

**Part 2**  
**Health and Safety Commission accounts**  
**and Health and Safety Executive accounts**  
**2001/02**

# 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. 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 1.1 to 1.79 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.

## 2 Results and appropriations

The total grant-in-aid received by the Commission was £203 500 000 and after operating costs of £605 218 the balance of £202 894 782 was passed to the Executive. The net resource operating cost of the Executive was £202 695 959.

Income is recognised when earned and expenditure when incurred.

Income earned but required to be paid over to DTLR (Request for Resources 4) is shown in Schedule 4.

## 3 Review of activities

The strategic themes and continuing aims for 2001/02 of the HSC and HSE are reviewed in Sections 1 and 2 of the Annual Report.

## 4 Market value of land and buildings

The leasehold property at Priestly House, Basingstoke was independently valued in 2001/02 by Weatheralls, Chartered Surveyors. The leasehold property at St Hugh's, Bootle was independently valued in 2001/02 by Donaldsons, Chartered Surveyors. These leases have been classified as operating leases (refer accounting policy note m) but are deemed to have a market value of £350 000 and £339 000 respectively. 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 subletting. Other than these properties, 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 Table 26 in the Annual Report.

## 6 Future development

The Commission's and Executive's continuing aims and strategic themes for 2001/02 were set out in the Health and Safety Commission's three year Strategic Plan published in October 2001.

## 7 Health and Safety Commission members

Chairman: Bill Callaghan.

Other members: George Brumwell, Margaret Burns, Abdul Chowdry, Judith Donovan CBE, Joyce Edmond-Smith, Sonny Hamid, Rex Symons CBE, Maureen Rooney OBE and Owen Tudor.

## 8 Health and Safety Executive members

Director General: Timothy Walker.

Other members: Kate Timms and Richard Hillier.

## 9 Corporate Governance

HSC and HSE 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 civil service 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 other members who are all the equivalent of executive directors (see xii-xiii of the Annual Report). All three members of the Executive are appointed by the Commission with approval of the Secretary of State. The Director General appointment is subject to open competition. 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. Each of the Boards meets regularly 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 for Transport, Local Government and the Regions.

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. Details of the Executive's Diversity Action Plan are shown in paragraph 1.56 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 continuous efforts are being made to improve methods and channels of communication, and 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 paragraph 1.70 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 2001/02 was 98.9% (2000/01 98.4%) 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 so as to ensure the health and safety of its staff, as well as others who may work on or visit its premises. Further details are shown in paragraphs 1.74 to 1.79 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 1.65 of the Annual Report.

## 15 Introduction of the euro

Introduction of the euro on 1 January 1999 in 11 of the 15 EU countries has had no significant effect on HSE.

While the UK stays outside EMU, the euro is a foreign currency and we process 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 Post balance sheet events

In April 2002, the DTLR signed a Private Finance Initiative contract with the consortium Investors in the Community (Buxton) Ltd (ICB). The contract provides for the design and construction of a new building at Health and Safety Laboratory's (HSL) present site at Buxton, comprising laboratories and office accommodation. A number of existing buildings at Buxton will be demolished, some in 2002/03, to provide space for the new building, and some following completion of the new building, scheduled for late 2004.

The contract also provides for the maintenance of the new building and some of the retained existing buildings at Buxton, and for other services for a 30 year period following availability of the new building. There are also arrangements for ICB to take on responsibility for some operational services (eg IT support and facilities management) prior to the availability of the new building. The contract also allows for the transfer of most of

HSL's existing Sheffield buildings to ICB after HSL has located all its activities at Buxton, scheduled for early in 2005.

The leases for most of HSE's current buildings in Bootle, Merseyside will expire over the next few years. As part of the procurement process to secure long-term serviced accommodation a Private Finance Initiative option is being pursued. Approval of the outline business case for this project has been obtained from DTLR. The pre-qualification stage of the process has now been completed. A short list of consortia has been selected and detailed bids are being evaluated.

An announcement has been made that Electrical Equipment Certification Service (EECS), based in Buxton is to close by the end of June 2003. HSE's view is that EECS's activities are not central to its core functions. EECS is also subject to increasing private sector competition from other providers of certification in this field. The decision has been taken against a background of a worsening financial outturn. A provision has been made for committed staff costs up to the end of March 2002. (Refer to Note 15.)

## 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.

***Timothy Walker***

Director General

Health and Safety Executive

Accounting Officer

1st October 2002

***Bill Callaghan***

Chairman

Health and Safety Commission

Accounting Officer

1st October 2002

# STATEMENT OF THE COMMISSION'S, THE EXECUTIVE'S, THE CHAIRMAN'S AND 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 as set out in the accounts directions at Appendix A and B to these financial statements. 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 resource outturn 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 of the Environment, Transport and the Regions 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.

***Timothy Walker***

Director General, Health and Safety Executive

Accounting Officer

1st October 2002

***Bill Callaghan***

Chairman, Health and Safety Commission

Accounting Officer

1st October 2002

# STATEMENT ON INTERNAL CONTROL

As Accounting Officers (for the Health and Safety Commission (HSC), the Chairman, 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 the HSC's and the HSE's policies, aims, objectives and strategic themes agreed with the department's Ministers, whilst safeguarding the public funds and departmental assets for which we are personally responsible, in accordance with the responsibilities assigned to us in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims, objectives and strategic themes, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It can therefore provide only reasonable and not absolute assurance of effectiveness.

We expect to have the procedures in place by March 2003 necessary to make a fully compliant statement in the 2003/04 accounts, thus implementing Treasury guidance. This takes account of the time needed to fully embed the processes which have been agreed should be implemented and to improve their robustness.

Strategy for securing health and safety in relation to work activities is set by HSC with input and support from HSE. Long-term strategy is set out 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. In contrast with earlier planning there is much greater emphasis in these documents on outcomes.

The approach being taken to business risk management described here is taking place against a process of change in HSE. It has identified the need to improve its strategic planning capacity. A Change Programme is under development with the aim of enhancing the strategic capacity of the organisation and promoting an approach to achieving targets that is innovative and flexible. This is expected to be in place before the end of 2002.

The HSE Board, that meets formally once a month, has overall responsibility for the system of internal control including implementing systems of control and monitoring and reviewing their effectiveness. The Board has agreed the strategic risks faced by HSE and has identified their owners, who are undertaking an analysis of the control mechanisms in place. Six generic risks have been identified:

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

25 more specific risks were also identified under the six generic headings.

The Board has agreed that it will review the specific risks six monthly and the generic risks biennially.

