of proportionality, consistency, transparency and targeting on a risk related basis	142 741	(38 934)	103 807	145 141	(34 533)	110 608
<b>Third aim:</b>						
To improve the knowledge and understanding of health and safety through the provision of appropriate (and timely) information and advice	39 049	(12 397)	26 652	36 260	(10 353)	25 907
<b>Fourth aim:</b>						
To promote risk assessment and technical knowledge as the basis for setting standards and guiding enforcement activities	25 189	(2 282)	22 907	25 392	(1 994)	23 398
<b>Fifth aim:</b>						
To operate statutory schemes, including regulatory services, through, for example EMAS	14 311	(2 605)	11 706	8 763	(3 191)	5 572
<b>Net operating costs</b>	<b>257 535</b>	<b>(60 270)</b>	<b>197 265</b>	<b>255 485</b>	<b>(53 852)</b>	<b>201 633</b>

*The Notes on pages 134 to 156 form part of these accounts.*

# HEALTH AND SAFETY EXECUTIVE:

## NOTES TO THE ACCOUNTS

### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2003/04 Resource Accounting Manual (RAM) (<http://www.resource-accounting.gov.uk>) issued by HM Treasury. The particular accounting policies adopted by HSE are described below. They have been applied consistently in dealing with the items considered material in relation to the accounts. The financial statements consolidate the figures for the Health and Safety Laboratory.

The accounting policies contained in the RAM follow generally accepted accounting practice for companies (UK GAAP) to the extent that is meaningful and appropriate to the public sector.

#### **(a) Accounts Direction**

In accordance with Accounts Directions issued by the Secretary of State with the approval of the Treasury the Health and Safety Commission and Health and Safety Executive have prepared a joint Foreword, Statement of Responsibilities and Statement on Internal Control. These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets (including the depreciated replacement cost of the specialist laboratory site at Buxton), and stocks where material, at their value to the business by reference to their current costs.

#### **(b) Analysis of activities**

All the activities of the Executive are designed to use the measures in The Health and Safety at Work etc. Act 1974 to further the reduction of occupational accidents and disease.

#### **(c) Government grants**

Pursuant to Section 43 of The Health and Safety at Work etc. Act 1974, the Commission has been financed by Request for Resources from the Department for Work and Pensions.

The Commission pays to the Executive such sums as the Commission considers appropriate for the purpose of enabling the Executive to perform its functions. The Request for Resources is credited to the General Fund in the year in which it is received.

#### **(d) Assets**

All assets are held by the Health and Safety Executive on behalf of the Health and Safety Commission.

Items of equipment costing less than £2 000 are charged to expenditure in the year of purchase, except for computer equipment (refer also Note 24) costing over £500 and items of furniture which are grouped for capitalisation by year of acquisition.

Items of equipment purchased under research contracts and held by outside bodies are charged to expenditure in the year of purchase.

Fixed assets are capitalised at cost of acquisition and installation.

Non-property assets are revalued to open market value. Price index numbers for current cost accounting (MM17) published by the Office for National Statistics are used to estimate value where market value is not obtainable. For 2003/04 tangible fixed assets were revalued at the Balance Sheet date. In previous years revaluation was carried out at 30th September.

Land and buildings are valued on an existing use basis except for the specialist laboratory site at Buxton which has been included at depreciated replacement cost.

In accordance with the Resource Accounting Manual and FRS 15 professional revaluations of land and buildings will be undertaken at least every five years. The respective values of all freehold properties and only those leasehold properties that qualify as finance leases (refer accounting policy Note 1) are included in the Balance Sheet. The freehold and leasehold properties at Sheffield and Buxton were independently valued during 2002/03 by Chesterton PLC, Chartered Surveyors. The property at Carlisle was independently valued during 2000/01 by Donaldsons, Chartered Surveyors. In each case the valuations were in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. In the periods between formal valuations properties have been revalued in accordance with appropriate indices.

### **(e) Depreciation**

Freehold land is not depreciated.

Depreciation is provided on all other tangible fixed assets from the date of acquisition.

