

Part 2
Health and Safety Commission Accounts
and
Health and Safety Executive Accounts
2002/03

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 1.1 to 1.83 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 include the figures for the Health and Safety Laboratory.

2 Results and appropriations

Net operating cost and resource outturn for HSC was £643 266. The net operating cost for HSE was £201 632 556 and the net resource outturn was £203 627 419. Income earned to the value of £1 994 864 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

Sections 1 and 2 of the Annual Report review the delivery of plans published in the HSC business plan 2002/2003.

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 1) but were 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 24 in the Annual Report.

6 Future development

The Commission's and Executive's continuing aims and strategic themes for 2002/03 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 CBE, Abdul Chowdry, Judith Donovan CBE, Joyce Edmond-Smith, Judith Hackitt, John Longworth, Maureen Rooney OBE, and Owen Tudor.

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 xii 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. The HSC and HSE Boards meet 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. 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 2002/2003 are shown in paragraph 1.60 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 paragraph 1.75 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 2002/03 was 98.9% (2001/02 98.9%) 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 1.77 to 1.83 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 1.70 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 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 Post Balance Sheet events

The leases for the majority 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. A Preferred Bidder has been appointed and negotiations are taking place to seek to finalise a contract.

17 Future developments

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 at www.hsl.gov.uk

18 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 1k and also note 2).

19 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 CB

Director General

Health and Safety Executive

Accounting Officer

1 September 2003

Bill Callaghan

Chairman

Health and Safety Commission

Accounting Officer

1 September 2003

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. 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.

Timothy Walker CB

Director General, Health and Safety Executive

Accounting Officer

1 September 2003

Bill Callaghan

Chairman, Health and Safety Commission

Accounting Officer

1 September 2003

STATEMENT ON INTERNAL CONTROL

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 the HSC's and the HSE's policies, aims, objectives and strategic priorities 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 priorities, 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.

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. On major hazards our strategy reflects the regulatory regimes for those hazards, and the aim of avoiding serious failures. 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. HSE has recognised the need to improve its strategic focus and to that end has established a Strategy and Intelligence Division with the specific aim of improving its strategic foresight and capacity to deliver outcome-based strategies.

The approach being taken to business risk management described here is taking place against a process of change in HSE (of which the establishment of a Strategy and Intelligence Division mentioned above is one aspect) designed to make HSE a more modern, responsive and flexible organisation better equipped to deliver its strategic agenda. It is also in keeping with the government-wide two year Risk Handling Improvement Programme.

The HSE Board meets formally once a month and 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. Six generic risks have been identified and owners of these agreed:

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

Twenty-four more specific risks have been identified below this generic level. A detailed evaluation by risk owners to analyse the effectiveness of the control measures in place has been carried out; this included whether further controls were needed. In some instances the need for further controls has been identified and the

necessary action is now in hand. Further consideration of the twenty-four risks is taking place to test their continuing relevance.

The systems of internal control operate through HSE's existing management structure. All major projects (eg for new regulations) are guided by the principles and criteria set out in 'Reducing Risks, Protecting People' (HSE's risk-based decision making framework) and are subject to approval by the relevant HSE Board member and agreement by HSC and Ministers; major projects with cross HSE implications will be considered by the Board collectively. There is also an annual planning process designed to plan and agree allocation of resources in the light of the strategic aims of HSC/E.

Corporate policies 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 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 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 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 are being 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.

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 and that the organisation will be better able to demonstrate this when its arrangements for business risk management are fully embedded.

HSC/E's control environment was subject to a review in 2002 by a major firm of consultants. They concluded that it had been strengthened since their earlier review in 1997, when they had found the organisation to have a strong control framework and positive culture. The report said that HSE recognised the benefits of the inclusion of non-executive directors in management boards of government bodies; but in HSE's case there were legal problems with doing so. However, two non executive members have been appointed to the audit committee; it is intended that one of these will chair it in due course.

In addition to keeping the Risk Register under review, risk owners will re-assess the risks in the Risk Register to identify those crucial to the delivery of HSE's emerging strategy. The Board will discuss the risks to delivery of the strategy when the latter is further developed. The discussion is planned for Autumn 2003. Further stages intended to strengthen our management of the risks faced by HSC/HSE are:

Action	Timescale
Board agreement to a more developed statement fully codifying the approach to business risk management.	Autumn 2003
Board agreement to HSE's revised business risk register.	Autumn 2003
Integration of risk reporting with balanced scorecard performance review.	End 2003
Development and delivery of awareness raising / training so that managers at all levels are aware of role in identifying and managing risks across HSE.	March 2004

The HSE Board is committed to

- further development of its internal control structure as its change programme described above takes effect; and
- 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 CB

Director General
Health and Safety Executive
Accounting Officer
1 September 2003

Bill Callaghan

Chairman
Health and Safety Commission
Accounting Officer
1 September 2003

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 153 to 159 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 155.

