



The Health and Safety Executive Annual Report and Accounts 2011/12

HC204 Gratis

The Health and Safety Executive Annual Report and Accounts 2011/12

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05	Foreword from HSE's Chair and Chief Executive
07	Management Commentary:
07	About the Health and Safety Executive (HSE)
07	Governance framework
08	Strategy and objectives
08	Operating review
25	Financial review
27	Public accountability
29	Our workforce
33	Working with our stakeholders
33	Environmental, social and community issues (including Sustainability Report)
39	Looking forward
40	Remuneration Report
47	Statement of the Executive's and the Chief Executive's responsibilities
48	Governance Statement
60	The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament
62	Statement of Comprehensive Net Expenditure for the year ended 31 March 2012
63	Statement of Financial Position as at 31 March 2012
64	Statement of Cash Flows for the year ended 31 March 2012
65	Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012
66	Notes to the Accounts

Foreword from HSE's Chair and Chief Executive

Over the last 12 months, Health and Safety Executive (HSE) has continued to deliver the many and varied aspects of its role as a regulator using our strategy, *The health and safety of Great Britain\Be part of the solution*,¹ as the road map to a more proportionate and effective health and safety system. This annual report sets out HSE's progress towards delivery of its part of the strategy and specifically against key actions in its 2011/12 Delivery Plan.² It includes how we are now also responding to the significant Government-led reviews of Britain's health and safety system that reported during the year.

It is encouraging that the latest available health and safety statistics³ showed that, as in recent years, Britain continues to be one of the best performing countries in the EU, maintaining the long-term trend in the reduction of fatal and serious injuries. However, we cannot lose sight that, in 2010/11, 171 workers were killed at work and many more received serious injuries. There is still considerable scope to improve health and safety performance.

Consistent with our core mission of preventing death, injury and ill health in Britain's workplaces, HSE's contribution to further improving health and safety outcomes has included:

- delivery of extensive intervention programmes to major hazard operators, such as offshore oil and gas exploration and production, onshore chemical manufacture and storage and nuclear sites with the aim of preventing catastrophic incidents;
- targeting our programme of proactive inspections even more to higher risk dutyholders and poorly performing businesses in the non-major hazard sectors – an example being our intensive inspection initiative targeted to the construction refurbishment sector, where we visited over 3 200 construction sites; and
- developing more effective partnerships with key stakeholders in industries and sectors where there is a higher risk of injury or ill health in order to raise awareness, support behavioural change and encourage others to take ownership for driving forward improved standards. An example is the work we undertook with representative bodies from the farming industry, which included the development of voluntary safety charters.

Irrespective of the sector or level of risk, all dutyholders must maintain the required standards of health and safety and, where warranted, we held to account those who chose to ignore or avoid their legal obligations. Our response to incidents and complaints has and will remain unchanged. During 2011/12, we followed up more than 10 400 complaints against dutyholders, and investigated almost 4 000 incidents. Of the cases prosecuted in 2010/11, we secured guilty verdicts in 94% of cases. Examples of successful cases heard in 2011/12 are included on page 24.

During the period covered by this report, a number of significant reviews of Britain's health and safety system were published – in particular the Government's policy framework for health and safety, *Good Health and Safety, Good for Everyone*;⁴ and Professor Löfstedt's review, *Reclaiming health and safety for all*.⁵ Both have the common aim of simplifying health and safety legislation and related guidance without reducing the protection of workers and the public. HSE has already begun to implement those aspects which it has been asked to deliver. For example, we commenced work on the repeal of unnecessary

1 Available to download at www.hse.gov.uk/strategy/document.htm.

2 Available to download at www.hse.gov.uk/aboutus/strategiesandplans/delivery-plans/plan1112.pdf.

3 At the time of the production of this report, the latest available published data (provisional) for Great Britain was for 2010/11; and for the EU, 2008.

4 Reclaiming health and safety for all was published on 28 November 2011 at www.dwp.gov.uk/docs/lofstedt-report.pdf.

5 Good Health and Safety, Good for Everyone is available at www.dwp.gov.uk/docs/good-health-and-safety.pdf.

and duplicate legislation, produced a series of online risk assessments for lower risk workplaces, and we are in the process of extending the extensive review of HSE's guidance which had already begun, to include Approved Codes of Practice (ACOP). Our aim is to ensure that all of our guidance and codes are easier to read and to apply in practice.

Turning to resources, along with the rest of the public sector, HSE responded to the need for greater fiscal constraint and discipline as part of the nation's deficit reduction programme. We took early action to position ourselves to manage the initial impact of the reduction in funding we receive from the taxpayer to 2014/15. This included reducing further the size of our estate by moving to smaller premises or closing offices, streamlining back-office functions and renegotiating contracts with suppliers.

Looking forward, we will continue to further target our inspection work in those areas of highest risk and to contribute to reforms to the health and safety system and play a full part in their implementation. We remain committed to reducing unnecessary regulatory requirements on business, because we believe that simplification will lead to greater levels of compliance with existing standards. In particular, we will seek to:

- draw the distinction between what is real health and safety and what is bureaucracy and over-interpretation;
- make it even easier for people to understand and do what is required; and
- continue to take enforcement action against those who expose their employees and others to unacceptable risks.

How HSE will deliver these aims is incorporated within our three-year Business Plan 2012–15.

Finally, reflecting on the past year, and looking ahead to the continuing ambitious programme of work HSE will deliver, we wish to thank the members of HSE's Board and our staff for their support and hard work. We also wish to thank our co-regulators and others in Britain's health and safety system who have again contributed to improving health and safety outcomes.



Judith Hackitt CBE
Chair
11 June 2012



Geoffrey Podger CB
Chief Executive
11 June 2012

About the Health and Safety Executive (HSE)

HSE is a non-departmental public body with Crown status, established under the Health and Safety at Work etc Act 1974 (HSWA). It is sponsored by the Department for Work and Pensions (DWP). DWP Ministers have primary responsibility for health and safety issues in government. HSE also reports to other Ministers on different aspects of health and safety.

HSE is responsible for regulating work-related health and safety in Great Britain in partnership with local authorities (LAs) in accordance with the HSWA. Our mission is the prevention of death, injury and ill health to those at work and those affected by work activities. We deliver it within the framework for health and safety set by the Government in *Good Health and Safety, Good for Everyone*.

Health and safety is a matter reserved to the UK Parliament and in Scotland and Wales effective working arrangements have been developed between HSE and the administrations to ensure that areas of common and close interest are managed appropriately. Where necessary, such areas are underpinned by 'concordats' which set out any arrangements for consultation, information giving and joint working. These can be accessed at www.hse.gov.uk/aboutus/howwework/framework/F-2001-3.htm.

Two directorates of HSE operate as in-house agencies:

- The Health and Safety Laboratory (HSL) – was established on 1 April 1995 and provides technical support to HSE's investigations into incidents and science and research services. HSE's financial statements consolidate the figures for HSL. Data relating to HSL has also been incorporated into the Management Commentary where appropriate. Details of HSL's activities and performance can be found in their Annual Report and Accounts 2011/12, available at www.hsl.gov.uk from July 2012.
- The Office for Nuclear Regulation (ONR) – was established on 1 April 2011 to create a single integrated nuclear regulator comprising nuclear safety, civil nuclear security, nuclear safeguards and radioactive materials transport as recommended in the Nuclear Regulatory Review 2008. ONR carries out HSE's operational, regulatory and policy functions in relation to civilian and defence nuclear sites and is the principal regulator of the safety and security of the nuclear industry in the UK. ONR's financial and operational information is fully consolidated into the HSE Annual Report and Accounts 2011/12.

HSL's and ONR's governance arrangements are included in the Governance Statement on pages 50–51.

Governance framework

The HSE Board consists of a Chair and between seven and eleven Non-Executive Directors. The Chair is Judith Hackitt and HSE's Chief Executive and Accounting Officer is Geoffrey Podger. The respective roles they play and the other key elements of HSE's governance arrangements are set out in the Governance Statement. It includes commentary on, for example, the HSE Board membership, its work during the year, its effectiveness, the role of the Accounting Officer and the key risks and uncertainties facing the organisation.

Strategy and objectives

HSE seeks to fulfil the functions set out for it in the Health and Safety at Work etc Act 1974 and a range of statutes and statutory instruments to ensure that we can account for the use of both our statutory powers and the expenditure we incur.