Depreciation is calculated to write-off the replacement cost or valuation of an asset evenly over its expected useful life except for vehicles acquired for the car leasing scheme where 60 per cent of the original cost is depreciated over the three year life of the contract. Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to HSE respectively.

Tangible fixed assets are depreciated at the following rates to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

Buildings:	Freehold	over 50 years or remaining life assessed by the valuers
	Leasehold	over period of lease or to next rent review
Specialist plant		over remaining life
Furniture		up to 15 years
Office machinery, publicity & major scientific equipment		up to 10 years
IT equipment		up to 5 years
Printing/typesetting & telecommunications equipment		up to 7 years
Vehicles		up to 7 years
Motor vehicles leased to staff		up to 3 years

## **(f) Revaluation reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. Surpluses arising on the revaluation of fixed assets are credited to the revaluation reserve. Deficits are charged to the reserve in respect of amounts previously credited; the balance of any deficit is charged to the operating cost statement.

## **(g) Stocks and work in progress**

Stocks and work in progress are valued as follows:

- finished goods and priced goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used. The cost of free publications is written off in the year in which it is incurred;
- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

## **(h) Foreign currency**

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at the year-end.

Translation differences are dealt with through the Operating Cost Statement.

## **(i) Research**

Expenditure on research is written off in the year in which it is incurred.

## **(j) Capital charge**

A charge, reflecting the cost of capital utilised by HSE, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5 per cent (6 per cent in 2002/03) in real terms on the average of all assets less liabilities, except for donated assets and cash balances with Office of HM Paymaster General, where the charge is nil.

## **(k) Pension costs**

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described at Note 2. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. HSE recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the schemes, HSE recognises the contributions payable for the year.

## **(l) Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by HSE, the asset is recorded as a tangible asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

### **(m) Administration and programme expenditure**

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the organisation as defined under the administration cost-control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Executive.

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

PFI transactions (refer Note 24) have been accounted for in accordance with Treasury Technical Note No. 1 (Revised), entitled 'How to Account for PFI transactions' as required by the Resource Accounting Manual. Where the balance of risk and rewards of ownership of the PFI asset are borne by the PFI operator, the PFI payments are recorded as an operating cost. 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 assets 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.

Where the balance of risks and rewards of ownership of the PFI asset is borne by HSE, the asset is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

### **(o) Provisions**

HSE provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of 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 Treasury discount rate of 3.5 per cent in real terms.

### **(p) Contingent liabilities**

Disclosure conforms to FRS 12, including discounting where the time value of money is material. In addition, cases that are subject to parliamentary reporting are also included.

### **(q) Value Added Tax**

Most of the activities of HSE 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 fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

### **(r) Operating income**

Operating income is income which relates directly to the operating activities of HSE. It principally comprises fees and charges for services provided on a full cost basis to external customers. Operating income is stated net of VAT.

## 2 Staff numbers and costs of the Health and Safety Executive

(a) Staff costs consist of:	2003/04 £'000	2002/03 £'000
Wages and salaries	120 098	120 118
Social security costs	9 345	8 385
Other pension costs	16 986	17 150
<b>Sub total</b>	<b>146 429</b>	<b>145 653</b>
Inward secondments	111	195
<b>Total</b>	<b>146 540</b>	<b>145 848</b>
Less recoveries in respect of outward secondments	(177)	(203)
<b>Total Net Costs</b>	<b>146 363</b>	<b>145 645</b>

*Note:*

*The Principal Civil Service Schemes (PCSPS) to which most of the department's employees are members are unfunded multi-employer defined benefit schemes but HSE is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice-pensions.gov.uk>).*

*For 2003/04 employer contributions of £16 958 873 were payable to the PCSPS (2002/03 £16 939 964) at one of the four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed in 2005/06 following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.*

*Employees joining after 1 October 2002 could opt to join a partnership pension account, a stakeholder pension with an employer contribution. For 2003/04 employer contributions of £16 603.37 (2002/03 £5 630.68) were paid to three appointed stakeholder pension providers (refer also Note c).*