Respective responsibilities of the Commission, Chairman, and Auditor

As described on page 147, 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 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 148 to 150 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 net operating cost of the Health and Safety Commission for the year ended 31 March 2003 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
26 September 2003

SCHEDULE I

HEALTH AND SAFETY COMMISSION: SUMMARY OF RESOURCE OUTTURN 2002/03

	Estimate NET EXPENDITURE 1 £'000	Outturn NET EXPENDITURE 2 £'000	Net total outturn compared with Estimate saving/(excess) 3 £'000	Prior-year outturn 2001/02 4 £'000
Request for Resources				
- Health & Safety Commission	643	643	-	605
Request for Resources				
- Health & Safety Executive	<u>213 936</u>	<u>203 628</u>	<u>10 308</u>	202 699
Net resources outturn	<u>214 579</u>	<u>204 271</u>	<u>10 308</u>	<u>203 304</u>

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 162 to 188).

Actual outturn – resources

Request for Resources 2: (Health and Safety Commission and Executive): Actual amount net resource outturn £204 270 685.57. Actual amount of savings in resources over Estimate £10 308 314.43. (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
DEL:			
Administration	220 448	216 515	3 933
Programme	55 300	53 678	1 622
Appropriations in aid (A in A)	(76 375)	(78 370)	1 995
AME (non cash items)*	15 206	10 453	4 753
Total net operating cost	<u>214 579</u>	<u>202 276</u>	<u>12 303</u>
A in A surrendered to DWP		<u>1 995</u>	<u>(1 995)</u>
HSC / HSE net resource outturn	214 579	204 271	10 308
Less HSC	<u>(643)</u>	<u>(643)</u>	<u>-</u>
HSE net resource outturn	<u>213 936</u>	<u>203 628</u>	<u>10 308</u>

*AME (non cash items) – outside resource expenditure

The notes on pages 155 to 159 form part of these accounts.

SCHEDULE 2

HEALTH AND SAFETY COMMISSION: OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2002/03 £'000	2001/02 £'000
Administration costs			
Staff costs	3	387	387
Other administration costs	4	256	218
Gross administration costs		<u>643</u>	<u>605</u>
Operating income		-	-
Net operating costs		<u>643</u>	<u>605</u>
Net resource outturn	Schedule 1	643	605

All income and expenditure are derived from continuing operations.

There are no material balances as at 31 March 2003 and a Balance Sheet has, therefore, not been prepared.

The notes on pages 155 to 159 form part of these accounts.

Bill Callaghan

Chairman

Health and Safety Commission

Accounting Officer

1 September 2003

HEALTH AND SAFETY COMMISSION ANNUAL REPORT AND ACCOUNTS 2002/03 NOTES TO THE ACCOUNTS

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2002/03 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, Statement of Responsibilities and Statement on Internal Control and separate Summary of Resource Outturn (Schedule 1) and Operating Cost Statements (Schedule 2). The HSC has not produced a Balance Sheet as any assets and liabilities of the HSC are included in the HSE Balance Sheet (Schedule 3) and are not material in value (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 is added to the chairman's emoluments. 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 Transport, Local Government and the Regions and Department for Work and Pensions for the financial year

2002/03 was £193 713 000 and after deducting £386 695 for staff costs and £256 571 for other operating charges, the sum of £193 069 734 was allocated to the Health and Safety Executive. These transactions pass through Reserves in the Balance Sheet but produce a nil value in HSC.