The systems of internal control operate through HSE's existing management structure. All major projects (eg for new regulations) are subject to approval by the HSE Board and agreement by HSC and ministers. There is also in operation an annual planning process that is designed to plan and agree allocations of resource in the light of the strategic aims of HSC/E.

Corporate policies cover a wide range of issues including 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 or 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. It is monitored in the year and the Board receives monthly reports of expenditure and income against forecasts. Formal project management techniques are used for the planning and delivery of all major projects.

HSE and HSL have Internal Audit units, who have direct access to their respective accounting officers and operate to the 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 are being developed in consultation with Internal Audit and will be subject to regular review by them. Internal Audit will also continue to focus their future work programmes on testing the adequacy and effectiveness of the systems of internal control in HSE and HSL.

Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers 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. 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.

The arrangements in place for managing risks have been reviewed by a major firm of consultants to establish their fitness for purpose. They have concluded that '...the risk framework currently being developed by the Board meets most of these criteria' [for a successful framework for risk management]. In particular the report recognises that the HSE Board has sought to keep arrangements simple.

The HSE Board is committed to further development of its internal control structure in line with its process of change management described above. It is also committed to supporting initiatives from Government and to monitoring progress on the implementation of best practice recommendations tailored to HSC/E's aims and objectives.

***Timothy Walker***

Director General

Health and Safety Executive

Accounting Officer

1st October 2002

***Bill Callaghan***

Chairman

Health and Safety Commission

Accounting Officer

1st October 2002

# 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 166 to 171 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 page 168.

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

As described on page 160, the Chairman of the Health and Safety Commission is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions 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 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 guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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 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 161 to 163 reflects the Commission's compliance with Treasury's guidance *Corporate governance: statement on the system of 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.

## 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 state of affairs of the Health and Safety Commission at 31 March 2002 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

28th October 2002

SCHEDULE I  
HEALTH AND SAFETY COMMISSION: SUMMARY OF  
RESOURCES OUTTURN 2001/02

	Estimate Net Expenditure	Outturn Net Expenditure	Net total Outturn compared with Estimate saving/(excess)	Prior-year Outturn
	<b>1</b> £'000	<b>2</b> £'000	<b>3</b> £'000	<b>4</b> £'000
Request for resources - Health and Safety Commission	605	605	-	611
Request for resources - Health and Safety Executive	201 440	202 696	(1 256)	190 075
<b>Net Resources Outturn</b> see note	<b>202 045</b>	<b>203 304</b>	<b>(1 259)</b>	193 108
<b>Net Cash Requirement</b>	<b>209 908</b>	<b>199 849</b>	<b>10 059</b>	189 042
<b>Reconciliation of Resources to Cash Requirement</b>		<b>£'000</b>		
<b>Net Total Resources</b>		<b>203 304</b>		
Funding of Health and Safety Executive		<b>202 699</b>		
<b>Net Cash Requirement</b>		<b>605</b>		

**Explanation of the variation between Estimate and Outturn:**

Grant-in-Aid is received on a combined basis for HSC and HSE. Any variance is allocated to HSE and is explained in their account (refer pages 174 to 196).

(a) **Actual outturn – resources**

Net Resource Outturn (HSC and HSE): Actual amount net resource outturn is £203 304 748.26, which is £1 259 748.26 more than estimate. (HSE only figures are detailed in their account).

(b) **Actual outturn – cash**

Net cash requirement: Outturn net requirement for HSC and HSE is £199 849 206.03 (HSE only figures are detailed in their account). Actual amount of savings over estimate is £10 058 793.97.

SCHEDULE 2  
HEALTH AND SAFETY COMMISSION: OPERATING COST  
STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2001/02 £'000	2000/01 £'000
<b>Administration Costs</b>			
Staff costs	3	387	336
Other administration costs	4	<u>218</u>	<u>275</u>
Gross administration costs		605	611
Operating income		-	-
Net operating costs		<u>605</u>	<u>611</u>

All income and expenditure are derived from continuing operations.

There are no material balances as at 31 March 2002 and a balance sheet has, therefore, not been prepared.

The notes on pages 168 to 171 form part of this account.

***Bill Callaghan***

Chairman

Health and Safety Commission

Accounting Officer

1st October 2002

# HEALTH AND SAFETY COMMISSION: NOTES TO THE ACCOUNTS

## 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2001/02 Resource Accounting Manual (RAM) 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 and separate Summary of Resource Outturn (Schedule 1) and Operating Cost Statements (Schedule 2). The assets and liabilities of HSC, are included in the HSE Balance Sheet (Schedule 3) and are not material in value (See Note 2 Grant-in-Aid).

### *(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 HSE 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.

The appointment of Commission members is non-pensionable.

The employees of HSC, 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. The staff are covered by the PCSPS which is a non-contributory scheme. The rate of the employer's contribution is determined by the Government Actuary and advised by the Treasury and is charged to the Operating Cost Statement.

For 2001/02 the rates of superannuation for non-industrial staff apply according to grade at 12%, 13.5%, 16.5% and 18.5%.

In addition, HSC operates an Early Retirement Scheme that gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. HSC/E bear the costs of these benefits until the normal retiring age of the employees who have retired under the Early Retirement Scheme.

The total pensions liability up to retiring age of each employee is charged to the Operating Cost Statement in the year in which the employee takes early retirement.

## 2 Grant-in-aid

Pursuant to section 43 of the Health and Safety at Work etc Act 1974, the Commission is financed by grant-in-aid from the Department for Transport, Local Government and the Regions (Request for Resources 4).

The total grant-in-aid received by HSC from the Department for Transport, Local Government and the Regions for the financial year 2001/02 was £203 500 000 and after deducting £386 658 for staff costs and £218 560 for other operating charges, the sum of £202 894 782 was allocated to HSE. These transactions pass through Reserves in the Balance Sheet but produce a nil value in HSC.