(b) The average number of whole-time equivalent persons employed during the year was as follows:

Aims/ Objectives	Total 2003/04	Senior Management	Inspectors	Other Professional/ Specialists	Non Specialists	Staff on inward secondment	Agency, temporary and contract staff	Total 2002/03
First Aim	546	7	213	190	121	1	14	633
Second Aim	2589	33	1011	904	572	3	66	2619
Third Aim	497	6	194	174	110	1	12	561
Fourth Aim	258	3	101	90	57	0	7	235
Fifth aim	200	3	78	70	44	0	5	174
<b>Total</b>	<b>4090</b>	<b>52</b>	<b>1597</b>	<b>1428</b>	<b>904</b>	<b>5</b>	<b>104</b>	<b>4222</b>

Note:

Refer Schedule 5 for description of Aims / Objectives.

(c) Salary and Pension Entitlements of Director General

	Salary	Benefits in kind (to nearest £100)	Real increase in pension at 60	Total accrued pension at 60 at 31 March	CETV at 31 March	Real increase in CETV
	£'000	£	£'000	£'000	£'000	£'000

Timothy Walker CB

2003/04	145-150	0	2.5-5 Plus 10-12.5 lump sum	50-55 Plus 155-160 lump sum	957	92
2002/03	135-140	0	2.5-5	40-45	841	

Salary and Pension Entitlements of Executive Members

	2003/04					
	Salary	Benefits in kind (to nearest £100)	Real increase in pension at 60	Total accrued pension at 60 at 31 March	CETV at 31 March	Real increase in CETV
	£'000	£	£'000	£'000	£'000	£'000
<b>Kate Timms CB</b>	<b>130-135</b>	<b>0</b>	<b>5-7.5</b> <b>Plus 17.5-20</b> <b>lump sum</b>	<b>60-65</b> <b>Plus 190-195</b> <b>lump sum</b>	<b>1 181</b>	<b>122</b>
<b>Justin McCracken</b>	<b>115-120</b>	<b>0</b>	<b>0-2.5</b> <b>Plus 2.5-5</b> <b>lump sum</b>	<b>5-10</b> <b>Plus 15-20</b> <b>lump sum</b>	<b>87</b>	<b>36</b>

Notes:

Details of HSL's senior management emoluments can be found in their own published accounts.

CETV (Cash Equivalent Transfer Value) is the actuarially assessed value of the pension scheme benefits accrued by a member.

Salary and Pension Entitlements of Executive Members

	2002/03				
	Salary	Benefits in kind (to nearest £100) at 60	Real increase in pension	Total accrued pension at 60 at 31 March	CETV at 31 March
	£'000	£	£'000	£'000	£'000
Kate Timms CB	115-120	0	2.5-5	45-50	1 030
Justin McCracken	110-115	0	0-2.5	0-5	50

Notes:

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

None of the Executive members received Benefits in kind.

The Director General is appointed for a fixed term of up to five years. The other Executive members are appointed for a fixed term of up to three years. None of the members receive any predetermined compensation payment on termination of office.

There were no employer contributions to partnership pension accounts during the year.

Notes:

### Pension

*The Executive are all members of the Principal Civil Service Pension Scheme (PCSPS).*

*Pension Benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).*

#### *(a) Classic Scheme*

*Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at the rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.*

#### *(b) Premium Scheme*

*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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at the rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouses pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Here the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.*

#### *(c) Classic Plus Scheme*

*This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as classic.*

*Pensions payable under classic, premium and classic plus are increased in line with the Retail Prices Index.*

#### *(d) Partnership Pension Account*

*This is a stakeholder type arrangement where the employer pays a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer to a limit of 3 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25 per cent of the fund as a lump sum.*