	£'000
Opening general fund 1/4/02	NIL
Net parliamentary cash funding	193 713
Net operating cost	643
Cash transfer to HSE (Refer HSE Schedule 4)	193 070
Closing general fund 31/3/03	NIL

3 Expenditure of the Health and Safety Commission

Staff Number and Costs:		
(a) Staff costs of the Health and Safety Commission:	2002/03	2001/02
	£'000	£'000
Wages and salaries	312	283
Social security costs	24	23
Other pension costs	27	56
Pension paid to former Chairmen	23	25
Staff on secondment or loan, and agency / temporary staff	1	0
	387	387
(b) The average number of employees during the year of the account, other than the Chairman and Commission members was made up as follows	2002/03	2001/02
	No	No
Non-specialist staff	6	6

Note:

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

(c) Emoluments of the Chairman

	Age	Salary	Other taxable benefits (to nearest £100)	2002/03 Increase in pension at 60	Total accrued pension at 60 at 31.3.03
		£'000	£	£'000	£'000
Bill Callaghan	54	95 - 100	0	0 - 2.5	0 - 5

	Age	Salary	Other taxable benefits (to nearest £100)	2001/02 Increase in pension at 60	Total accrued pension at 60 at 31.03.02
		£'000	£	£'000	£'000
Bill Callaghan	53	90-95	0	0-2.5	0-5

Notes:

Salary 'Salary' includes gross salary, performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment or 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 2003.

(d) Emoluments of the Commission members:

		2002/03			2001/02	
	Age	Salary	Fees	Other taxable benefits (to nearest £100)	Total	Total
		£	£	£	£	£
George Brumwell	63	1 443	1 820	-	3 263	4 138
Margaret Burns CBE	46	1 443	6 499	6 900	14 842	12 964
Abdul Chowdry	59	1 443	5 136	4 100	10 679	10 934
Judith Donovan CBE	51	1 443	5 100	3 000	9 543	8 466
Joyce Edmond-Smith	64	1 443	5 997	400	7 840	9 378
Judith Hackitt (1)	48	1 443	1 816	-	3 259	-
John Longworth (1)	44	1 443	1 445	100	2 988	-
Maureen Rooney CBE (2)	55	1 443	1 204	-	2 647	4 058
Owen Tudor	41	1 443	4 537	-	5 980	7 375
Sonny Hamid (3)		-	-	-	-	7 941
Rex Symons CBE (3)		-	-	-	-	6 184
		<u>12 987</u>	<u>33 554</u>	<u>14 500</u>	<u>61 041</u>	<u>71 438</u>

Notes:

- (1) *Appointment commenced 1.4.02*
- (2) *Died May 2003*
- (3) *Appointment ended 31.3.02*

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. Other administration costs of the Health and Safety Commission

	2002/03	2001/02
	£'000	£'000
General administrative expenses	130	89
Travel, subsistence and hospitality for:		
Chairman, Commission members and support staff (see note below)	65	71
Rent, rates, maintenance and other premises costs	61	58
	<u>256</u>	<u>218</u>

Note:

Travel, subsistence and hospitality expenses for the Chairman and Commission members was £61 030 (2001/02 £64 779), whilst the total for the support staff was £3 888 (2001/02 £6 441).

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.

For 2001/02 our sponsor department was the Department for Transport, Local Government and the Regions (DTLR).

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 162 to 188 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 168 to 172.

Respective responsibilities of the Executive, Director General and Auditor

As described on page 147 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 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 148 to 150 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 2003 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
26 September 2003

SCHEDULE I

HEALTH AND SAFETY EXECUTIVE: SUMMARY OF NET RESOURCE OUTTURN 2002/03

	Estimate	Outturn	Net total outturn compared with Estimate saving/(excess)	Prior- year outturn
	NET EXPENDITURE	NET EXPENDITURE		
	1	2	3	4
	£'000	£'000	£'000	£'000
Net operating cost	213 936	201 633		202 696
Net resources outturn	213 936	203 628	10 308	202 699
See note below				

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. By agreement with DWP, excess income over Estimate is paid over to the Department. Amounts payable in 2002/03 were £2 287 238.42 of which £2 285 878.83 (see also Schedule 4) was outstanding at 31 March 2003. Amounts paid in 2002/03 were £2 002.95 of which £643.36 related to 2001/02 and £1 359.59 related to 2002/03.