Our strategy, *The health and safety of Great Britain\Be part of the solution*, continues to define the goals that we and all stakeholders in the health and safety system should strive to achieve within the framework published by the Government in March 2011: *Good Health and Safety, Good for Everyone*.

The activities HSE aimed to take forward as its contribution to the delivery of the strategy in 2011/12 were detailed in our Delivery Plan at www.hse.gov.uk/aboutus/strategiesandplans/delivery-plans/plan1112.pdf. This sets out our planned actions under four key aims:

- **Transforming our approach:** Reform how and where HSE works to realise the best achievable impact on the health and safety system, to deliver our functions more efficiently and live within our SR10 settlement.
- **Avoiding catastrophe:** Provide public assurance that health and safety risks within those high hazard industries which are strategically important to the country's economy, and which have the potential to cause catastrophic harm to their workers and the public at large, are effectively managed and controlled.
- **Clarifying ownership of risk and improving compliance:** Motivate others in the health and safety system to address their responsibilities in a common sense and proportionate manner and contribute to improving health and safety performance.
- **Securing justice:** Investigate work-related incidents and ill health and take enforcement action to prevent harm and to secure justice when appropriate.

Operating review

This section provides a review of HSE's progress in delivering:

- our contribution to DWP's Structural Reform Plan (SRP);⁶ and
- the activities contained within our 2011/12 Delivery Plan, including the HSE-led recommendations arising from the Government-commissioned report by Professor Löfstedt, *Reclaiming health and safety for all: An Independent Review of health and safety legislation*.

Information relating to the performance of Britain's health and safety system, of which HSE is a part, can be found at www.hse.gov.uk/statistics/index.htm.

Progress against the Structural Reform Plan 2011/12

Table 1 reports progress against the HSE led recommendations which feature in DWP's Structural Reform Plan (section 6.6). An updated version was published on 13 May 2011 as part of the refreshed departmental plan.

⁶ The updated Structural Reform Plan is available at www.number10.gov.uk/news/department-business-plans-updated.

Table 1: Progress against the Structural Reform Plan: as at 31 March 2012

<i>Recommendation</i>	<i>Milestone</i>	<i>Delivered on time</i>
Eradicate unnecessary health and safety bureaucracy:		
i) produce clear guidance for small and medium-sized businesses engaged in lower risk activities	June 2011	✓ This has been addressed as part of the wider work HSE is undertaking to assist small and medium-sized enterprises (SMEs) and, in particular, through publication of <i>Health and safety made simple</i> on 21 March 2011, the revision of existing guidance and the online risk management tools to help those working in low risk offices and shops.
ii) review and re-launch existing guidance for home workers in low-hazard environments	August 2011	✓ HSE has replaced its previous guidance on home workers with a simple, downloadable, information sheet available at www.hse.gov.uk/pubns/indg226.pdf .
Streamline and simplify health and safety legislation by:		
i) conducting an independent review of health and safety regulations	November 2011	✓ HSE supported and, as invited, contributed to Professor Ragnar Löfstedt's independent review of health and safety legislation which was published on 28 November 2011. Progress is reported on pages 16-17 of the annual report.
ii) consulting on a draft voluntary code of practice to replace the current Adventure Activities Licensing Authority regime	September 2011	✓ HSE completed the consultation period to time. All 199 responses were fed into the development of the code of practice which is in the process of being finalised.
iii) consulting on the approach to sharing more of HSE's costs with the businesses that create risks by operating outside the health and safety law	October 2011	✓ Informal discussion and consultation with businesses and trade organisations formed part of the discussions on development of the cost recovery proposal which was published for consultation on 22 July 2011 and closed on 14 October 2011. 296 responses were received. HSE's Board considered the views of consultees and put forward proposals to the Minister in February 2012.

Progress against the HSE Delivery Plan 2011/12

The following provides detail of some of the key activities and outputs which HSE delivered against its 2011/12 Delivery Plan and other in-year priorities which emerged. They are grouped under the four aims of the plan as described on page 8.

Transforming our approach: Reform how and where HSE works to realise the best achievable impact on the health and safety system to deliver our functions more efficiently and live within our SR10 settlement

Objective: Improve the design, prioritisation, targeting and evaluation of how and where HSE intervenes.

Progress:

- Published the latest HSE Annual Statistics Report for 2010/11, bringing together essential data on work-related ill health, workplace fatalities and injuries and enforcement in Britain – to enable HSE to target its interventions where most needed. The report is available at www.hse.gov.uk/statistics/overall/hssh1011.pdf.
- In accordance with the Summary Science Plan 2011, commissioned 245 research and technical projects to:
 - i) support HSE's inspections, investigation and enforcement;
 - ii) acquire evidence to develop a greater understanding about occupational safety and health; and
 - iii) evaluate the impact of our interventions.

Examples include:

- leadership and worker involvement on the Olympic Park;
- the ten-year review of the iron (gas) mains replacement programme;
- development of a web-based leadership and worker engagement toolkit for small and medium enterprises in construction;
- good control practice for workers' exposure to gases in landfill sites;
- the future burden of occupational cancer in Britain; and
- the costs to Britain of workplace injuries and work-related ill health in 2006/07.

Research reports can be found on HSE's website at www.hse.gov.uk/research/rrhtm/index.htm, and the latest annual science report, which considers the use of HSE's investment in research and effectiveness of technical support in securing successful prosecutions is available at www.hse.gov.uk/aboutus/meetings/hseboard/2012/250112/pjanb1207.pdf.

- Developed or refreshed sector strategies in consultation with industry stakeholders, where appropriate, which seek to address health and safety priorities within the context of specific industries such as construction and agriculture. The evidence and analysis within the sector strategies has been used to inform the proactive elements of HSE's plans for 2012/13.

Objective: Implement structural reform within HSE to create an organisation able to meet future challenges.

Progress:

- Commenced work to transfer human resources (HR), finance and procurement transactional services to a shared service provider, DWP, from April 2013. A project team has been established and work is underway to compare the shared services processes for procurement, HR and finance with those currently used in HSE to identify any gaps and issues to resolve. In addition, HSE progressed its implementation of the Next Generation Human Resources change programme, to restructure the HR function across government in order to increase effectiveness and reduce the cost of Civil Service HR.
- In line with our Estates Strategy, reduced the amount of space HSE occupies by 12% through completion of 2 office closures and 5 relocations, resulting in an estimated overall saving of £1.9 million per annum.

Table 2: HSE estate

	31 March 2012	1 April 2011
Net area (m ²)	50 472	57 265
Cost per m ² (£)	449	406
Cost per FTE (£)	7 416	7 207
Space per FTE (m ²)	16.5	17.7

- Established the new Office for Nuclear Regulation as an in-house agency of HSE on 1 April 2011. This was a step towards creating ONR as an independent nuclear regulatory body outside of HSE in line with the Government's intention. Also on this date, ONR was restructured into a 'delivery-focused' organisational model, in which work is grouped into programmes that reflect nuclear industry sectors. This will support further integration and consistency in ONR's approach to nuclear regulation as it faces future challenges.
- In October 2011, the Radioactive Materials Transport Team was transferred from the Department for Transport to ONR as part of the coming into force of the Carriage of Dangerous Goods (CDG) Amendment Regulations.

Objective: e-enable and improve key business processes to remove unnecessary steps, drive down cost, improve efficiency and align with the principles of the government-wide Technology Strategy.

Progress:

- Introduced an online service for the statutory reporting of injuries and incidents under RIDDOR⁷ in September 2011, with interactive online forms designed to make the reporting process more efficient. A new service for accepting telephone notifications of fatal and major injuries, provided by Jobcentre Plus, also went live. Both systems are working well with no major service issues reported. The volume of reports received through the new systems has been broadly equivalent to those received under the previous notification system.
- Moved HSE's public enquiry telephone service, Infoline, to a web-based service to plan on 30 September 2011. In preparation for this, HSE's website was improved to help members of the public find the health and safety information they need. HSE staff worked with relevant stakeholder groups to listen to concerns and, as a result, updated the most popular guidance and information available via the HSE website. Since Infoline's closure, the number of visits to the HSE website has increased by approximately 400 000 per month compared to the same period in the previous year. Improvements were also made to HSE's email bulletin service, subscriptions to which have risen to over 2 000 per day, with a total of 930 000 subscriptions as at the end of March 2012.
- Renegotiated HSE's current information and communications technology (ICT) contract to run to 16 October 2012, delivering an annual saving of £4.65 million (26%). In addition, we invited ICT suppliers to tender, via a centrally approved government framework, for the delivery of ICT services on expiry of our current contract; the selection process is underway.