### 3 Non staff administration costs of the Health and Safety Executive

	2003/04 £'000	2002/03 £'000
<b>Rentals under operating leases:</b>		
Hire of plant and machines	169	116
Other operating leases	8 977	7 868
<b>PFI service charges:</b>		
Off-balance sheet contracts	17 680	16 951
<b>Interest charges on finance leases</b>	5	4
<b>Auditor's remuneration</b>	84	82
<b>Non-cash items:</b>		
Depreciation and amortisation of fixed assets	6 321	6 480
Cost of capital charge	1 384	2 430
Loss on revaluation of fixed assets	151	327
Loss on sale of fixed assets	212	131
Provisions: Provided in year	887	1 342
Other non-cash items	90	83
<b>Other expenditure</b>	45 609	44 865
	<b>81 569</b>	<b>80 679</b>

Notes:

Travel, subsistence and hospitality expenses for the Executive members was £39 152 (2002/03 – £39 101), whilst the total for all other staff was £11 392 420 (2002/03 - £11 415 430).

There were no payments made to the NAO for non-audit work carried out in the year.

	2003/04 £'000	2002/03 £'000
<b>Analysis of other expenditure</b>		
Accommodation	13 797	14 143
Travel and Subsistence	11 432	11 455
Other	20 380	19 267
	<b>45 609</b>	<b>44 865</b>

## 4 Net programme costs

	2003/04 £'000	2002/03 £'000
Research	16 248	17 763
Publicity, marketing and distribution	10 956	9 441
Other	2 399	1 957
Sub Total	29 603	29 161
Less programme income	(8 365)	(6 852)
Net total	21 238	22 309

## 5 Income

The activities of the Executive include certain chargeable services, each of which is subject to a financial objective of full cost recovery. Memorandum Trading Accounts are prepared where the cost of a particular service exceeds £100 000. The charges for these activities, which are exclusive of VAT, include provision for the recovery of notional interest, apart from the licensing of nuclear installations where the notional charge is not an expense that can be recovered under the Nuclear Installations Act 1965.

	Cost	Income	Surplus/ (Deficit) 2003/04	Surplus/ (Deficit) 2002/03
	£'000	£'000	£'000	£'000
(i) HSE fees and charges				
Licensing of nuclear installations	20 984	20 984	-	-
Safety related research in the nuclear industry	1 666	1 666	-	-
Genetically modified organisms	160	103	(57)	(47)
First-aid approvals	237	135	(102)	(25)
Electrical Equipment Certification Unit*	-	-	-	(912)
Asbestos Licensing Unit	345	300	(45)	(24)
Authorisation of biocides and pesticides	1 364	1 364	-	(61)
Notification of new substances	251	317	66	(27)
Control of major accident hazards	3 823	3 902	79	82
Enforcement of railway safety legislation	7 497	7 693	196	(562)
Enforcement of offshore safety legislation	8 744	9 082	338	(1 096)
Enforcement of Gas Safety Management Regulations	166	152	(14)	-
	<u>45 237</u>	<u>45 698</u>	<u>461</u>	<u>(2 672)</u>
Health and Safety Laboratory external customers	2 690	2 690	-	-
Health and Safety Laboratory EU income	412	412	-	-
Other fees and agency charges	-	197	-	-
<b>Total fees and charges at 31 March 2004</b>	<b>48 339</b>	<b>48 997</b>		
Total fees and charges at 31 March 2003	47 331	44 943		
(ii) HSE sales and other income				
Sale of publications	4 654	6 026	1 372	1 061
Other sales/income	-	5 058	-	-
EU income	189	189	-	-
<b>Total sales and other income at 31 March 2004</b>	<b>4 843</b>	<b>11 273</b>		
Total sales and other income at 31 March 2003	4 183	8 909		

*This analysis conforms to the HM Treasury's 'The Fees and Charges Guide' and is not intended to comply with SSAP25 Segmental Reporting.*

*\* The Electrical Equipment Certification Unit ceased trading at the end of September 2002.*

Rents receivable are as follows:

	2003/04 £'000	2002/03 £'000
Rents from other Government Departments	31	137
Rents from external tenants	0	74
<b>Total</b>	<b>31</b>	<b>211</b>