Actual outturn - resources

Request for Resources 2. Actual amount net resource outturn £203 627 419.28. Actual amount of savings in resources over Estimate £10 308 580.72. Net operating cost compared with Estimate is made up as follows:

	Estimate	Outturn	Estimate minus outturn saving/(excess)
	£'000	£'000	£'000
DEL:			
Administration	220 448	216 515	3 933
Programme	55 300	53 678	1 622
Appropriations in aid (A in A)	(76 375)	(78 370)	1 995
AME (non cash items)*	15 206	10 453	4 753
Total net operating cost	214 579	202 276	12 303
A in A surrendered to DWP		1 995	(1 995)
HSC / HSE net resource outturn	214 579	204 271	10 308
Less HSC	(643)	(643)	-
HSE net resource outturn	213 936	203 628	10 308

* AME (non cash items) – outside resource expenditure

The notes on Pages 168 to 188 form part of these accounts

SCHEDULE 2

HEALTH AND SAFETY EXECUTIVE: OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

		2002/03	2001/02
	Notes	£'000	£'000
Administration costs			
Staff costs	2	145 645	136 323
Other administration costs	3	80 679	87 531
Exceptional item: loss on sale of assets		-	3 189
Gross administration costs		226 324	227 043
Operating income	5	(46 477)	(44 908)
EU income		(523)	(651)
Net administration costs		179 324	181 484
Programme costs			
Expenditure	4	29 161	28 017
Less income	4 & 5	(6 852)	(6 805)
Net programme costs		22 309	21 212
Net operating cost	6 & 7	201 633	202 696
Net resource outturn	6 & 7	203 628	202 699

All income and expenditure is derived from continuing operations with the exception of EECS (see note 5).

Statement of Recognised Gains and Losses for the year ended 31 March 2003

	2002/03	2001/02
	£'000	£'000
Net Gain/(loss) on revaluation of tangible fixed assets (Refer note 16)	724	213
Recognised gains and losses for the financial year	724	213

The notes on pages 168 to 188 form part of these accounts.

SCHEDULE 3

HEALTH AND SAFETY EXECUTIVE: BALANCE SHEET AS AT 31 MARCH 2003

	Notes	31 March 2003		31 March 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		27 847		26 137
Debtors: (Amounts falling due after more than one year)	12		1 261		1 395
Current assets					
Stocks	11	1 883		2 019	
Debtors	12	19 719		22 767	
Cash at bank and in hand	13	91		4 500	
		<u>21 693</u>		<u>29 286</u>	
Creditors (due within one year)	14	(9 859)		(7 212)	
Net current assets			<u>11 834</u>		<u>22 074</u>
Total assets less current liabilities			<u>40 942</u>		<u>49 606</u>
Creditors (amounts falling due after more than one year)	14		(10)		(25)
Provisions for liabilities and charges	15		(3 522)		(4 731)
			<u>37 410</u>		<u>44 850</u>
Taxpayers' equity					
General fund	20		34 183		41 774
Revaluation reserve	16		3 227		3 076
			<u>37 410</u>		<u>44 850</u>

The notes on pages 168 to 188 form part of these accounts.

Timothy Walker CB

Director General

Health and Safety Executive

Accounting Officer

1 September 2003

SCHEDULE 4

HEALTH AND SAFETY EXECUTIVE: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

Cash Flow Statement		2002/03	2001/02
	Notes	£'000	£'000
Net cash outflow from operating activities		(191 161)	(192 836)
Capital expenditure and financial investment		(7 897)	(6 405)
Receipts due to the Consolidated Fund which are outside the scope of HSE's activities		4	
Payments of amounts due to the Consolidated Fund		(1)	(978)
Financing		<u>193 070</u>	<u>202 895</u>
(Decrease) / increase in cash in the period		<u>(5 985)</u>	<u>2 676</u>
Notes			
Reconciliation of operating cost to operating cash flows			
Net operating cost		201 633	202 696
Adjust for non-cash transactions		(10 827)	(17 603)
Adjust for movements in working capital other than cash	10	(2 077)	6 654
Adjust for movements on creditors over one year		15	17
Use of provisions	15	<u>2 417</u>	<u>1 072</u>
Net cash outflow from operating activities		<u>191 161</u>	<u>192 836</u>
Analysis of capital expenditure and financial investment			
Purchase of fixed assets	8 & 9	8 489	7 682
Proceeds of disposal of fixed assets	8	<u>(592)</u>	<u>(1 277)</u>
Net cash outflow from investing activities		<u>7 897</u>	<u>6 405</u>
Analysis of financing and reconciliation to the net cash requirement			
From DTLR		145 418	202 895
From DWP		47 652	
Decrease / (increase) in cash		5 985	(2 676)
Adjustment for payments and receipts not related to Supply			
Amounts due to DWP			
- received in a prior year and paid over		(1)	(976)
- received and not paid over		4	1
- Excess non operating Appropriations in Aid re. disposal of fixed assets		288	0
- Excess Appropriations in Aid included in income		<u>1 995</u>	<u>0</u>
Net cash requirement		<u>201 341</u>	<u>199 244</u>

The amount of grant actually issued to support the net cash requirement = £193 070 000.00

Reconciliation of net cash outflow as per note 13 to decrease in cash as per Schedule 4 above.