	<b>£'000</b>
Opening General Fund 1/4/2001	<b>NIL</b>
Net Parliamentary Funding	<b>203 500</b>
Net Operating Cost	<b>605</b>
Transfer to HSE	<b>202 895</b>
Closing General Fund 31/3/02	<b>NIL</b>

### 3 Expenditure of the Health and Safety Commission

Staff Number and Costs:

	<b>2001/02</b>	2000/01
	<b>£'000</b>	£'000
(a) Staff costs of the Health and Safety Commission		
Wages and salaries	<b>283</b>	269
Social Security costs	<b>23</b>	22
Other pension costs	<b>56</b>	19
Pension paid to former Chairmen	<b>25</b>	26
	<u><b>387</b></u>	<u>336</u>

(b) The average number of employees during the year of the account, other than the Chairman and Commission members was made up as follows:	<b>2001/02</b>	2000/01
	<b>No</b>	No
Non-specialist staff	<b>6</b>	6

(c)	Emoluments of the Chairman:	2001/02	2000/01		
		Salary	Other taxable benefits	Total	Total
		£'000	£'000	£'000	£'000
	Bill Callaghan	90-95	-	90-95	90-95

	Age	Increase in pension at 60	Total accrued pension at 60 at 31/03/2002	
		£'000	£'000	
	Bill Callaghan	53	0-2.5	0-5

Note:

No Commission members, other than the Chairman, have pensions.

(d)	Emoluments of the Commission members:			2001/02	2000/01	
	Salary	Fees	Other taxable benefits	Total	Total	
	£	£	£	£	£	
	George Brumwell	1 408	2 730	-	4 138	4 605
	Margaret Burns	1 408	5 114	6 442	12 964	13 724
	Abdul Chowdry	1 408	5 167	4 359	10 934	10 340
	Judith Donovan CBE	1 408	4 649	2 409	8 466	5 738
	Joyce Edmond-Smith	1 408	7 598	372	9 378	8 961
	Anne Gibson	-	-	-	-	2 040
	Sonny Hamid	1 408	5 083	1 450	7 941	7 864
	Michael McKiernan	-	-	-	-	2 886
	Maureen Rooney OBE	1 408	2 650	-	4 058	2 134
	Rex Symons CBE	1 408	3 815	961	6 184	8 431
	Owen Tudor	1 408	5 967	-	7 375	6 251
		<u>12 672</u>	<u>42 773</u>	<u>15 993</u>	<u>71 438</u>	<u>72 974</u>

Notes:

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 Other administration costs of the Health and Safety Commission

	2001/02 £'000	2000/01 £'000
General administrative expenses	89	156
Travel, subsistence and hospitality for: Chairman, Commission members and support staff (see note below)	71	61
Rent, rates, maintenance and other premises costs	58	58
	<u>218</u>	<u>275</u>

Note:

Travel, subsistence and hospitality expenses for the Chairman and Commission members was £64 779 (2000/01 £52 356), whilst the total for the support staff was £6 441 (2000/01 £8 602).

## 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 Transport Local Government and the Regions (DTLR).

DTLR is regarded as a related party. During the year, HSC did not have any material transactions with DTLR or other entities for which DTLR 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/E 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 174 to 196 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 179 to 182.

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

As described on page 160 the Director General of HSE 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 HSC are jointly responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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 161 to 163 reflects the Executive's compliance with Treasury's guidance *Corporate governance: statement on the system of 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.

## 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 2002 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

28th October 2002

# SCHEDULE 1

## HEALTH AND SAFETY EXECUTIVE:

### SUMMARY OF RESOURCES OUTTURN 2001/02

	Estimate Net Expenditure	Outturn Net Expenditure	Net total Outturn compared with Estimated saving/(excess)	Prior-year Outturn
	1	2	3	4
	£'000	£'000	£'000	£'000
<b>Net Operating Cost</b>	<b>201 440</b>	<b>202 696</b>	<b>(1 256)</b>	190 075
<b>Net Resource Outturn</b> see note below	<b>201 440</b>	<b>202 699</b>	<b>(1 259)</b>	192 497
<b>Net Cash Requirement</b>	<b>209 303</b>	<b>199 244</b>	<b>10 059</b>	188 431
Reconciliation of Resources to Cash Requirement	Note	<b>£'000</b>		
<b>Net Total Resources</b>		<b>202 699</b>		
<b>Capital:</b>				
Purchase of fixed assets	<b>9</b>	<b>7 682</b>		
Proceeds of disposal of fixed assets		<b>(1 277)</b>		
<b>Accruals adjustments:</b>				
Non-cash items		<b>(17 603)</b>		
Changes in working capital other than cash	<b>10</b>	<b>6 654</b>		
Change in creditors over one year		<b>17</b>		
Transfer from provision	<b>15</b>	<b>1 072</b>		
<b>Net Cash Requirement (Schedule 4)</b>		<b>199 244</b>		

#### Explanation of the variation between estimate and outturn:

The negative variance shown against the Net Resource Outturn was due to the loss on disposal of fixed assets and closure costs of EECS which were not provided for in the Estimate. The variance has been balanced by an agreed transfer of provision within the overall DTLR limit.

#### Note: Analysis of income payable to the Department for Transport, Local Government and the Regions

As a Non-Departmental Public Body, HSE retains income generated in order to fund its activities. By agreement with DTLR, certain income is paid over to the Department for surrender to the Consolidated Fund. Amounts payable in 2001/02 were £3572 of which £644 was outstanding at 31 March 2002. Amounts paid in 2001/02 were £978 533 of which £975 605 related to 2000/01 and £2928 related to 2001/02.

#### Actual outturn - resource

Actual amount for net resource outturn is £202 699 530.06 which is £1 259 530.06 more than estimate.

#### Actual outturn - cash

Net cash requirement: Outturn net requirement £199 243 987.83, which is £10 058 793.97 less than estimate.

SCHEDULE 2  
HEALTH AND SAFETY EXECUTIVE:  
OPERATING COST STATEMENT FOR THE YEAR  
ENDED 31 MARCH 2002

	Notes	2001/02 £'000	2000/01 £'000
<b>Administration Costs</b>			
Staff costs	2	136 323	130 234
Other administration costs	3	87 531	81 157
Exceptional item: loss on sale of assets		<u>3 189</u>	<u>93</u>
<b>Gross Administration Costs</b>		<b>227 043</b>	211 484
Operating income	5	(44 908)	(42 436)
EU Income		<u>(651)</u>	<u>(766)</u>
<b>Net Administration Costs</b>		<b>181 484</b>	168 282
<b>Programme Cost</b>			
Expenditure	4	28 017	30 080
Less Income	4 & 5	<u>(6 805)</u>	<u>(8 287)</u>
<b>Net Programme Costs</b>		<b>21 212</b>	21 793
Other adjustments		<u>-</u>	<u>-</u>
<b>Net Operating Cost</b>	6 & 7	<b><u>202 696</u></b>	<b><u>190 075</u></b>
<b>Net Resource Outturn</b>	6 & 7	<b><u>202 699</u></b>	<b><u>192 497</u></b>