## 6 Reconciliation of net operating cost to net resource outturn

		2003/04 £'000	2002/03 £'000
Net operating cost	(Schedule 2)	197 265	201 633
Income to be surrendered to DWP		786	1 995
Resource budget outturn		<b>198 051</b>	<b>203 628</b>
Net resource outturn	(Schedule 2)	<b>198 051</b>	<b>203 628</b>

## 7 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement

	2003/04				Net Total £'000	2002/03 Prior year outturn £'000
	Admin £'000	Programme £'000	Current grants £'000	A-in-A £'000		
Request for Resources	227 932	29 603	-	(59 484)	198 051	203 628
<b>Total</b>					<b>198 051</b>	<b>203 628</b>
<b>Resource outturn</b>					<b>198 051</b>	<b>203 628</b>
<b>Excess income (operating appropriations in aid) to be surrendered to DWP</b>					<b>(786)</b>	<b>(1 995)</b>
<b>Net operating cost</b>					<b>197 265</b>	<b>201 633</b>

Functions represent the disaggregation of Requests for Resources for control purposes and parliamentary approval.

**Excess non operating appropriations in aid:**

	<b>2003/04</b>	<b>2002/03</b>
	<b>£'000</b>	<b>£'000</b>
Disposal of fixed assets	<b>0</b>	<b>288</b>

**8 Analysis of capital expenditure, financial investment and associated appropriations in aid**

	<b>2003/04</b>			
	<b>Capital expenditure</b>	<b>Loans etc</b>	<b>A-in-A</b>	<b>Net Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Request for Resources	<b>5 675</b>	<b>-</b>	<b>(408)</b>	<b>5 267</b>
Total 2002/03	<b>8 515</b>	<b>-</b>	<b>(592)</b>	<b>7 923</b>

## 9 Tangible fixed assets

	Land & Buildings	Information Technology	Motor Vehicles	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2003	17 834	3 711	3 681	14 282	11 413	-	50 921
Reclassifications (Cost)	-	(23)	-	(108)	-	131	-
Additions in year	2 825	419	619	1 079	564	169	5 675
Reclassifications (Additions)	-	-	-	91	-	624	715
Revaluations in year	-	(238)	11	(102)	74	-	(255)
Disposals during year	-	(280)	(846)	(1 269)	(1 065)	-	(3 460)
<b>Balance at 31 March 2004</b>	<b>20 659</b>	<b>3 589</b>	<b>3 465</b>	<b>13 973</b>	<b>10 986</b>	<b>924</b>	<b>53 596</b>
Depreciation at 1 April 2003	4 734	2 898	1 217	9 216	5 009	-	23 074
Charge in year	2 555	462	597	1 441	1 266	-	6 321
Revaluations in year	-	(122)	4	(53)	36	-	(135)
Disposals during year	-	(275)	(468)	(1 223)	(874)	-	(2 840)
<b>Accumulated depreciation at 31 March 2004</b>	<b>7 289</b>	<b>2 963</b>	<b>1 350</b>	<b>9 381</b>	<b>5 437</b>	<b>-</b>	<b>26 420</b>
<b>Net book value at 31 March 2004</b>	<b>13 370</b>	<b>626</b>	<b>2 115</b>	<b>4 592</b>	<b>5 549</b>	<b>924</b>	<b>27 176</b>
Net book value at 31 March 2003	13 100	813	2 464	5 066	6 404	-	27 847

**Asset financing:**

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	12 779	626	2 115	4 573	5 549	209	25 851
Finance leased	591	-	-	19	-	-	610
PFI residual interests	-	-	-	-	-	715	715
<b>Net book value at 31 March 2004</b>	<b>13 370</b>	<b>626</b>	<b>2 115</b>	<b>4 592</b>	<b>5 549</b>	<b>924</b>	<b>27 176</b>

**Analysis of land and buildings between freehold, long and short leasehold**

The net book value of land and buildings at 31 March 2004 comprises:

	2003/04 £'000	2002/03 £'000
Freehold	5 727	5 633
Long leasehold	-	1 197
Short leasehold	7 643	6 270
	<b>13 370</b>	<b>13 100</b>