	£'000
Net cash outflow (as per note 13)	(4 409)
Uncleared payments (included within creditors)	(1 576)
Decrease in cash in the period (as per Schedule 4)	<u>(5 985)</u>

The Notes on Pages 168 to 188 form part of these accounts.

SCHEDULE 5

HEALTH AND SAFETY EXECUTIVE: RESOURCES BY AIMS AND OBJECTIVES FOR THE YEAR ENDED 31 MARCH 2003

	2002/03			2001/02		
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000
Aims/objectives						
First aim:						
To modernise, simplify and support the regulatory framework, including EU and other international work	39 929	(3 781)	36 148	37 126	(3 608)	33 518
Second aim:						
To secure compliance with the law in line with the principles of proportionality, consistency, transparency and targeting on a risk related basis	145 141	(34 533)	110 608	150 378	(32 375)	118 003
Third aim:						
To improve the knowledge and understanding of health and safety through the provision of appropriate (and timely) information and advice	36 260	(10 353)	25 907	42 061	(10 017)	32 044
Fourth aim:						
To promote risk assessment and technical knowledge as the basis for setting standards and guiding enforcement activities	25 392	(1 994)	23 398	14 855	(1 694)	13 161
Fifth aim:						
To operate statutory schemes, including regulatory services, through, for example, EMAS	8 763	(3 191)	5 572	10 640	(4 670)	5 970
Net operating costs	255 485	(53 852)	201 633	255 060	(52 364)	202 696

The Notes on pages 168 to 188 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 2002/03 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.

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. 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.

(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 both from the Department for Transport, Local Government and the Regions and from Department for Work and Pensions due to a change in Department during the year.

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 Note 23) 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.

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 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.

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 and telecommunications equipment		up to 7 years
Vehicles		up to 7 years
Motor vehicles leased to staff		up to 3 years

(f) 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.

(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.

All other gains and losses 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 6 per cent in real terms on 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 benefits 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 23) 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.

Residual interests in off balance sheet PFI assets are included in debtors and are not depreciated until the asset is brought into use or reverts to the department respectively.

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 6% in real terms.

(p) Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, HSE discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- Items over £100 000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to HSE entering into the arrangement.
- All items (whether or not they arise in the normal course of business) over £100 000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

(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.

2. Staff costs of the Health and Safety Executive

(a) Staff costs consist of:	2002/03 £'000	2001/02 £'000
Wages and salaries	115 381	109 241
Social security costs	8 385	8 515
Other pension costs	17 150	18 567
Staff on secondment or loan, and agency/temporary staff	4 729	
Total	145 645	136 323

Note 1:

Costs in respect of staff on secondment or loan, and agency/temporary staff were included in Other Administration Costs (Note 3) in 2001/02 accounts.

Note 2:

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 as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2002/03 employers contributions of £16 939 964 were payable to the PCSPS (2001/02 £16 237 564) 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 every four years 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 2002/03 employers contributions of £5 630.68 were paid to two appointed stakeholder pension providers.

(b) The average number of employees during the year of the account (including staff on inward secondment or loan) was made up as follows:	2002/03 Number	2001/02 Number
Inspectors	1 638	1 580
Other professional / specialist staff	1 471	1 397
Non specialist staff	1 113	1 205
	4 222	4 182

Note:

2001/02 numbers have been restated to include agency staff and staff on inward secondment.

(c) The average number of employees categorised by aims / objectives (refer Schedule 5) is as follows:

	2002/03
First aim	633
Second aim	2 619
Third aim	561
Fourth aim	235
Fifth aim	174
	<u>4 222</u>

(d) Emoluments of Director General

	Age	Salary	Benefits in kind (to nearest £100)	Real increase in pension at 60	Total accrued pension at 60 at 31/03/2003
		£'000	£	£'000	£'000
Timothy Walker CB					
2002/03	57	135-140	0	2.5-5	40-45
2001/02	56	120-125	0	5-7.5	35-40

Executive Members emoluments

			2002/03		
	Age	Salary	Benefits in kind (to nearest £100)	Real increase in pension at 60	Total accrued pension at 60 at 31/03/2003
		£'000	£	£'000	£'000
Kate Timms CB	58	115-120	0	2.5-5	45-50
Justin McCracken (1)	47	110-115	0	0-2.5	0-5