*Statement of recognised gains and losses for the year ended 31 March 2002*

	2001/02 £'000	2000/01 £'000
Net Gain/(loss) on revaluation of tangible fixed assets	213	(1 423)
Recognised gains and losses for the financial year	213	(1 423)

SCHEDULE 3  
HEALTH AND SAFETY EXECUTIVE:  
BALANCE SHEET AS AT 31 MARCH 2002

	Note	31 March 2002		31 March 2001	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible assets	9		26 137		31 823
<b>Current Assets</b>					
Stocks	11	2 019		2 392	
Debtors	12	24 162		18 630	
Cash at bank and in hand	13	4 500		1 824	
		<u>30 681</u>		<u>22 846</u>	
Creditors (due within one year)	14		<u>(7 212)</u>		<u>(9 682)</u>
<b>Net Current Assets</b>			<u>23 469</u>		<u>13 164</u>
<b>Total Assets less Current</b>			<u>49 606</u>		<u>44 987</u>
<b>Liabilities</b>					
Creditors (amounts falling due after more than one year)	14		(25)		(42)
Provisions for liabilities and charges	15		(4 731)		(2 873)
			<u>44 850</u>		<u>42 072</u>
<b>Taxpayers' Equity</b>					
General fund	20		41 774		38 738
Revaluation Reserve	16		3 076		3 334
			<u>44 850</u>		<u>42 072</u>

*Timothy Walker*

Director General

Health and Safety Executive

Accounting Officer

1st October 2002

SCHEDULE 4  
HEALTH AND SAFETY EXECUTIVE:  
CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 MARCH 2002

		2001/02	2000/01
	Note	£'000	£'000
Net cash outflow from operating activities		(192 836)	(175 924)
Capital Expenditure and Financial Investment	8	(6 405)	(10 084)
Payments of amounts due to the consolidated fund		(978)	(1 548)
Financing		202 895	188 789
Increase in cash in the period		2 676	1 233
<b>Reconciliation of operating cost to operating cash flows</b>			
<b>Net Operating Cost</b>		<b>202 696</b>	190 075
Adjust for non-cash transactions		(17 603)	(14 901)
Adjust for movements in working capital other than cash	10	6 654	116
Adjust for movements on creditors over one year		17	-
Use of provisions	15	1 072	634
<b>Net cash outflow from operating activities</b>		<b>192 836</b>	175 924
<b>Analysis of capital expenditure and financial investment</b>			
Purchase of fixed assets	8 & 9	7 682	10 473
Proceeds of disposal of fixed assets	8	(1 277)	(389)
<b>Net cash outflow from investing activities</b>		<b>6 405</b>	10 084
<b>Analysis of financing</b>			
From DTLR		202 895	188 789
(Increase) in Cash		(2 676)	(1 233)
Amounts due to the Consolidated Fund - received in a prior year and paid over		(976)	(101)
Amounts due to the Consolidated Fund - received and not paid over		1	976
<b>Net Cash Requirement</b>		<b>(199 244)</b>	(188 431)

The amount of grant actually issued to support the net cash requirement = £202 894 781. 80.

SCHEDULE 5  
HEALTH AND SAFETY EXECUTIVE:  
RESOURCES BY DEPARTMENTAL AIMS AND  
OBJECTIVES FOR THE YEAR ENDED 31 MARCH 2002

	2001/02			2000/01		
	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	37 126	(3 608)	33 518	34 131	(3 559)	30 572
<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	150 378	(32 375)	118 003	133 165	(30 601)	102 564
<b>Third Aim:</b>						
To improve the knowledge and understanding of health and safety through the provision of appropriate (and timely) information and advice	42 061	(10 017)	32 044	26 590	(11 093)	15 497
<b>Fourth Aim:</b>						
To promote risk assessment and technical knowledge as the basis for setting standards and guiding enforcement activities	14 855	(1 694)	13 161	35 435	(1 637)	33 798
<b>Fifth Aim:</b>						
To operate statutory schemes, including regulatory services, through, for example, EMAS	10 640	(4 670)	5 970	12 243	(4 599)	7 644
<b>Net Operating Costs</b>	<b>255 060</b>	<b>(52 364)</b>	<b>202 696</b>	<b>241 564</b>	<b>(51 489)</b>	<b>190 075</b>

# HEALTH AND SAFETY EXECUTIVE: NOTES TO THE ACCOUNTS

## 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2001/02 Resource Accounting Manual (RAM) 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 include the figures for the Health and Safety Laboratory.

### *(a) Accounts Direction*

In accordance with Accounts Directions issued by the Secretary of State with the approval of the Treasury, HSC and HSE have prepared a joint Foreword. The Executive has prepared the Summary of Resources Outturn (Schedule 1), Operating Cost Statement and Statement of Recognised Gains and Losses for the year (Schedule 2), the Balance Sheet (Schedule 3), the Cash Flow Statement (Schedule 4), and the Resources by Departmental Aims and Objectives (Schedule 5).

### *(b) Accounting Convention*

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.

### *(c) 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. The Executive, under the Accounts Direction issued by the Secretary of State has not provided for an analysis of costs and related revenues by each separate activity.

### *(d) Government grants*

Pursuant to section 43 of the Health and Safety at Work etc Act 1974, the Commission is financed by grant-in-aid from the Department for Transport, Local Government and the Regions.

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 grant-in-aid is credited to the general fund in the year in which it is received.

### *(e) 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 £2000 are charged to expenditure in the year of purchase, except for computer equipment (refer to Note 22) 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. Published indices appropriate to the category of asset are used to estimate value where market value is not obtainable.

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 to accounting policy note m) are included in the balance sheet (previously leasehold properties with a rent review period of more than seven years with a consequent value were included in the balance sheet (refer Note 19)).

The freehold and leasehold properties at Sheffield and Buxton were independently valued during 2000/01 by Chesterton, 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.

#### *(f) Depreciation*

Freehold land is not depreciated.

Depreciation is provided on all other tangible fixed assets from the date of acquisition or from the date of revaluation in the case of buildings and leasehold land.

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.

The initial periods over which depreciation is applied are:

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 and major scientific equipment		up to 10 years
Printing/typesetting and telecommunications equipment, computers and vehicles		up to 7 years
Micro computers		up to 5 years
Motor vehicles leased to staff		up to 3 years

*(g) Revaluation reserves*

Surpluses arising on the revaluation of fixed assets are credited to a 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.

*(h) Stocks and work in progress*

Stocks and work in progress are valued as follows:

- 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;
- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

*(i) Foreign currency*

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

All other gains and losses are dealt with through the operating cost statement.