Objective: Seek to derive more of our income from non-government sources.

Progress:

- Developed and began to take forward the Government's plans whereby businesses that are found to be in material breach of health and safety law bear the related costs incurred by the regulator, rather than the taxpayer. The Consultation Stage Fee for Intervention (FFI) impact assessment was cleared by the Government's Regulatory Policy Committee in June 2011 as fit for purpose. Following a 12-week public consultation during summer 2011, and consideration of the responses received, the HSE Board recommended to Ministers that the implementation should go ahead as early as possible. Implementation is planned for October 2012.

7 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

Avoiding catastrophe: Provide public assurance that health and safety risks within those high-hazard industries which are strategically important to the country’s economy, and which have the potential to cause catastrophic harm to their workers and the public at large, are effectively managed and controlled

Objective: Deliver an effective and proportionate intervention programme to regulate major hazard operators and dutyholders.

Progress:

- Delivered annual intervention programmes in key sectors by visiting over 1 500 major hazard operators including COMAH sites, offshore installations, gas pipeline operators, biological agent operators, explosives, and mines; and, by ONR, to all 37 nuclear licensed sites (see Figures 1 and 2).
- Assessed 177 safety cases and reports submitted by dutyholders, with over 97% assessed within agreed standards, to ensure the new or continued safe operation of major hazard installations (see Figure 3).
- Supported the continuing major incident investigation, involving numerous dutyholders, into the explosion and fire at Chevron Pembroke Refinery, South Wales, which led to the death of four people and serious injuries to one other.

Figure 1: Major hazard sites visited by HSE in 2011/12

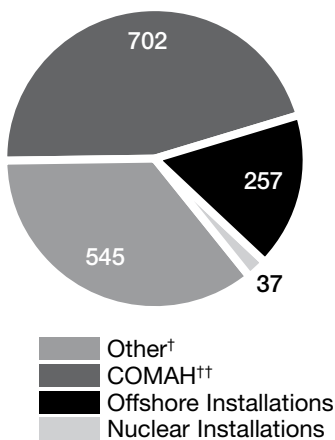
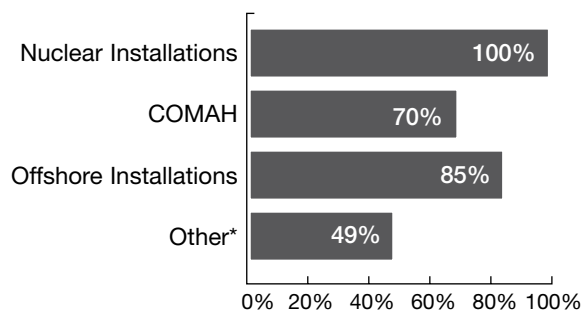


Figure 2: Proportion of major hazard sites visited in 2011/12



† Other includes: producing mines, non COMAH explosives sites, sub & non COMAH chemical manufacturing sites, major gas networks, onshore and offshore pipeline operators, and biological agent sites.

†† Control of Major Accident Hazards.

* Other excludes sub and non COMAH chemical manufacturing sites as the number of sites visited as a proportion of the total is minimal.

- Continued the offshore oil and gas sector three-year ageing and extension programme (KP4), which will continue to run in 2012/13, with 15 inspections completed in 2011/12.
- ONR responded to the Tokyo Electric Power Company (TEPCO) Fukushima Dai-ichi nuclear accident in Japan. The Chief Inspector of Nuclear Installations, who led the International Atomic Energy Agency’s review of the incident, issued two substantial reports on lessons for the UK nuclear industry – an interim report in mid-May focused on nuclear power plants, and the final report, in October, on all nuclear facilities.
- The outcomes of the stress tests of all UK nuclear reactor power plants were assessed and reported by the end of December 2011 as required by the European Council in response to the events in Fukushima. ONR also required all non-reactor nuclear power plants to carry out stress tests and provided a report on their progress by the end of December 2011.
- Commenced investigations into the two fatal mining incidents that occurred in September 2011 at Gleision Colliery, South Wales and Kellingley Colliery, Yorkshire. A Prohibition Notice was served at Gleision to prohibit the mining of coal until the necessary improvements are made; and two Improvement Notices were served at Kellingley. The police currently have primacy in both investigations.
- Processed over 500 dutyholder applications for licences, classifications, notifications and approvals, with 86% to agreed performance standards (see Figure 4).
- Provided advice on circa 100 planning applications to enable local planning authorities to make informed decisions over land use planning (see Figure 5).
- Successfully completed an extensive programme of inspections to support the major programme to replace underground metallic pipework carrying liquefied petroleum gas (LPG), which began in 2009. A total of 600 visits were delivered in-year and 290 Enforcement Notices issued.

Figure 3: Number of safety cases/ reports assessed per annum

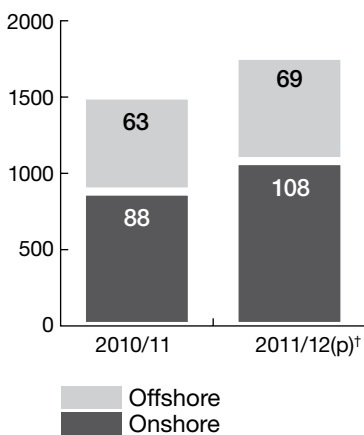


Figure 4: Volume of applications processed in 2011/12

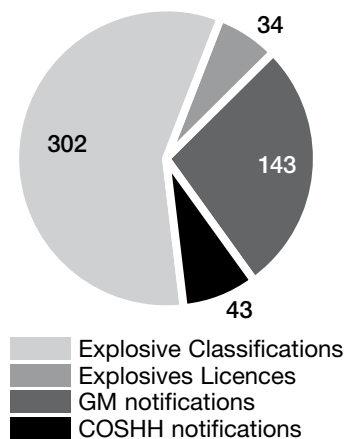
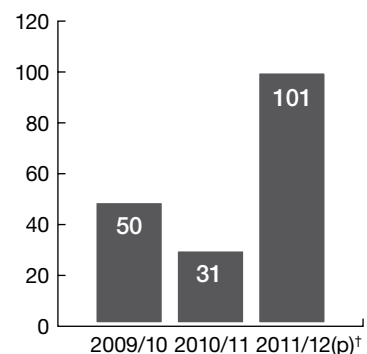


Figure 5: Number of land use planning applications HSE has advised on



† Provisional

Objective: Deliver the Generic Design Assessment (GDA) and the licensing and permissioning of new civil nuclear reactor sites.

Progress:

- Completed Step 4 of the GDA and issued interim Design Acceptance Confirmations (DAC) on 14 December 2011, as planned, together with 73 supporting published reports.
- ONR published the requesting parties' (vendors') resolution plans, which demonstrate how they will address the regulatory GDA issues still outstanding beyond Step 4 of GDA, including the lessons learnt from the Chief Nuclear Inspector's final report on events at Fukushima, Japan, and their own reviews. When all the GDA issues are closed, ONR will be in a position to consider granting a DAC, which will be supported by final reports of its assessment. This will form part of the suite of documents required to support the regulatory consideration as to whether to consent to the start of safety-related construction at a site licensed for such reactor operation.

Objective: Apply a 'fit-for-purpose' regulatory framework for higher hazard renewable energy industries.

Our focus has been on assessing the effectiveness of the existing regulatory framework and the approaches to management of hazards and risks within the sector to ensure they are sufficiently robust to protect workers and the public from accidents and ill health. In order to achieve this we continued to build working relationships with renewable energy operators and other relevant government bodies.

Progress:

- Provided expert regulatory advice to the Department of Energy and Climate Change (DECC) with an emphasis on embedding a strong health and safety culture throughout the developing renewable industries.
- Worked with the Crown Estates to ensure the contractual and licensing arrangements for Round 3 Offshore Wind Developers contain a strong focus on health and safety outcomes, appropriate sanctions for developers, and information sharing with HSE.
- Made a significant contribution to the development of the proposed HSWA Application outside Great Britain Order 2013 (AOGBO 2013) that extends HSWA to offshore sites. This includes mapping and gap analysis of the application of existing health and safety legislation to the renewable energy sector and developing (with industry) the evidence base and supporting data for the legislative impact assessment.
- Developed policy on microgeneration (facilities generating 'less than 50kW for electricity' and 'less than 300kWth for heat') – ensuring an appropriate and proportionate response to a low-risk industry and effective and transparent demarcation of departmental responsibilities.
- Published a research study into the potential risk of harm to people in the vicinity of onshore wind farms.