Notes:

(1) Appointment commenced 1 April 2002

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

Executive Members emoluments:

		2001/02			
	Age	Salary	Benefits in kind (to nearest £100)	Real Increase in pension at 60	Total accrued pension at 60 at 31/03/2002
		£'000	£	£'000	£'000
Kate Timms CB (1)	57	70-75	0	5-7.5	45-50
David Eves (2)	60	90-95	0	2.5-5	50-55
Richard Hillier (3)	59	25-30	0	2.5-5	35-40

Notes:

(1) Appointed 2 July 2001

(2) Appointment ended 9 January 2002

(3) Executive appointment ended 1 July 2001

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 receive 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.

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 the members 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. Where the members ill health is such that 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% and 12.5% (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% (in addition to the employers basic contribution). Employers also contribute a further 0.8% 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% of the fund as a lump sum.

3 Other administration costs of the Health and Safety Executive

	2002/03	2001/02
	£'000	£'000
Rentals under operating leases:		
Hire of plant & machines	116	125
Other operating leases	7 868	8 986
PFI service charges:		
Off balance sheet contracts	16 951	9 293
Auditor's remuneration	82	84
Non-cash items:		
Depreciation and amortisation of fixed assets	6 480	6 879
Cost of capital charge	2 430	2 645
Loss on revaluation of fixed assets	327	2 238
Provisions: Provided in year	1 342	2 547
Other non-cash items	83	105
Other expenditure	<u>44 869</u>	<u>54 629</u>
	80 548	87 531
Loss on sale of fixed assets	<u>131</u>	<u>3 189</u>
	80 679	90 720

Note:

Travel, subsistence and hospitality expenses for the Executive Members was £39 101. (2001/02 – £34 281), whilst the total for all other staff was £11 415 430 (2001/02 - £11 360 586). There were no payments made to the NAO for non-audit work carried out in the year.

Other expenditure includes bad debts and losses as follows:

	2002/03	2001/02
	£'000	£'000
(a) Losses cases 92 (2001-2002: 170 cases)	26	29
(b) Special payments cases 51 (2001-2002: 33 cases)	4	155
(c) Bad debts written off	<u>50</u>	<u>59</u>
	80	243

4 Net programme costs

	2002/03	2001/02
	£000	£000
Research	17 763	16 008
Publicity, marketing and distribution	9 441	9 335
Other	1 957	2 674
Less programme income	(6 852)	(6 805)
	<u>22 309</u>	<u>21 212</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.

	Cost	Income	Surplus/ (Deficit)	Surplus/ (Deficit)
			2002/03	2001/02
	£'000	£'000	£'000	£'000
(i) HSE fees and charges				
Licensing of nuclear installations	20 739	20 739	-	-
Safety related research in the nuclear industry	1 395	1 395	-	-
Genetically modified organisms	150	103	(47)	(42)
First-aid approvals	243	218	(25)	(58)
Electrical Equipment Certification Unit*	1413	501	(912)	(265)
Asbestos Licensing Unit	328	304	(24)	(105)
Approval of non-agricultural pesticides	1 435	1 374	(61)	-
Notification of new substances	350	323	(27)	4
Control of major accident hazards	3 465	3 547	82	(227)
Enforcement of railway safety legislation	7 053	6 491	(562)	(989)
Enforcement of offshore safety legislation	8 318	7 222	(1 096)	(1 027)
	44 889	42 217	(2 672)	(2 709)
Health and Safety Laboratory external customers	2 046	2 046	-	131
Health and Safety Laboratory EU income	396	396	-	
Other fees & agency charges	-	284		
Total fees & charges at 31 March 2003	47 331	44 943		
Total fees & charges at 31 March 2002	45 118	42 787		
(ii) HSE sales & other income				
Sale of publications	4 056	5 117	1 061	705
Other sales/income	-	3 665		-
EU Income	127	127		-
Total sales & other income at 31 March 2003	4 183	8 909		
Total sales & other income at 31 March 2002	4 652	9 577		

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 included in other sales/income above, are as follows:

	2002/03	2001/02
	£'000	£'000
Rents from other Government Departments	137	159
Rents from external tenants	74	148
Total	211	307

6 Reconciliation of net operating cost to net resource outturn

	2002/03	2001/02
	£'000	£'000
Net operating cost	201 633	202 696
Income to be surrendered to DWP	1 995	3
Resource budget outturn	203 628	202 699
Net resource outturn	203 628	202 699

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

	2002/03				Net Total	2001/02
	Admin	Programme	Current grants	A-in-A		Prior year outturn
	£'000	£'000	£'000	£'000		£'000
Request for Resources	226 324	29 161	-	(51 857)	203 628	202 699
Total					203 628	202 699
Resource outturn					203 628	202 699
Excess income (operating appropriations in aid) to be surrendered to DWP					(1 995)	(3)
Net operating cost					201 633	202 696

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.