*(j) Research*

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

*(k) 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 6% in real terms on all assets less liabilities, except for donated assets and cash balances with OPG, where the charge is nil.

*(l) Pension costs*

The employees of HSE are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The staff are covered by the Principal Civil Service Pension Scheme (PCSPS) which is a non-contributory scheme. The rate of the employer's contribution is determined from time to time by the Government Actuary and advised by the Treasury and is charged to the Operating Cost Statement. The PCSPS is an unfunded multi-employer defined benefit scheme but HSE is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2001/02 the rates of superannuation for non-industrial staff apply according to grade at 12%, 13.5%, 16.5% and 18.5%.

In addition, HSE operates an Early Retirement Scheme that gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. HSE bears the costs of these benefits until the normal retiring age of the employees retired under the Early Retirement Scheme.

The total pensions liability up to retiring age of each employee is charged to the operating cost statement in the year in which the employee takes early retirement.

### *(m) 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 lesser 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.

### *(n) 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 organisation.

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

PFI transactions (refer Note 23) have been accounted for in accordance with Technical Note No. 1 (Revised), entitled *How to account for PFI transactions* as required by the Resource Accounts Manual. Where the balance of risk and rewards of ownership of the PFI assets 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 assets 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.

## 2 Staff costs of the Health and Safety Executive

(a) Staff costs consist of:	2001/02	2000/01
	£'000	£'000
Wages and salaries	109 241	104 369
Social security costs	8 515	8 404
Other pension costs	<u>18 567</u>	<u>17 461</u>
Total	<u>136 323</u>	<u>130 234</u>

(b) The average number of employees during the year of the account was made up as follows:	2001/02	2000/01
	No	No
Inspectors	1 580	1 513
Other professional/specialist staff	1 397	1 292
Non-specialist staff	<u>995</u>	<u>1 082</u>
	<u>3 972</u>	<u>3 887</u>

(c) Emoluments of Director General	2001/02			2000/01
	Salary	Benefits in kind	Total	Total
	£'000	£'000	£'000	£'000
Timothy Walker	120-125	-	120-125	45-50

Executive Members Emoluments:	2001/02			2000/01
	Salary	Benefits in kind	Total	Total
	£'000	£'000	£'000	£'000
David Eves (1)	90-95	-	90-95	100-105
Richard Hillier (2)	25-30	-	25-30	95-100
Kate Timms (3)	70-75	-	70-75	-

- Notes:
- (1) Appointment ended 9 January 2002
  - (2) Executive appointment ended 1 July 2001
  - (3) Appointed 2 July 2001

Pension benefits earned	Age	Real increase in pension at 60 £'000	Total accrued pension at 60 at 31/03/2002 £'000
David Eves	60	2.5-5	50-55
Richard Hillier	59	2.5-5	35-40
Timothy Walker	56	5-7.5	35-40
Kate Timms	57	5-7.5	50-55
<i>Notes:</i>			
<p>'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.</p> <p>The Executive are all members of the Principal Civil Service Pension Scheme (PCSPPS).</p> <p>This is a statutory scheme which provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a 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.</p> <p>The 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.</p>			

### 3 Other administration costs of the Health and Safety Executive

	2001/02	2000/01
	£'000	£'000
<b>Rentals under operating leases:</b>		
Hire of plant and machines	125	125
Other operating leases	8 986	8 892
<b>PFI service charges:</b>		
Off balance sheet contracts	9293	-
<b>Auditor's remuneration</b>	84	78
<b>Non-cash items:</b>		
Depreciation and amortisation of fixed assets	6 879	8 964
Cost of capital charge	2 645	2 482
Loss on revaluation of fixed assets	2 238	916
Provisions: Provided in year	2 547	2 385
Other non-cash items	105	45
<b>Other expenditure</b>	54 629	57 270
	<u>87 531</u>	<u>81 157</u>
<b>Loss on sale of fixed assets</b>	3 189	93
	<u>90 720</u>	<u>81 250</u>

Note:

Travel, subsistence and hospitality expenses for the Executive Members was £34 281 (2000/01 - £26 742), whilst the total for all other staff was £11 360 586 (2000/01- £9 970 977).

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

The figure for bad debts and losses includes:

	2001/02	2000/01
	£'000	£'000
(a) Losses cases 170 (2000/01:154 cases)	29	34
(b) Special payments cases 33 (2000/01:34 cases)	155	91
(c) Bad debts written off	59	65
	<u>243</u>	<u>190</u>

## 4 Net programme costs

	2001/02	2000/01
	£'000	£'000
Research	16 008	17 358
Publicity, marketing and distribution	9 335	10 334
Other	2 674	2 388
Less Programme Income	(6 805)	(8 287)
	<u>21 212</u>	<u>21 793</u>

## 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.

The Health and Safety Laboratory (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 Fees and Charges guidance and are subject to the controls imposed on a net running costs regime. The figures contained in HSE's Operating Cost Statement include those for the Laboratory.

	<b>Cost</b>	<b>Income</b>	<b>Surplus/(Deficit)</b>	<b>Surplus/(Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>2001/02</b>	<b>2000/01</b>
			<b>£'000</b>	<b>£'000</b>
<b>(i) HSE fees and charges</b>				
Licensing of nuclear installations	<b>19 245</b>	<b>19 245</b>	-	-
Safety related research in the nuclear industry	<b>1 569</b>	<b>1 569</b>	-	-
Sponsored conferences	-	-	-	(60)
Genetically modified organisms	<b>160</b>	<b>118</b>	<b>(42)</b>	-
First-aid approvals	<b>250</b>	<b>192</b>	<b>(58)</b>	-
Electrical Equipment Certification Unit	<b>2 189</b>	<b>1 924</b>	<b>(265)</b>	(270)
Asbestos Licensing Unit	<b>308</b>	<b>203</b>	<b>(105)</b>	(48)
Approval of non-agricultural pesticides	<b>1 580</b>	<b>1 580</b>	-	-
Notification of New Substances	<b>326</b>	<b>330</b>	<b>4</b>	(32)
Control of Major Accident Hazards	<b>3 906</b>	<b>3 679</b>	<b>(227)</b>	(16)
Enforcement of Railway Safety				
Legislation	<b>6 240</b>	<b>5 251</b>	<b>(989)</b>	(411)
Enforcement of Offshore Safety				
Legislation	<b>7 033</b>	<b>6 006</b>	<b>(1 027)</b>	(298)
	<b>42 806</b>	<b>40 097</b>	<b>(2 709)</b>	(1 135)
<b>Health and Safety Laboratory External</b>				
Customers	<b>1 826</b>	<b>1 957</b>	<b>131</b>	137
<b>Health and Safety Laboratory EU</b>				
Income	<b>486</b>	<b>486</b>	-	-
Other fees and agency charges	-	<b>247</b>		
Total fees and charges at 31 March 2002	<b>45 118</b>	<b>42 787</b>		
Total fees and charges at 31 March 2001	<b>41 555</b>	<b>40 813</b>		
<b>(ii) HSE sales and other income</b>				
Sale of publications	<b>4 487</b>	<b>5 192</b>	<b>705</b>	1 322
Other sales/income	-	<b>4 220</b>		
EU Income	<b>165</b>	<b>165</b>	-	-
Total sales and other income at 31 March 2002	<b>4 652</b>	<b>9 577</b>		
Total sales and other income at 31 March 2001	<b>5 239</b>	<b>10 676</b>		