Clarifying ownership of risk and improving compliance:
Motivate others in the health and safety system to address their responsibilities in a common sense and proportionate manner and contribute to improving health and safety performance

Objective: Simplify health and safety regulations to remove duplication, reduce the burden on business and, as a minimum, maintain the protection of workers and those affected by work activities.

HSE is taking forward a programme of work to deliver those recommendations, for which it has the lead, arising from the Löfstedt review commissioned by the Minister for Employment, *Common Sense, Common Safety*,⁸ and *Good Health and Safety, Good for Everyone*.

The report of the Löfstedt review concluded that the general body of health and safety regulations was broadly fit for purpose, but emphasised that regulatory requirements are misunderstood and applied inappropriately, driven to a considerable extent by fear of being sued under common law. This focus was supported by business evidence and responses to the review.

Health and safety was the focus of the Red Tape Challenge (RTC) spotlight from 30 June to 21 July 2011. Comments received during that period were considered by Professor Löfstedt as part of his review. RTC consideration has broadened to include the compensation culture in line with the Löfstedt review's findings.

Progress:

- HSE has delivered the majority of its *Common Sense, Common Safety* recommendations. This includes the launch of a number of risk assessment tools, establishing the Occupational Safety and Health Consultants Register and amending RIDDOR to extend to seven days (from three) the period an employee needs to have taken off work before an injury or accident needs to be reported.
- Good progress has been made with scrapping a number of regulations where there was no evidence they improved health and safety outcomes. A consultative document proposing the revocation of seven redundant Statutory Instruments was published in January and closed in March 2012. Responses have now been analysed and an impact assessment and recommendations on the way forward are being prepared.
- A second consultative document which proposes the removal of 14 legislative measures was published on 3 April 2012. This includes the Regulations that the Löfstedt review recommended for revocation (the Construction (Head Protection) Regulations, the Notification of Conventional Tower Crane Regulations and the Celluloid and Cinematograph Film Regulations), as well as a number of other measures that HSE has identified during the course of its preparation for the RTC process.

8 Published October 2010 at www.number10.gov.uk/wp-content/uploads/402906_CommonSense_acc.pdf.

- Published the following documents in line with Professor Löfstedt's recommendations:
 - Evaluation report of Construction Design Management (CDM) Regulations 2007 and associated ACOP, published in April 2012;
 - Portable Appliance Testing guidance for electrical equipment, refreshed to clarify testing requirements, published in April 2012; and
 - First Aid guidance aimed at small businesses, revised and published in May 2012.
- A new Independent Regulatory Challenge Panel was established in January 2012 that allows for perceived cases of incorrect, over-application of health and safety legislation by HSE or local authority inspectors to be challenged. The panel consists of an independent chair, two regulatory experts formerly of Local Authorities Co-ordinators of Regulatory Services, and a further two regulatory experts who formerly worked for HSE.
- Contributed to the Department for Business, Innovation and Skills (BIS) Enforcement White Paper consultation document, *The future of the Local Better Regulation Office*, and extending the benefits of the Primary Authority scheme, published in June 2011. Work continues as HSE brings its knowledge and experience of working with large businesses to support the development of the Primary Authority scheme in respect of the health and safety regulation of large multi-site retailers.
- Contributed to the Government's commitment to reduce regulation under the 'one in, one out' approach by:
 - i) revoking the Classification and Labelling of Explosives Regulations 1983, saving business an estimated £20 000 per year in HSE charges;⁹ and
 - ii) proposing revisions to the Reporting of Injuries, Diseases and Dangerous Occurrences (Amendment) Regulations 2012 (RIDDOR), which will reduce reporting burdens on business by an estimated £240 000 per year.¹⁰
- 91% of HSE's impact assessments were assessed as 'fit for purpose' by the Regulatory Policy Committee (RPC). This was the highest level of performance by any department or agency against the RPC's Red-Amber-Green classification system during 2011.¹¹

Objective: Maintain and improve the protection of people at work and the environment and negotiate and secure the best possible outcome for British industry within Europe to maximise savings and minimise the burden on business.

- Progressed negotiations in Europe, on a range of directives and regulations by continuing to engage the European Commission (EC) and representatives of other member states to achieve equitable and sensible solutions acceptable to the UK Government. For example, the recast of the European Regulation on the Export and Import of Dangerous Chemicals was agreed at the first reading stage and the new Biocides Regulation at the second reading stage, both with good outcomes from a UK

⁹ *Second Statement of New Regulation published on 26 September 2011.*

¹⁰ *Third Statement of New Regulation published on 28 February 2012.*

¹¹ *Fourth Report, 'Improving Regulation – An independent report on the analysis supporting regulatory proposals, January–December 2011' published on 8 March 2012.*

perspective. We also worked with other member states to progress negotiations on the proposed replacement Electromagnetic Fields Directive and the Seveso III Directive.

- Revised the Control of Asbestos Regulations to achieve implementation by the April 2012 deadline, to comply with EC legal opinion on the transposition of the Asbestos Worker Protection Directive. The consultation, which closed on 4 November 2011, received 131 responses from a wide range of stakeholders.
- Transposed the Directive establishing a 3rd List of Indicative Occupational Exposure Limit Values by the publication of the revised edition of EH40/2005, which sets out workplace exposure limits (WELS) for hazardous substances.
- Worked closely with DECC to develop the UK's negotiating lines on the EC's proposed offshore oil and gas regulation. HSE has produced a case study to demonstrate the impact of the proposed European regulation on the UK's offshore industry.
- Continued to regulate the supply and use of biocides, pesticides, detergents and industrial chemicals according to EU requirements, determining as appropriate, almost 2 200 biocide and pesticide product applications, with almost 95% completed in accordance with timescales (see Figures 6–7).

Objective: Rationalise and improve access to web-based guidance to enable businesses, particularly those in small and low-risk businesses, to easily understand their health and safety obligations.

Progress:

- Commenced a fundamental review of a significant proportion of HSE's guidance publications, tools and webpages to ensure our guidance represents a practical, proportionate approach to helping organisations comply with health and safety law – with the aim to complete the review by the end of 2012/13. Currently, HSE's portfolio of guidance is in excess of 1 000 publications and nearly half of the in-scope portfolio was reviewed in 2011/12, including:

Figure 6: Biocide and pesticide active and product evaluations processed

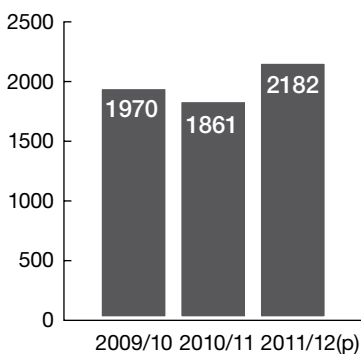
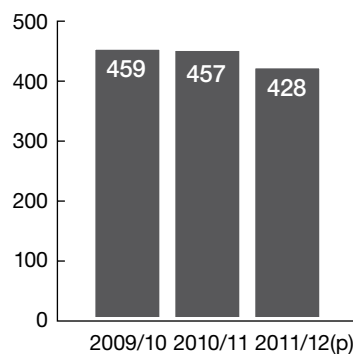


Figure 7: Prior informed consents



- Legionella guidance (excluding the legionella Advisory Code of Practice, L8, which is being reviewed as part of Professor Löfstedt's recommendations) has been reviewed and a new website went live in April 2012. The revised guidance contains the key information on the control of legionella and also links to particular guidance on the management of specific equipment (see www.hse.gov.uk/legionnaires).
- HSE has worked closely with the events industry to revise event safety guidance and a new website has been launched. To make the guidance accessible it has been organised into an event safety management section, with topic guidance also provided, and as a portal for information about other event-related matters including event licensing and environmental protection (see www.hse.gov.uk/event-safety/index.htm).
- Launched a refreshed version of the online risk assessment tool for offices in June 2011, followed by the launch of online tools for shops and charity shops in August 2011. The total download figure in 2011/12 was over 19 000.
- Simplified and re-launched the tool for risk assessment in classrooms as a checklist in August 2011. This was followed by the introduction of a checklist to encourage schools to review their arrangements for asbestos management. The tools were introduced to help schools manage lower risk issues, and the statutory asbestos management arrangements, sensibly and proportionately.
- Jointly launched a web-based leadership and worker involvement toolkit to plan in June 2011. The toolkit is targeted at small and medium-sized organisations in the construction sector to improve performance through a process that encourages leadership and collaborative approaches to health and safety management. Between its launch and April 2012, the toolkit received 30 692 visits.