	2002/03	2001/02
	£'000	£'000
Excess non operating appropriations in aid		
Disposal of fixed assets	288	0

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

	2002/03			Net Total £'000
	Capital expenditure £'000	Loans, etc £'000	A-in-A £'000	
Request for Resources	8 515		(592)	<u>7 923</u>
Total 2002/03				<u>7 923</u>
Total 2001/02	7 682		(1 277)	<u>6 405</u>

9 Tangible fixed assets

	Land & Buildings £'000	Information Technology £'000	Motor Vehicles £'000	Plant and Machinery £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation at 1 April 2002	13 678	3 836	3 582	14 575	10 234	45 905
Additions in year	3 867	440	1 254	951	2 003	8 515
Revaluations in year	482	(254)	(18)	132	88	430
Disposals during year	(193)	(311)	(1 137)	(1 376)	(912)	(3 929)
Balance at 31 March 2003	<u>17 834</u>	<u>3 711</u>	<u>3 681</u>	<u>14 282</u>	<u>11 413</u>	<u>50 921</u>
Depreciation at 1 April 2002	2 607	2 576	1 255	8 690	4 640	19 768
Charge in year	2 355	728	588	1 591	1 218	6 480
Revaluations in year	(34)	(123)	(6)	151	44	32
Disposals during year	(194)	(283)	(620)	(1 216)	(893)	(3 206)
Accumulated Depreciation at 31 March 2003	<u>4 734</u>	<u>2 898</u>	<u>1 217</u>	<u>9 216</u>	<u>5 009</u>	<u>23 074</u>
Net book value at 31 March 2003	13 100	813	2 464	5 066	6 404	27 847
Net book value at 31 March 2002	11 071	1 260	2 327	5 885	5 594	26 137
Asset Financing						
Owned	12 444	813	2 464	5 019	6 404	27 144
Leased	656	0	0	47	0	703

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

The net book value of land and buildings at 31 March 2003 comprises:

	2002/03	2001/02
	£'000	£'000
Freehold	5 633	5 688
Long leasehold	1 197	1 184
Short leasehold	6 270	4 199
	<u>13 100</u>	<u>11 071</u>

10 Movements in working capital other than cash

	2002/03	2001/02
	£'000	£'000
Decrease in stocks/work in progress	136	373
Decrease /(increase) in debtors	3 182	(5 532)
Increase/ (decrease) in creditors falling due within one year	1 070	(2 470)
Net decrease / (increase) in working capital other than cash	4 388	(7 629)
Less (increase)/ decrease/ in amounts payable to DWP (2001/02 DTLR)	(2 285)	975
Less (increase) in capital creditor	(26)	
	<u>2 077</u>	<u>(6 654)</u>

11 Stocks and work in progress

	2002/03	2001/02
	£'000	£'000
Consumables	56	124
Work-in-progress	487	467
Finished stock for sale	1 340	1 428
	<u>1 883</u>	<u>2 019</u>

12 Debtors

	2002/03	2001/02
	£'000	£'000
Debts falling due within one year:		
Trade debtors	5 045	6 953
Imprest/advances	495	391
Prepayments	2 609	3 452
Taxation: VAT debtor	2 720	3 361
Other debtors	4	63
Accrued income	<u>8 846</u>	<u>8 547</u>
	19 719	22 767
Debts falling due after more than one year:		
IT refit	643	607
Imprests/advances	<u>618</u>	<u>788</u>
Total	<u>20 980</u>	<u>24 162</u>

The imprests/advances total of £1 108 988 (2001/02 - £1 179 067) includes £560 830 (2001/02 - £612 559) advances of salary for house purchase, £254 203 (2001/02 - £236 269) advances of salary for season ticket purchase, £171 382 (2001/02 - £192 846) imprests and £122 573 (2001/02 - £137 393) other advances.

There were 72 officers who had £2 500 or more outstanding at 31 March 2003 which totalled £500 458 (2001/02 - £564 187 - relating to 86 officers).