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

Rents receivable included in other sales/income above, is as follows

	2001/02	2000/01
	£'000	£'000
Rents from other Government Departments	159	62
Rents from external tenants	148	148

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

	2001/02	2000/01
	£'000	£'000
<b>Net Operating Cost</b>	<b>202 696</b>	190 075
Income to be surrendered as CFER	3	2 422
<b>Resource budget outturn</b>	<b>202 699</b>	192 497
<b>Net Resource Outturn</b>	<b>202 699</b>	192 497

## 7 Analysis of net resource outturn by function and reconciliation to operating cost statement

Functions represent the disaggregation of requests for resources for control purposes and parliamentary approval. They may not correspond to departmental objectives, which in turn reflect a disaggregation of departmental aims for the management of activities.

	2001/02				
	Admin	Programme	Current grants	A-in-A	Net Total
	£'000	£'000	£'000	£'000	£'000
<b>Request for Resources</b>	181 487	21 212	-	-	202 699
<b>Total</b>	181 487	21 212	-	-	202 699
<b>Resource Outturn</b>					202 699
<b>Income to be surrendered as CFER</b>					(3)
<b>Net Operating Cost</b>					<b>202 696</b>

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

	2001/02			Net Total £'000
	Capital Expenditure £'000	Loans etc £'000	Appropriations in Aid £'000	
	Request for Resources	7 682	-	
<b>Total</b>				<b>7 682</b>
Income from disposal of fixed assets				(1 277)
				<b>6 405</b>

## 9 Tangible fixed assets

Fixed asset values	Land and buildings	Machinery, equipment computers and plant	Vehicles, furniture and office machines	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2001	11 509	29 717	15 445	56 671
Additions in year	2 834	2 171	2 677	7 682
Revaluations in year	(665)	(4 881)	(57)	(5 603)
Disposals during year	-	(10 221)	(2 626)	(12 847)
Balance at 31 March 2002	<u>13 678</u>	<u>16 786</u>	<u>15 439</u>	<u>45 903</u>
Depreciation at 1 April 2001	2 329	15 560	6 959	24 848
Charge in year	1 051	3 850	1 978	6 879
Revaluations in year	(774)	(2 812)	6	(3 580)
Disposals during year	-	(6 326)	(2 055)	(8 381)
Accumulated depreciation at 31 March 2002	<u>2 606</u>	<u>10 272</u>	<u>6 888</u>	<u>19 766</u>
Net book value at 31 March 2002	<u>11 072</u>	<u>6 514</u>	<u>8 551</u>	<u>26 137</u>
Net book value at 31 March 2001	<u>9 180</u>	<u>14 157</u>	<u>8 486</u>	<u>31 823</u>

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

The net book value at 31 March 2002 of land and buildings comprises:

	2001/02	2000/01
	£'000	£'000
Freehold	5 689	5 310
Long Leasehold	1 184	1 288
Short Leasehold	4 199	2 582
	<u>11 072</u>	<u>9 180</u>

### 10 Movements in working capital other than cash

	2001/02	2000/01
	£'000	£'000
Decrease/(Increase) in stocks/work in progress	373	(99)
(Increase) in debtors	(5 532)	(2 107)
(Decrease)/Increase in creditors falling due within one year	(2 470)	2 964
	<u>(7 629)</u>	<u>758</u>
Less Decrease/(Increase) in CFER creditor	975	(874)
	<u>6 654</u>	<u>(116)</u>

### 11 Stocks and work in progress

	2001/02	2000/01
	£'000	£'000
Consumables	124	104
Work-in-progress	467	887
Finished stock for sale	1 428	1 401
	<u>2 019</u>	<u>2 392</u>

## 12 Debtors

	2001/02	2000/01
	£'000	£'000
Debts falling due within one year:		
Trade debtors	6 953	5 307
Imprest/advances	391	794
Prepayments	3 452	4 709
Taxation: VAT debtor	3 361	3 530
Other debtors	63	-
Accrued income	<u>8 547</u>	<u>3 551</u>
	22 767	17 891
Debts falling due after more than one year:		
IT Refit	607	-
Imprests/advances	<u>788</u>	<u>739</u>
Total	<u>24 162</u>	<u>18 630</u>

The imprests/advances total of £1 179 067 (2000/01 - £1 532 494) includes £612 559 (2000/01 - £770 869) advances of salary for house purchase, £236 269 (2000/01 - £255 518) advances of salary for season ticket purchase, £192 846 (2000/01 - £205 003) imprests and £137 393 (2000/01 - £301 104) other advances.

There were 86 officers who had £2500 or more outstanding at 31 March 2002 which totalled £564 187 (2000/01 - £705 605 -relating to 99 officers).

## 13 Cash at bank and in hand

	2001/02	2000/01
	£'000	£'000
Balance at 1 April	1 824	591
Net cash inflow	<u>2 676</u>	<u>1 233</u>
<b>Balance at 31 March</b>	<u>4 500</u>	<u>1 824</u>
<b>The following balances at 31 March are held at:</b>		
The Office of HM Paymaster General (OPG)	4 283	1 722
Commercial banks and cash in hand	<u>217</u>	<u>102</u>
	<u>4 500</u>	<u>1 824</u>
<b>The balance at 31 March comprises:</b>		
Amounts issued from the consolidated fund for supply but not spent at year end	4 499	849
Consolidated Fund Extra Receipts received and due to be paid to the consolidated fund	<u>1</u>	<u>975</u>
	<u>4 500</u>	<u>1 824</u>