Objective: Enable access to independent competent, professional and up-to-date health and safety advice through an Occupational Safety and Health Consultants Register (OSHCR).

Progress:

- Continued to support the administration of OSHCR following its launch in January 2011, with 2 808 health and safety consultants joining the register by April 2012.

Objective: Focus proactive inspection on the highest risk sectors, where it is judged to be an effective intervention. HSE will concentrate proactive inspections in those industries and companies which present significant risk and inspection is an appropriate intervention to improve the control of risk, eg asbestos, construction and waste and recycling.

Progress:

- In the non-major hazard industries, HSE met the aim set out in *Good Health and Safety, Good for Everyone*, to reduce proactive inspections by approximately one-third, by focusing such inspections even more on higher risk sites and poorly performing businesses and away from dutyholders where there was no obvious reason to have concern.

- In 2011/12, our programme of proactive inspections included:

Construction:

- a two-month intensive inspection initiative to 3 237 sites where construction refurbishment was taking place to improved safety standard, focusing on work at height and good order at sites. As a result of those visits, 603 Prohibition Notices and 310 Improvement Notices were issued; and
- 1 755 visits to licensed asbestos removal contractors to assess standards and ensure licence holders demonstrated effective leadership in tackling asbestos health and safety risks, resulting in 284 new renewal licences being granted after formal assessment.

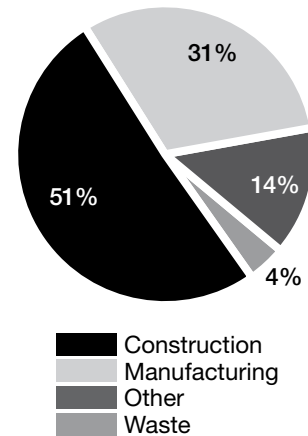
Waste and recycling:

- visits to 159 local authorities as the procurers and contract managers of waste and recycling services, resulting in the issue of over 30 Enforcement Notices across a wide variety of topic areas – issued to local authorities or contractors delivering the services on their behalf;
- 39 inspections to waste electronic and electrical equipment (WEE) recycling premises, resulting in the issue of 19 Enforcement Notices at 11 of the premises visited; and
- a range of health and safety management interventions at 9 major national waste management companies focusing, where applicable, on their collection activities. As a result, intervention plans were agreed and company action plans followed up.

Wind energy

- 30 inspections to operational wind farms and to 11 which were under construction.

Figure 8: Proportion of proactive inspections by sector during 2011/12



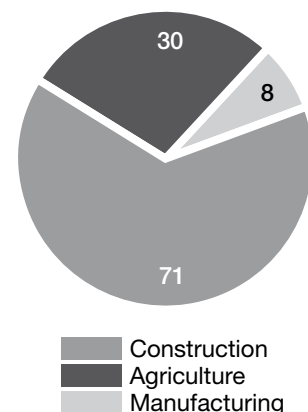
Objective: Work more effectively in partnership with key stakeholders in industries and occupations where there is a higher risk of accidents or ill health, to raise awareness, create behavioural change and influence others to take ownership for driving forward improvements in health and safety standards.

Progress:

- Encouraged training providers to pledge and deliver a total of 13 557 hours of free asbestos awareness events for tradespeople, resulting in 3 197 individuals receiving training. 93 training providers participated in the initiative and, in the post-initiative survey, 92% of respondees said they would be willing to take part in the pledge again. HSE is in the final stages of analysing the feedback and is continuing to work closely with the training providers to improve standards in the industry.
- Continued to work closely with partner organisations and dutyholders in preparation for the London 2012 Olympic and Paralympic Games, to ensure that the excellent health and safety record achieved on the construction project is continued into the event preparation phase. This included:

- working closely with LA co-regulators to promote a consistent and proportionate approach to health and safety regulation of the London 2012 Games, including developing a Health, Safety and Welfare Intervention Strategy for the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG), the organisation responsible for staging the Games;
 - joint inspections with LA co-regulators at Olympic and Paralympic test events of the health and safety arrangements, with findings presented to LOCOG senior management; and
 - a major exercise, in November 2011, to review HSE emergency response plans in preparation for the Games. The exercise confirmed the already identified management need for increased out-of-hours response and further staff training, which are being implemented in advance of the Games.
- Delivered various programmes of events to raise awareness and address specific health and safety issues, including:
 - 30 Safety and Health Awareness Days (SHADs) for the agriculture sector, with the aim of helping cut death and injury in one of Britain’s most dangerous industries. The events, with an overall attendance of over 7 900, highlighted, for example, issues relating to livestock, arboriculture, safe operation of telehandlers and overturning quad bikes. Post-event evaluation included positive feedback such as – 75% of farmers that responded had increased their understanding of the potential causes of accidents on their farms and how to prevent them;
 - 71 Working Well Together (WWT) partnership events delivered to over 5 400 delegates within the construction sector. The events included SHADs, Awareness Days aimed at designers and architects and White Van roadshows to engage with the micro SME sector. Topics covered included safety issues relating to working at height and in confined spaces and asbestos awareness. 95% of delegates who responded rated the events as ‘excellent’ and identified areas where they intended to make improvements as a result. 23% of delegates reached through the WWT events were from micro SMEs (0–5 employees), which exceeded the target of 20%; and
 - 8 SHADs aimed at the manufacturing sector, with an overall attendance of circa 220 delegates. The events covered health and safety issues relating to foundries, welding and concrete. Feedback from all of the events was encouraging. For example: at the welding SHADs, 80% of attendees indicated they had learnt something new and 64% said they would change something about the way they work; and, following the foundry SHAD, the industry trade association proposes to make arrangements for further SHADs in 2012/13. See Figure 9.
 - Provided support to the Farming Industry Safety Partnership (England) and the On-Farm Health and Safety Initiative (Wales) – including the development of voluntary safety charters in both cases, launched in June 2011 and January 2012, respectively. Contact with the National Farming Union (NFU Scotland) has been made with a view to developing an industry partnership in Scotland.
 - Worked with stakeholders in the police service to develop and publish *Striking the balance between operational and health and safety duties in the police service – an explanatory note*, which makes it clear that police officers who put themselves at risk as a result of a heroic act will not face investigation or prosecution under health and safety law.

Figure 9: Safety and Health Awareness Days delivered in 2011/12



- Successfully delivered the latest Ladder Exchange initiative, in conjunction with industry partners and LAs. During the year, 1 262 defective ladders were exchanged, with over 10 000 unsafe ladders exchanged since the initiative began in 2007. HSE has since handed over ownership of the initiative to the Ladder Association to run in partnership with industry from 2012.
- Supported stakeholders through HSE's involvement in partnership boards to raise awareness and address the risks of respiratory diseases within those sectors where the risk is higher, including quarries and construction. Examples of partners developing products include:
 - development of a toolbox talk aimed at quarry operatives to improve worker awareness of the health effects of exposure to respirable crystalline silica and how to control exposure; and
 - production of a safety leaflet *Dangers of dust*, made available to individuals hiring power tools capable of generating dust.
- In the offshore sector, HSE continued its role as a supportive partner to the industry and workforce in the 'Step Change' partnership. Step Change has committed to work to achieve a 50% reduction in hydrocarbon releases over three years and, in 2011, worked across a number of fronts on this key priority for a highly competitive industry, including sharing hydrocarbon release data between companies and providing opportunities to share lessons and good practice.

Objective: Continue to focus on the true role and remit of health and safety and HSE, drawing the distinction between real health and safety risk, which threaten serious harm to people in the workplace and other types of risk-averse behaviour.