**10 Movements in working capital other than cash**

	2003/04 £'000	2002/03 £'000
(Increase)/decrease in stocks/work in progress	(372)	136
Decrease /(increase) in debtors	(1 399)	3 182
Increase/(decrease) in creditors falling due within one year	2 594	1 070
Net decrease /(increase) in working capital other than cash	<b>823</b>	<b>4 388</b>
Less (increase)/decrease/in amounts payable to DWP	1 499	(2 285)
Less (increase) in capital creditor	(95)	(26)
	<b>2 227</b>	<b>2 077</b>

## 11 Stocks and work in progress

	2003/04 £'000	2002/03 £'000
Consumables	68	56
Work-in-progress	681	487
Finished stock for sale	1 506	1 340
	<b>2 255</b>	<b>1 883</b>

## 12 Debtors

	2003/04 £'000	2002/03 £'000
Debts falling due within one year:		
Trade debtors	7 169	5 045
Imprest/advances	598	495
Prepayments	2 156	2 609
Taxation: VAT debtor	2 728	2 720
Other debtors	10	4
Accrued income	9 312	8 846
Sub Total	<b>21 973</b>	<b>19 719</b>
Debts falling due after more than one year:		
IT Refit	-	643
Prepayments	84	-
Imprests/advances	322	618
	<b>406</b>	<b>1 261</b>
Total	<b>22 379</b>	<b>20 980</b>

*Note:*

*The IT residual interest has been recategorised as a Tangible Fixed Asset in 2003/04.*

The imprests/advances total of £920 667 (2002/03 - £1 109 000) includes £427 302 (2002/03 - £561 000) advances of salary for house purchase, £231 485 (2002/03 - £254 000) advances of salary for season ticket purchase, £153 028 (2002/03 - £171 000) imprests and £108 852 (2002/03 - £123 000) other advances.

There were 57 officers who had £2 500 or more outstanding at 31 March 2004 which totalled £382 039 (2002/03 - £501 000 - relating to 72 officers).

### 13 Cash at bank and in hand

	2003/04 £'000	2002/03 £'000
Balance at 1 April	91	4 500
Net cash inflow (outflow)	46	(4 409)
<b>Balance at 31 March</b>	<b>137</b>	<b>91</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	0	0
Commercial banks and cash in hand	137	91
	<b>137</b>	<b>91</b>

### 14 Creditors

	2003/04 £'000	2002/03 £'000
Amounts falling due within one year:		
Trade creditors - non capital	895	640
Trade creditors - capital	121	26
Other creditors	77	46
Accruals and deferred income	8 760	6 652
Payments on account	672	209
Receipts payable to DWP	787	2 286
	<b>11 312</b>	<b>9 859</b>
Amounts falling due after more than one year:		
Finance leases	0	10
<b>Total</b>	<b>11 312</b>	<b>9 869</b>

## 15 Provisions for liabilities and charges

	Early departure costs £'000	Dilapidations £'000	Other £'000	Total £'000
Balance at 1 April 2003	2 148	1 035	339	3 522
Increase in provision	147	458	913	1 518
Provisions not required written back	(40)	(427)	-	(467)
Amounts utilised	(800)	(354)	(16)	(1 170)
Unwinding of discount	32	-	-	32
<b>Balance at 31 March 2004</b>	<b>1 487</b>	<b>712</b>	<b>1 236</b>	<b>3 435</b>

### Early departure costs

HSE meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. HSE provides for this in full when the early retirement programme becomes binding on HSE by establishing a discounted provision. In past years HSE paid in advance some of its liability for early retirement and the balance remaining is treated as a prepayment.

### Legal claims

Provision has been made for various legal claims against HSE. The provision (which is included in 'other') reflects all known claims where legal advice indicates that it is more than 50 per cent probable that the claim will be successful and the amount of the claim can be reliably estimated. No reimbursement will be received in respect of any of these claims.

Legal claims which may succeed but are less likely to do so or cannot be reliably estimated are disclosed as contingent liabilities in Note 25.