## 14 Creditors

	2001/02	2000/01
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade creditors	1 223	2 116
Other creditors	111	18
Accruals and deferred income	5 191	5 072
Payments on account	686	1 501
Receipts payable to DTLR	1	975
	<u>7 212</u>	<u>9 682</u>
<b>Amounts falling due after more than one year:</b>		
<b>year:</b>		
Finance leases	25	42
Total	<u>7 237</u>	<u>9 724</u>

## 15 Provisions for liabilities and charges

	EECS closure	Early Retirement Provision	Dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2001	-	2 564	-	309	2 873
Increase in Provision	1 977	302	230	419	2 928
Provisions not required written back	-	(5)	-	-	(5)
Amounts Utilised	-	(763)	-	(309)	(1 072)
Unwinding of discount	-	7	-	-	7
<b>Balance at 31 March 2002</b>	<u>1 977</u>	<u>2 105</u>	<u>230</u>	<u>419</u>	<u>4 731</u>

## 16 Reserves

<b>Revaluation Reserve</b>	<b>£'000</b>
Balance at 1 April 2001	3 334
Arising on revaluation during the year (net)	213
Transfer to general fund of realised element of revaluation reserve	(471)
Balance at 31 March 2002	<u>3 076</u>

## 17 Capital commitments

	<b>2001/02</b>	2000/01
	<b>£'000</b>	£'000
Contracted commitments for which no provision has been made.	804	207

## 18 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:

	<b>2001/02</b>		<b>2000/01</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leases expiring within:				
One year	850	55	203	1
Two to five years	654	70	2 237	114
More than 5 years	5 384	-	5 065	-
	<u>6 888</u>	<u>125</u>	<u>7 505</u>	<u>115</u>

## 19 Finance leases

HSE's obligations under finance leases are as follows:

	<b>2001/02</b>		<b>2000/01</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rentals due within one year	-	16	-	16
Rentals due within 2 - 5 years	-	25	-	42
Rentals due thereafter	-	-	-	-
	<u>-</u>	<u>41</u>	<u>-</u>	<u>58</u>

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

	2001/2002	2000/2001
	£'000	£'000
<b>Net Operating Cost for the year (Schedule 2)</b>	<b>(202 696)</b>	(190 075)
Net parliamentary funding	202 895	188 789
Income to be surrendered to DTLR	-	(2 422)
Transferred to general fund of realised element of revaluation reserve	471	437
Release from General Fund	(384)	873
Non-cash charges:		
Cost of capital	2 645	2 482
Notional welfare costs	105	-
<b>Net increase in general fund</b>	<b>3 036</b>	84
General fund at 1 April 2001	38 738	38 654
<b>General fund at 31 March 2002 (Schedule 3)</b>	<b>41 774</b>	38 738

## 21 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 Transport, Local Government and the Regions (DTLR).

DTLR is regarded as a related party. During the year, HSE had several transactions with DTLR that mainly related to the provision of premises and research services (£1 056 000, 2000/01 £303 000). HSC and HSE did not have material transactions with other entities for which DTLR 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 Benefits Agency (expenditure £731 000, 2000/01 - £613 000), Central Office of Information (£761 000, 2000/01 - £883 000), Civil Service College (£230 000, 2000/01 - £56 000), Department of Health (£209 000, 2000/01 - £404 000), Treasury Solicitor (£267 000, 2000/01 - £5 559 000) and Department of Environment, Food and Rural Affairs (income of £158 000, 2000/01 - £156,000), and mainly relate to premises, research, training, computer, legal services and administrative expenditure together with relevant income from the provision of health and safety advice and services. 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.

## 22 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.

## 23 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 (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 objectives of the retendering for IT services project were:

- to secure continued delivery of IS/IT in support of HSE's operational services, including allowing HSE to develop its use of IT to support its relationship with industry, the public and other stakeholders;
- to improve the efficiency and cost effectiveness of HSE's existing IS/IT services;
- to enhance the quality of HSE's business services, through the integrated, improved and expanded use of IS/IT; and
- to ensure HSE has the IT capability to deliver agreed work programmes in accordance with legislative changes and wider government policies.

HSE sought to streamline the management of its IT service arrangements by placing all of its IT services with a single strategic partner who will have responsibility for delivering an end to end service. Following a period of transition from the previous outsourced IT service contractor, Integris, the new service commenced on 17 October 2001.

The Agreement is based on a model agreement for PFI 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. The majority of ex-Integris employees also transferred to the partner.

Over the period of the contract, efficiencies are planned to be made in the levels of staff and equipment. The estimated net present capital value of the contract is £16 million.

The charges may vary according to volume, development of application and business systems, service improvements projects and the level of the partner's performance and service availability. The core charges are linked to annual movements in line with the Retail Price Index. Project charges are fixed for three years and thereafter linked to the Average Earnings Index and Computer Economics Index for IT services. The services provided by the partner are also subject to biannual value for money benchmarking exercises.

Transparency of our partner's costs and charges supporting a profit sharing agreement are the fundamental financial controls in the contract. The partner is contractually obliged to provide:

- an up-to-date financial model which sets out the basis of the calculation of the charges, revenue costs (including capital costs, financing costs and ongoing revenue expenditure) and contingencies of the services; and
- an annually produced certificate of costs indicating their actual costs, expenses and profits in providing the services over the preceding year of the agreement with access to the partner's records to verify the figures produced.

If 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:

	£'000's
Amounts falling due within one year	13 156
Net present value of amounts falling due within two to five years	48 132
Net present value of amounts falling due within six to ten years	47 067

A discount rate of 6% has been used to derive the net present value of the non-discretionary payment streams in years two to ten.

## 24 Contingent liabilities

In October 2001, a summons was filed in respect of a claim from Thames Trains Ltd against HSE and Her Majesty's Railway Inspectorate for an amount in excess of £5 million. The lawsuit seeks recompense for amounts paid out as a result of the Ladbroke Grove railway accident that they claim was due to breaches of statutory duty and our negligence. This claim will be rigorously defended and whilst the outcome of these matters cannot readily be determined or foreseen, it is considered that they will be resolved eventually without a material effect on HSE's financial position.

## 25 Financial instruments

FRS 13, derivatives and other financial instruments, require 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 except for financial assets and liabilities that are generated by day-to-day operational activities and are not held to change the risks facing HSE in undertaking its activities.

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 and book values are deemed to be the same.