13 Cash at bank and in hand

	2002/03	2001/02
	£'000	£'000
Balance at 1 April	4 500	1824
Net cash outflow	<u>(4 409)</u>	<u>2 676</u>
Balance at 31 March	<u>91</u>	<u>4 500</u>
The following balances at 31 March are held at:		
Office of HM Paymaster General	0	4 283
Commercial banks and cash in hand	<u>91</u>	<u>217</u>
	<u>91</u>	<u>4 500</u>
The balance at 31 March comprises:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	88	4 499
Consolidated Fund extra receipts received and due to be paid to DWP	<u>3</u>	<u>1</u>
	<u>91</u>	<u>4 500</u>

14 Creditors

	2002/03	2001/02
	£'000	£'000
Amounts falling due within one year:		
Trade creditors - non capital	640	1 223
Trade Creditors - capital	26	-
Other creditors	46	111
Accruals and deferred income	6 652	5 191
Payments on account	209	686
Receipts payable to DWP (2001/02 DTLR)	2 286	1
	<u>9 859</u>	<u>7 212</u>
Amounts falling due after more than one year:		
Finance leases	10	25
Total	<u>9 869</u>	<u>7 237</u>

15 Provisions for liabilities and charges

	Early retirement provision	Dilapidations	Other	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2002	4 081	230	420	4 731
Increase in provision	308	1 010	67	1 385
Provisions not required written back	(82)	(62)	(168)	(312)
Amounts utilised	(2 274)	(143)	-	(2 417)
Unwinding of discount	115	-	20	135
Balance at 31 March 2003	<u>2 148</u>	<u>1 035</u>	<u>339</u>	<u>3 522</u>

16 Reserves

Revaluation reserve	£'000
Balance at 1 April 2002	3 076
Arising on revaluation during the year (net)	724
Transfer to general fund of realised element of revaluation reserve	(573)
Balance at 31 March 2003	<u>3 227</u>

17 Capital commitments

	2002/03	2001/02
	£'000	£'000
Contracted commitments for which no provision has been made	344	804

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:

	2002/03		2001/02	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Leases expiring within:				
One year	66	41	850	55
Two to five years	1 034	117	654	70
More than 5 years	6 924	0	5 384	0
	<u>8 024</u>	<u>158</u>	<u>6 888</u>	<u>125</u>

19 Finance leases

HSE's obligations under finance leases are as follows:

	2002/03		2001/02	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Rentals due within one year	0	16	0	16
Rentals due within 2 to 5 years	0	10	0	25
Rentals due thereafter	0	0	0	0
	<u>0</u>	<u>26</u>	<u>0</u>	<u>41</u>

20 Reconciliation of net operating cost to changes in general fund

	2002/03	2001/02
	£'000	£'000
Net operating cost for the year (Schedule 2)	(201 633)	(202 696)
Net parliamentary funding	193 070	202 895
Excess appropriations in aid to be surrendered to DWP	(2 282)	-
Transferred to general fund in respect of realised element of revaluation reserve (Note 16)	573	471
Release from general fund (Chairman's pension)	168	(384)
Non-cash charges (DWP Services)	83	-
Cost of capital	2 430	2 645
Notional welfare costs	-	105
Net (decrease)/ increase in general fund	(7 591)	3 036
General fund at 1 April 2002	<u>41 774</u>	<u>38 738</u>
General fund at 31 March 2003 (Schedule 3)	<u>34 183</u>	<u>41 774</u>

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 Work and Pensions (DWP).

DWP is regarded as a related party. During the year, HSE had several transactions with DWP totalling £602 630 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.

For 2001/02 our sponsor department was the Department for Transport Local Government and the Regions (DTLR).

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 (£514 314, 2001/02 - £761 000), Civil Service College (£314 346, 2001/02 - £230 000), Department of Health (£223 177, 2001/02 - £209 000), Treasury Solicitor (£235 616, 2001/02 - £267 000) and Department of Environment, Food and Rural Affairs expenditure of £538 977, 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.

22 Notes to Schedule 5

Our aims are those laid out in the Health & 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 (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 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.

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 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 3 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 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:

	£’000’s
Amounts falling due within one year	12 691
Net present value of amounts falling due within two to five years	46 430
Net present value of amounts falling due within six to ten years	36 088

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

24 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 three equal pay cases from employees on two separate issues. Each case is at a different stage in what could be a long legal process. If we were to lose, 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 and the extent to which any awards made are backdated.

25 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.

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.

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.