Progress:

- Challenged reports misrepresenting what real health and safety is about, for example, creating a list of top ten 'Christmas' myths around health and safety and challenging the assertion that there are regulations stopping people from clearing snow and ice from footpaths in winter.
- Worked with other parts of the Government to encourage people not to be put off hosting street parties and other neighbourly celebrations for the Royal Wedding because of unfounded fears about health and safety or red tape. HSE published tips about what health and safety required – and what it did not.
- Introduced the Myth Busters Challenge Panel to look into challenges regarding advice given by non-regulators such as insurance companies, health and safety consultants and employers, which is given in the name of health and safety and is considered to be wrong or disproportionate. The panel was launched in April 2012. Outcomes will be published on the HSE website and used to develop messages to dispel myths associated with health and safety.

Securing justice: Investigate work-related incidents and ill health and take enforcement action to prevent harm and to secure justice when appropriate

Objective: Investigate incidents or complaints which have cause, or have the potential to cause harm.

Progress:

- Followed up circa 10 400 conventional health and safety complaints from workers/members of the public that met HSE's agreed risk-based criteria (see Figure 10).
- Investigated almost 4 000 incidents meeting HSE's incident selection criteria (see Figure 11).

Objective: Take enforcement action in accordance with the HSE Enforcement Management Model to prevent harm and secure justice when appropriate.

Progress:

- Issued over 9 900(p)¹² notices in 2011/12, including nearly 6 000(p) Improvement Notices and more than 3 700(p) Prohibition Notices, while reducing proactive inspections by about one-third (see Figure 12).
- Prosecuted¹³ 551(p) cases as per the latest statistics published for 2010/11 (see Figures 13 and 14 overleaf). Dutyholders found guilty of health and safety offences in that year received fines totalling £18.6 million.

Figure 10: Number of complaints meeting HSE risk-based criteria followed up

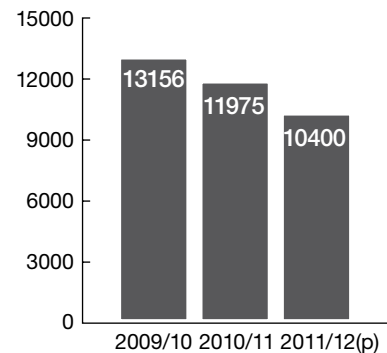


Figure 11: Number of RIDDOR incidents investigated by HSE

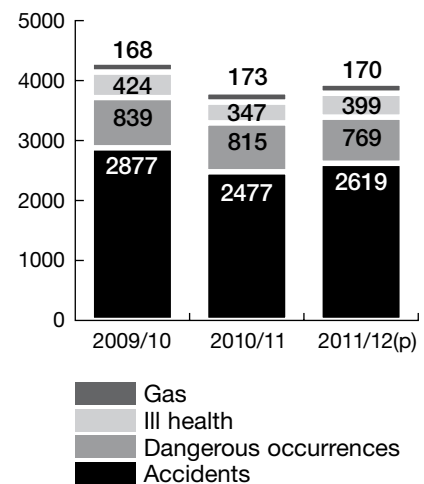
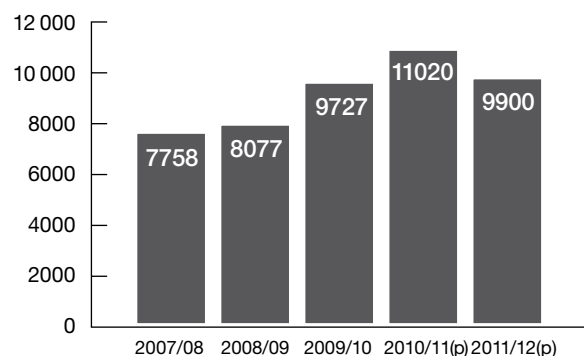


Figure 12: Number of notices issued by HSE



¹² Final data for notices issued in 2010/11 will be published in HSE's Annual Statistics Report in October 2012; and, for 2011/12, in October 2013.

¹³ A dutyholder may be prosecuted for more than one offence within the same case. In Scotland, HSE and local authorities investigate potential offences but cannot institute legal proceedings. The Crown Office and Procurator Fiscal Service (COPFS) make the final decision whether to institute legal proceedings and which offences are taken. For more information see www.hse.gov.uk/statistics/sources.htm#enforcement

Examples of successful prosecutions heard in 2011/12 included:

- a mining company ordered to pay £1.2 million in fines and costs for safety failings that cost the lives of four mine workers in separate incidents at two collieries;
- a construction firm fined £106 250 following the death of a worker who became trapped in the jaws of a machine being wrongly used to move a pallet of cement bags;
- a farming company fined £112 500 after a worker was crushed between the rollers of a potato harvester;
- a waste company fined £250 000 after a refuse collection vehicle ran over and killed a member of the public;
- a major petro-chemical producer ordered to pay £1.24 million in fines and costs after an explosion at its gas terminal in 2008;
- three Scottish companies fined a total of £336 000 after a worker fell six and a half metres through a roof light onto a concrete floor;
- two companies fined a total of £224 530 following a major fire at a waste-shredding plant;
- a lift manufacturer fined £300 000 for safety failings after an employee was crushed to death while installing a passenger lift; and
- a builder jailed for four months after pleading guilty to five serious breaches of health and safety legislation and Gas Safety Regulations. The builder had ignored a Prohibition Notice preventing him from carrying out any domestic gas work.

Figure 13: Number of cases for which legal proceedings have been instigated by HSE (excludes cases taken by local authorities and the COPFS)

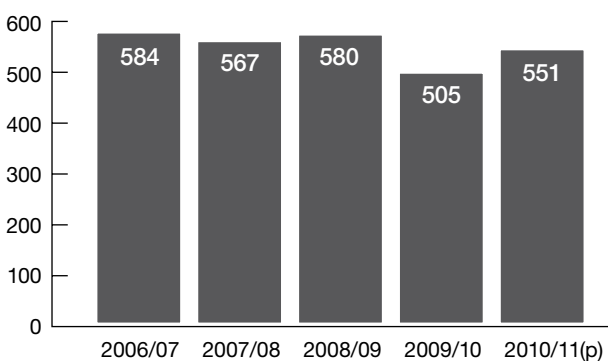
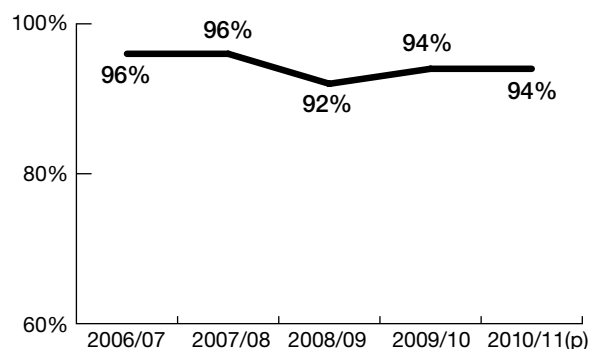


Figure 14: Conviction rate for cases heard



Financial review

HSE has adopted a prudent approach in 2011/12, delivering efficiencies and economies to reduce expenditure to position itself for the remainder of the challenging Spending Review 2010 period. HSE's current settlement requires substantial savings in real terms over the Spending Review period to 2014/15.

The completion of a voluntary exit scheme in 2010/11 enabled HSE to consolidate and deliver savings through streamlined administrative and support functions in 2011/12. The future financial strategy aims to achieve further efficiencies through moving back office functions to DWP shared services, reducing accommodation costs by moving to smaller premises through the Government Property Service and utilising government framework contracts as they become available for all goods and services.

HSE continues to focus on delivering efficiencies and economies across administrative and support functions while prioritising resources to ensure efficient regulation of high-hazard industries, investigation of incidents and enforcement action.

Results for the year

Table 3: Statement of Comprehensive Net Expenditure

	2011/12	<i>2010/11 (Restated)</i>	
	£'000	<i>£'000</i>	
Net operating cost	174 912	<i>202 909</i>	The decrease in net operating costs of £28 million is consistent with the financial strategy for the year. Of this reduction £17.3 million relates to a decrease in staff costs. This was partly due to the impact of the voluntary exit scheme in February 2011 which reduced staffing by 175 full-time equivalents and in 2011/12 staffing reduced by a further 112 full-time equivalents.

Represents a 13.8% reduction in 2011/12 compared with the previous year.