## 16 Reserves

	£'000
Revaluation reserve	
Balance at 1 April 2003	3 227
Arising on revaluation during the year (net)	31
Transfer to general fund of realised element of revaluation reserve	(390)
<b>Balance at 31 March 2004</b>	<b>2 868</b>

## 17 Capital commitments

	2003/04 £'000	2002/03 £'000
Contracted commitments for which no provision has been made	495	344

## 18 Losses and Special Payments

	2003/04 No. of Cases	2002/03 No. Of Cases	2003/04 £'000	2002/03 £'000
Cash	8	27	2	31
Claims abandoned	144	178	198	159
Administrative losses	0	0	0	0
Fruitless payments	43	80	24	9
Stores			317	153
Special payments	52	53	28	54
	<b>247</b>	338	<b>569</b>	406

## 19 Commitments under operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires:

	2003/04		2002/03	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring within:				
One year	755	33	66	41
After one year but not more than five years	696	128	1 034	117
More than five years	8 761	0	6 924	0
	<b>10 212</b>	<b>161</b>	8 024	158

## 20 Finance leases

HSE's obligations under finance leases are as follows:

	2003/04		2002/03	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Rentals due within one year	0	12	0	21
Rentals due after one year but within five years	0	0	0	12
Rentals due thereafter	0	0	0	0
	<u>0</u>	<u>12</u>	<u>0</u>	<u>33</u>
Less interest element		2		7
	<b>0</b>	<b>10</b>	<b>0</b>	<b>26</b>

Note:

The prior year comparatives have been re-stated gross as required by the RAM. The obligation under the lease for Land and Buildings ends in the next financial year as a result of the Private Finance Initiative arrangements, resulting in an obligation of less than £1 000.

## 21 Reconciliation of net operating cost to changes in general fund

	2003/04 £'000	2002/03 £'000
Net operating cost for the year (Schedule 2)	(197 265)	(201 633)
Net parliamentary funding	196 422	193 070
Excess appropriations in aid to be surrendered to DWP	(786)	(2 282)
Transferred to general fund in respect of realised element of revaluation reserve (Note 16)	390	573
Release from general fund (Chairman's pension)	(83)	168
Release from general fund (Other)	(3)	-
Non-cash charges (DWP Services)	90	83
Cost of capital	<u>1 384</u>	<u>2 430</u>
Net (decrease)/ increase in general fund	149	(7 591)
General fund at 1 April	34 183	41 774
<b>General fund at 31 March (Schedule 3)</b>	<b>34 332</b>	<b>34 183</b>

## 22 Related party transactions

The Health and Safety Executive is an Executive Non-Departmental Public Body with Crown status and is sponsored by the Department for Work and Pensions (DWP).

DWP is regarded as a related party. During the year, HSE had several transactions with DWP totalling £590 000 (2002/03 £603 000) that mainly related to the provision of pension services and premises costs. HSC and HSE did not have material transactions with other entities for which the DWP is regarded as the parent Department.

In addition, HSE had a number of material transactions with other Government Departments and other central government bodies. The significant transactions have been with the Central Office of Information (£288 000, 2002/03 - £514 000), Civil Service College (£302 000, 2002/03 - £314 000), Government News Network (£541 000, 2002/03 - £198 000), Department of Health (£205 000, 2002/03 - £223 000), Treasury Solicitor (£339 000, 2002/03 - £235 000), Office for National Statistics (£242 000, 2002/03 - £86 000), Department for Trade and Industry (£724,000, 2002/03 - £401,000) and Department of Environment, Food and Rural Affairs (£320 000, 2002/03 - £539 000) and mainly relate to premises, research, training, computer, legal services and administrative expenditure. None of the Executive members, the Director General or senior managers, or any person connected with these, had any interest in any material transactions with HSE or received benefits from HSE suppliers during the year.

## 23 Notes to Schedule 5

Our aims are those laid out in the Health and Safety at Work etc. Act 1974.

The Health and Safety Executive's operating cost has been allocated to aims/objectives wherever directly attributable or apportioned using normal management accounting practices.