## 26 Financial Risks

### *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.

# APPENDIX A THE HEALTH AND SAFETY COMMISSION

## ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY, IN ACCORDANCE WITH PARAGRAPH 14(1) OF SCHEDULE 2 TO THE HEALTH AND SAFETY AT WORK ETC ACT 1974

1 The annual accounting principles of the Health and Safety Commission (hereafter referred to as ‘the Commission’) shall give a true and fair view of the net operating cost for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts shall be prepared in accordance with

- (a) the accounting principles and policies and the disclosure requirements given in the Treasury's Resource Accounting Manual (published by the Stationery Office), as amended or augmented from time to time, except as described in Schedule 1 to this direction; and
- (b) any other applicable guidance that the Treasury may issue from time to time;

insofar as these requirements are appropriate to the Commission and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

2 Additional disclosures required by the Secretary of State are set out in Schedule 2 to this direction.

3 The Commission's foreword, statement of responsibilities and statement on internal control may be combined with those for the Health and Safety Executive.

4 This direction shall be reproduced as an appendix to the annual accounts.  
This direction replaces that dated 27 March 1998.

Signed by the authority of the Secretary  
of State for the Environment, Transport and the Regions

MC Seager                      For a grade 5 officer in the  
Department of the Environment, Transport and the Regions

Date 21 August 2000

## SCHEDULE 1 EXCEPTIONS TO THE RESOURCE ACCOUNTING MANUAL

- 1 Grant-in-aid shall be treated as though it was Parliamentary funding, and taken directly to the general fund.
- 2 The annual accounts shall not include a statement on resources by departmental aims.

## SCHEDULE 2 ADDITIONAL DISCLOSURE REQUIREMENTS

### Notes to the annual accounts

The notes to the annual accounts shall contain the following information, as a minimum and in addition to the information required to be disclosed by paragraph 1 of this direction.

- (a) A report on the emoluments and pension arrangements of Commission members in accordance with the disclosure requirements for Government departments;
- (b) Particulars of any transaction, arrangement or contract (other than a contract of service or of employment with the Commission), including transactions at arm's length, entered into by the Commission with another party, exceeding £5000 in value, in which a Commission member, the accounting officer or a senior manager, or a person connected with any of the foregoing, at any time during the year, had a direct financial interest that was notified to the Commission. For these purposes, a connected person shall be as defined in section 839 of the Income and Corporation Taxes Act 1988 or superseding legislation and including a member of the same household; and
- (c) A statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £100 000, with separate disclosure and particulars of any individual amounts in excess of £100 000. Disclosure shall also be made of any loss or special payment of £100 000 and below if it is considered material in the context of the Commission's operations.

## APPENDIX B THE HEALTH AND SAFETY EXECUTIVE

### ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY, IN ACCORDANCE WITH PARAGRAPH 20 OF SCHEDULE 2 TO THE HEALTH AND SAFETY AT WORK ETC ACT 1974

1 The annual accounts of the Health and Safety Executive (hereafter referred to as 'the Executive') shall give a true and fair view of the net operating cost and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts shall be prepared in accordance with:

- (i) the accounting principles and policies and the disclosure requirements given in the Treasury's Resource Accounting Manual (published by the Stationery Office), as amended or augmented from time to time, except as described in Schedule 1 to this direction; and
- (ii) any other applicable guidance that the Treasury may issue from time to time;

insofar as these requirements are appropriate to the Executive and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

2 Additional disclosures required by the Secretary of State are set out in Schedule 2 to this direction.

3 The Executive's foreword, statement of responsibilities and statement on internal control may be combined with those for the Health and Safety Commission.

4 This direction shall be reproduced as an appendix to the annual accounts.

5 This direction replaces that dated 27 March 1998, as amended on 24 August 1999.

Signed by the authority of the Secretary  
of State for the Environment, Transport and the Regions

MC Seager                      For a grade 5 officer in the  
Department of the Environment, Transport and the Regions

Date    21 August 2000

# SCHEDULE 1 EXCEPTIONS TO THE RESOURCE ACCOUNTING MANUAL

Grant-in-aid shall be treated as though it was Parliamentary funding, and taken directly to the general fund.

## SCHEDULE 2 ADDITIONAL DISCLOSURE REQUIREMENTS

### COMBINED FOREWORD FOR THE HEALTH & SAFETY EXECUTIVE AND THE HEALTH & SAFETY COMMISSION

- (1) The foreword shall be signed and dated as follows:
  - on behalf of Executive members,
  - on behalf of Commission members,
  - by the Accounting Officer of the Executive, and
  - by the Accounting Officer of the Commission.
  
- (2) The foreword shall contain the information required to be disclosed in directors' reports attached to companies' annual accounts, to the extent that such requirements are appropriate to the Executive and to the Commission (for which purpose Executive members and Commission shall be taken to be directors).
  
- (3) The foreword shall contain, as a minimum and in addition to the information required to be disclosed by paragraph 1 of this direction:
  - (a) a statement on compliance with the CBI Prompt Payment Code;
  - (b) a statement that throughout the year and in all material respects, the Executive and the Commission complied with the terms of financial memorandum issued to each body by the Secretary of State for the Environment, Transport and the Regions; and
  - (c) a statement on the policy for conserving energy, reducing waste and minimising the release of greenhouse gases.

### The balance sheet

- 1 The balance sheet be signed and dated on behalf of the Executive members and by the Executive's accounting officer.
  
- 2 The balance sheet, or the notes thereto shall show, as a minimum and in addition to the information required to be disclosed by paragraph 1 of this direction:
  - (a) an analysis of cash and liquid resources (both as defined by accounting standard FRS 1);
  - (b) prepayments, separately from accrued income; and
  - (c) payments on account.

## Notes to the annual accounts

The notes to the annual accounts shall contain the following information, as a minimum and in addition to the information required to be disclosed by paragraph 1 of this direction.

- (a) A statement of performance against key financial targets agreed in advance with the Department of the Environment, Transport and the Regions;
- (b) A statement of debts written off and movements in provisions for bad and doubtful debts;
- (c) A report on the emoluments and pension arrangements of Executive members in accordance with the disclosure requirements for Government departments;
- (d) Particulars of any transaction, arrangement or contract (other than a contract of service or of employment with the Executive), including transactions at arm's length, entered into by the Executive with another party, exceeding £5000 in value, in which an Executive member, the accounting officer or a senior manager, or a person connected with any of the foregoing, at any time during the year, had a direct financial interest that was notified to the Executive. For these purposes, a connected person shall be as defined in section 839 of the Income and Corporation Taxes Act 1988 or superseding legislation and including a member of the same household; and
- (e) A statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £100 000, with separate disclosure and particulars of any individual amounts in excess of £100 000. Disclosure shall also be made of any loss or special payment of £100 000 and below if it is considered material in the context of the Executive's operations.