Table 4: Statement of Financial Position

	2011/12	<i>2010/11 (Restated)</i>	
	£'000	<i>£'000</i>	
Assets	132 932	145 497	<p>The decrease in assets of £12.6 million relates mainly to:</p> <ul style="list-style-type: none"> ● A decrease in property plant and equipment of £3.4 million mainly as a result of additions being offset by depreciation. ● A decrease in the debtor for the pesticides and biocides levies of £4.8 million reversing last year's increase, due to the timing of invoices. ● A reduction in VAT due from HMRC of £1 million mainly due to reduced expenditure levels which lead to less VAT reclaimed. ● A decrease in trade receivables of £2 million mainly in respect of Nuclear Licences. <p>The decrease in liabilities of £9 million relates mainly to:</p> <ul style="list-style-type: none"> ● A reduction of £1.3 million in the liability for future years VER payments and a reduction of £1.3 million in the amount payable to the Cabinet Office in respect of VER payments made in March. ● A decrease in the bank overdraft of £2.6 million due to the timing of DWP's defunding of HSE's Government Banking Service account at the end of March 2012. ● A decrease in accruals of £2 million in respect of staff performance pay awards. ● A reduction in the PFI creditor of £1.3 million.
Liabilities	(136 151)	(145 178)	
Reserves	(3 219)	319	

Assets - Represents an 8.6% reduction in 2011/12 compared with the previous year.

Liabilities - Represents a 6.2% reduction in 2011/12 compared with the previous year.

Table 5: Cash Flow Statement

	2011/12	<i>2010/11 (Restated)</i>	
	£'000	<i>£'000</i>	
Net cash outflow from operating activities	160 701	204 873	<p>HSE's cash flow shows a reduction in net cash outflow in 2011/12 of £44 million which reflects net reduced expenditure and other cash movements.</p>

Represents a 21.6% reduction in 2011/12 compared with the previous year.

Funding

HSE is funded by grant-in-aid from within DWP's Departmental Expenditure Limit.

Prior year comparatives

Comparative figures have been restated (where appropriate) as a result of the Machinery of Government transfer to HSE of the Radioactive Materials Transport function and reclassifications between administration and programme expenditure and income in accordance with HM Treasury's Clear Line of Sight project.

Table 6: Payments to suppliers

	2011/12	<i>2010/11</i>	HSE is committed to the prompt payment of supplier bills. 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 goods or services or presentation of a valid invoice or similar demand, whichever is later. In October 2008, government organisations committed to pay suppliers within ten working days, wherever possible, although the standard terms in most contracts and the legislative periods within the Late Payment of Commercial Debts (Interest) Act 1998 remains at 30 days.
HSE's overall performance against ten day target	97.12%	95.93%	
HSE's overall performance against 30 day target	99.53%	99.4%	
Interest charges payable relating to Late Payment of Commercial Debts (Interest) Act 1998 or the Late Payment of Commercial Debts Regulations 2002	Nil	£54.84	

Pension liabilities

Details of pension costs etc are contained in Note 1(25) and Note 2 to HSE's Accounts and in the Remuneration Report.

Director's statement

So far as the Accounting Officer is aware, there is no relevant audit information of which HSE's auditors are unaware. The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HSE's auditors are aware of that information.

External auditors

HSE's financial statements have been audited under Schedule 2 paragraphs 14(2) and 20 of the HSWA by the Comptroller and Auditor General, whose certificate and report appear on pages 60–61.

The cost of audit work was £135 100, which related solely to audit services and included £9 600 in respect of the EU Audit Fee.

Public accountability***Transparency of our expenditure data***

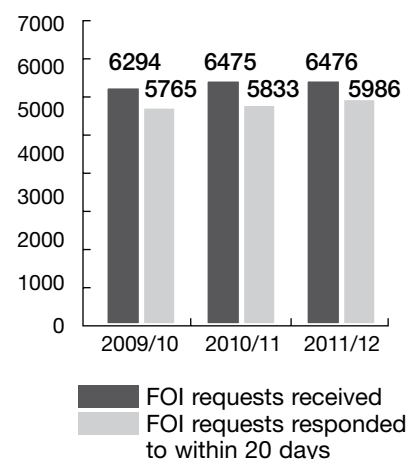
We publish on our website the business-related travel and expenses costs of our Chair, HSE Board members, Chief Executive, Deputy Chief Executive and Senior Management Team members. Details, which are updated quarterly, are at www.hse.gov.uk/aboutus/reports/expenses/index.htm.

Details of HSE expenditure that exceeded £25 000, during the period April 2011 to February 2012, were published on the Government's online transparency database at <http://data.gov.uk/dataset/financial-transactions-data-dwp-hse>.

Responding to requests under the Freedom of Information (FOI) Act

In 2011/12, HSE received 6 476 FOI requests of which 5 986 (92%) were responded to within the 20-day target (see Figure 15). This continues the trend of strong performance as demonstrated in Figure 15. HSE is now the only monitored body to have received more than 1 000 requests during each quarter since the Act was implemented. HSE accounts for almost 15% of all requests received by all 43 monitored bodies and we continue to meet Ministry of Justice standards for responding to requests.

Figure 15: Number of FOI requests received



Responding to the Scottish Affairs Committee Inquiry: A Commons Select Committee

HSE supported the Minister for Employment’s and Chair of HSE’s appearance before the Scottish Affairs Committee in January 2012 to give evidence to its inquiry into health and safety in Scotland. The Committee’s draft report and recommendations are expected to be published later in 2012. The inquiry followed the 2010 publication of a memorandum by the National Audit Office on the work of HSE in Scotland commissioned by the Scottish Affairs Committee.

Personal data related incidents

There were no reportable incidents of lost personal data that required formal reporting to the Information Commissioner’s Office in 2011/12.

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner’s Office, but recorded centrally within HSE, are set out in Table 7.

Table 7: Centrally recorded protected personal data related incidents not reported to the Information Commissioner’s Office in 2011/12

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	2
V	Other	Nil

The Category 1 incident listed in Table 7 relates to the loss of a memory stick which contained witness statements and a partially completed prosecution report. This incident was investigated and appropriate action was taken.

Category IV incidents: In both cases of unauthorised disclosure of personal data, the incidents were investigated and appropriate action was taken.

Significant lapses of protective security

In addition to the incidents disclosed above, in November 2011, a member of staff reported the loss of an unencrypted memory stick when travelling on official business overseas. The memory stick contained a 'stress test' relating to a UK nuclear power station which had been supplied to HSE as part of the European stress tests on the resilience of nuclear facilities. It did not contain any significantly sensitive information.

In response to this particular incident HSE and ONR took the following steps:

- reported the incident to the Cabinet Office;
- issued an ONR staff briefing on the appropriate use of removable media which includes memory sticks;
- ONR commissioned a local investigation into the incident;
- a lessons learnt review was commissioned to make practical recommendations for improvement for ONR and HSE; and
- an internal audit of information security in ONR was commissioned.

More generally across HSE, to mitigate further occurrences of data-related incidents, and to further secure the safe management of its information assets, HSE has taken action throughout the year including:

- reminding all staff of their responsibility to comply with HSE's security policy and procedures, particularly in regard to the use of removable media, CDs or USB memory sticks;
- issuing clearer guidance on the provision and appropriate use of both encrypted and unencrypted USB memory sticks;
- piloting, with 300 staff, a corporate solution to removable media and email encryption. Detailed planning for the imminent rollout to the rest of HSE is currently taking place;
- all staff (excluding those on long-term sick leave, career break or maternity leave) completing their annual assessment of the National School of Government e-learning package 'Protecting information' covering key aspects of information assurance;
- requiring all staff to sign up to a revised Personal Commitment Statement, which clarifies and strengthens their understanding of their roles and responsibilities;
- regular communication activities in e-express; and
- improving our ability to analyse security incidents and be more proactive in dealing with trends, emerging risks and sharing lessons learnt and good practice.

Oversight of information security matters is also maintained through:

- quarterly security briefings of the Senior Risk Information Owner;
- updates to the Audit Committee on information assurance matters; and
- regular meetings of the Information Asset Owners' Forum.

Our workforce

We recognise that it is through our staff that we deliver our business goals. HSE values its people and operates policies and systems to ensure the health, safety, welfare, development and equal treatment of its workforce.

Recruitment

Recruitment into HSE is conducted in line with the Civil Service Commissioners' Recruitment Code. We operate systems and procedures that meet the code and ensure that recruitment is carried out on the basis of fair and open competition and selection on merit. The systems and procedures are subject to periodic internal and external audits (the most recent being November 2011 when HSE was awarded a 'low risk' status indicating our high compliance with the code). The code requires departments to publish summary information about their recruitment and the use of permitted exceptions to the principles of fair and open competition and selection on merit.