## 24 Commitments under PFI contracts

HSE has entered into the following PFI contract.

### **Off-balance sheet**

#### **IT Services**

In June 2001, HSE signed a 10 year contract with a partner (Logica CMG with Computacenter as the key sub-contractor) for the provision of information and communications technology and Information Strategy (IS) service across all HSE sites and to all HSE users.

The Agreement is based on a model agreement for PFI (Private Finance Initiative) contracts. Typically in PFI deals, the contractor provides services and risk is transferred to the party best able to manage it. The partner has taken over ownership of HSE's IT hardware and some software assets and is responsible for providing all future assets needed to deliver the IT service.

If Logica CMG were to meet the performance standards in the contract and the transaction levels and business developments fall within the agreed parameters, the payments under the contract at constant price levels would be:

	2003/04 £'000	2002/03 £'000
Amounts falling due within one year	12 997	12 691
Net present value of amounts falling due within two to five years	50 439	46 430
Net present value of amounts falling due within six to ten years	35 699	36 088

*A discount rate of 3.5 per cent has been used to derive the net present cost of the non-discretionary payment streams in years two to ten.*

*The estimated capital value of the contract is £23m.*

## 25 Contingent liabilities

In October 2001, a claim from Thames Trains Ltd following the Ladbroke Grove railway disaster was filed against HSE and Her Majesty's Railway Inspectorate for an amount in excess of £5 million. The basis of the claim is that HSE was negligent in connection with the railway infrastructure at the location of the crash. This claim will be rigorously defended and whilst the outcome of these matters cannot readily be determined or foreseen, it is considered that it is likely that the claim will be defended successfully.

HSE is currently defending two equal pay cases. HSE successfully appealed against an equal pay Employment Tribunal decision in June 2003. That appeal is now subject to a cross appeal, which will be heard at the Court of Appeal in July 2004. Arguments in the case may be referred to Europe and the litigation process could continue for a further two years or more. HSE won another equal pay case in December 2003 as a result of the appeal decision but that case is also subject to a cross appeal but this has been stayed pending the outcome of the first case. If we were to lose these cases, the financial consequences would depend on the nature of the judgement in relation to the employees who brought the cases, and the degree to which the judgements would apply to other members of staff, including the extent to which any awards made are backdated.

An estimate for the staff related costs of the HSL relocation to Buxton in the Autumn has been included in these accounts and is based on the information available at the time of preparation. However, qualifying staff have a period of 6 months from the date of their transfer to decide on relocation, and a higher number of individuals may ultimately take up this option, although at this stage this is considered to be sufficiently unlikely and difficult to quantify.

In addition, the likely costs of the physical move of assets to Buxton is, at the present time, difficult to estimate with any reasonable degree of certainty, given the unusual type of assets involved and the specialist nature of some of the work required.

## 26 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of our activities and the way in which government bodies are financed, HSE is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in their ability to create or change risk than would be typical of the listed companies to which FRS 13 mainly applies. HSE has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are

not held to change the risks facing HSE in undertaking its activities.

### ***Financial assets***

These are non interest bearing imprests and advances to staff falling due after more than one year, as detailed in Note 12. As at 31 March 2004, the weighted average period to maturity was 5.0 years (2002/03 5.3 years).

### ***Foreign currency risk***

HSE's exposure to foreign currency risk is not significant. Disclosure of debtors and creditors due and payable after one year is made in the respective Notes to the Accounts.

### ***Fair values***

The fair values of HSE's financial assets has been calculated as £290 000 at 31 March 2004 (£381 000 at 31 March 2003). The basis of fair valuation has been to discount cash flows by the real rate set by HM Treasury (currently 3.5 per cent).

### ***Liquidity risk***

HSE's net revenue resource requirements are financed by resources voted annually by Parliament. HSE is not therefore exposed to significant liquidity risk.

### ***Interest rate risk and profile***

All of HSE's financial assets and liabilities carry nil rates of interest and hence are not exposed to significant interest rate risk.