HSE continues to implement a general recruitment freeze announced for the Civil Service, except for a small number of permitted exceptions with ministerial approval to deliver priority operational work.

Table 8: Total HSE (including HSL and ONR) staff in post by full-time equivalents (FTE) and occupational group

<i>Occupational group</i>	31 March 2012¹⁴	<i>1 April 2011</i>	<i>1 April 2010</i>
Front-line staff (of which are front-line inspectors) ¹⁵	1 381 (1 302)	1 422 (1 316)	1 464 (1 342)
Inspectors working in functions other than front-line	130	134	153
Other professional or specialist staff	1 282	1 315	1 425
Other staff	462	497	542
Contingent labour ¹⁶	33	32	118
Total staff¹⁷	3 288¹⁸	3 400 ¹⁹	3 702

¹⁴ The reporting date change ensures consistency with staffing figures provided by HSE to other parts of government, some of which are also published.

¹⁵ 'Front-line staff' comprises operational and other health and safety inspectors fulfilling front-line roles, inspectors of construction (for 2010 and 2011 only as fixed-term appointments) and visiting officers who support inspectors in the delivery of key health and safety messages.

¹⁶ Contingent labour is defined as temporary staff not on HSE's payroll which may include agency workers, specialist contractors, interim managers etc.

¹⁷ Total staff = the sum of all rows excluding the figures in brackets.

¹⁸ 15 FTEs from the Department of Transport's Radioactive Materials Transport Team transferred to ONR in October 2011.

¹⁹ 200 staff (175 FTE) left through a Voluntary Exit Scheme in February 2010.

Equality and diversity

HSE's policies for recruitment, management and progression of staff aim to create an inclusive culture in which diversity is fully valued. Our progress against our action plan is monitored by senior management, our trade unions and the four diversity networks, through HSE's Diversity Steering Group. We demonstrate our commitment to equality in our statement *Commitment to the equality duty* on our website www.hse.gov.uk/equality-duty/index.htm.

Disabled people, as defined within the Equality Act 2010, are employed across all grades within HSE. Through guidance, diversity awareness incorporated into all management training models and staff networks we aim to improve staff's knowledge and understanding

of disability in the workplace. Encouraging diversity in recruitment and valuing the diversity we have among our own staff is key to our success and effectiveness.

HSE's diversity survey statistics for staff in post by gender/race/disability are published on our website at www.hse.gov.uk/aboutus/reports/diversity.htm.

Learning and development

HSE remains committed to ensuring its staff has, or is developing, the competence to enable them to fulfil their roles effectively. During the year we:

- maintained our commitment to developing leadership and management capability with the provision of a full management development programme and several cross-government leadership programmes;
- continued to support the professional development of inspectors, either through the Postgraduate Diploma in Regulatory Occupational Health and Safety for new regulatory inspectors or the provision of technical and legal courses for new and existing regulatory and specialist inspectors;
- continued to improve the capability of HSE staff by providing a suite of personal development courses, including the delivery of four mentoring programmes and the organisation of bespoke training events, including 'Managing change', to support the HSE Change Programme; and
- implemented a new HR service delivery model enabling HSE to participate in the new Civil Service Learning offering which will ensure a supply of high quality, cost-effective generic learning and development across the Civil Service as a whole.

Employee involvement

HSE is committed to ensuring that staff at all levels can contribute to issues affecting the organisation, and encourages a wide range of employee involvement, including:

- a comprehensive structure of joint consultative forums, including a National Whitley Committee, a network of Local Whitley Committees in each region and sub-committees addressing specific issues such as health and safety and estates management;
- four staff network groups, which have been key partners in taking forward equality and diversity within HSE;
- a regular programme of senior management visits to all HSE offices to hold open meetings on topical issues and invite feedback from staff;
- the Exchange – an online facility for staff to contribute to an open exchange of ideas dealing with specific projects within the organisation, including the effective use of all resources; and
- HSE participation in the Civil Service-wide 2011 staff engagement survey, the outcome of which is communicated to all staff and trade unions. A series of presentations have been provided to senior managers to help action planning on issues identified in the survey. The HSE Employee Engagement Index decreased by 2% to 55% in the 2011 survey but remains broadly in line with the Civil Service average score. HSE compares favourably with the benchmark for organisations of a similar size.

Sickness absence

As at 25 April 2012, the provisional figure for annual working days lost (AWDL) for the year ending March 2012 is 5.63 per FTE, compared to 6.83 (p) reported in our 2010/11 annual report. This is likely to be due to a number of key investments in attendance management approaches, including:

- a drive to promote the supportive aspect of occupational health in enabling those with health conditions to stay in work and in shortening absence through constructive management advice; and
- a more proactive approach from the complex casework team in contacting managers earlier on in an absence to provide advice and guidance on facilitating an early return to work.

Employee health and safety

We seek to maximise the well-being of our staff and minimise the distress and losses resulting from ill health and injury. HSE's Senior Management Team monitors progress regularly and engages with and consults staff through a network of trade union safety representatives.

In 2009, HSE set challenging long-term targets for incident reduction as part of a three-year framework. HSE's annual health and safety plan sets out the progress to be sought each year and the activities to deliver it.

The number of incidents reportable under RIDDOR remains at a low level and at a rate markedly better than those in comparable organisations. Overall, non-RIDDOR reportable statistics for 2011/12 have reduced in comparison with previous years. However, we have seen a marked increase in the number of incident reports submitted by contractors, which we attribute to staff changes and an increased awareness of reporting procedures.

Table 9: Accident and ill-health statistics (p)

	2011/12	2010/11	2009/10
Incidents reportable under RIDDOR:			
Fatal injuries	0	0	0
Major injuries	0	0	0
Dangerous occurrences	0	0	2
Over-3-day injuries	3	4	6
Ill health	1	5	1
Other	0	0	0
	4	9	9
Non-RIDDOR reportable incidents:			
Other over-3-day injuries, eg road traffic accidents	3	5	1
Ill health, other	53	55	53
Minor injuries	61(15)	60(3)	72(3)
Near-misses, including verbal abuse, property damage and dangerous exposure	92(31)	111(4)	76(1)
Total †	213(46)	240(7)	211(4)

† Figures in brackets are for non HSE staff eg, contractors.

Working with our stakeholders

HSE considers its stakeholders to be those organisations or individuals we can work with to exert significant influence on and deliver improvements to occupational health, safety and welfare, such as:

- the Government and our sponsoring department, DWP, which provides HSE's grant-in-aid;
- HSE's co-regulators in LAs, the Environment Agency and Scottish Environmental Protection Agency; and
- the wider health and safety system, including employers, workers and their representatives.

HSE seeks to work effectively in partnership with businesses, trade unions and third party organisations in industries and occupations where there is a higher risk of accidents or ill health. Working with our partners we seek to raise awareness, create behavioural change and influence others to find their own solutions and take ownership for driving forward improvements in health and safety standards. Specific examples of this can be found throughout the annual report.

Environmental, social and community issues

HSE continues to review the impact of our policies and intervention techniques on community groups and improve our awareness of social issues. Action during 2011/12 included:

- providing support to a multi-agency operation led by Lincolnshire Fire and Rescue Service to target a number of agricultural sites and packhouses in Lincolnshire. HSE outreach workers and other staff were used to communicate with workers in Russian, Polish and Punjabi. Enforcement action was taken in response to the poor health, safety and welfare conditions found at various sites;
- working with third sector organisations contracted to DWP's 'Welfare to work' scheme, including delivery of employment workshops to adults with autism (Aspire West Midlands) and similar tailored workshops to deaf adults (Deaf Cultural Centre in Birmingham); and
- supporting an event in Hereford with MIRA (Migration and Integration in Rural Areas) largely organised by a local church and their volunteers, with the aim of improving social cohesion. HSE's support for the event facilitated contact with Hereford Primary Care Trust, which provides a mobile health service that travels to migrant workers on farms around Hereford. HSE's literature and migrant worker DVD has now been added to their resources.

Sustainable development

HSE is committed to the continuous improvement of environmental performance and management and the prevention of pollution from the activities we undertake in the most cost-effective manner.

We seek to comply with all applicable legal and other relevant requirements that relate to our environmental aspects, official codes of practice and, as far as practicable, accepted best practice in environmental management, endorsed at senior management level. HSE's long-term aim is to rationalise and downsize its estate in order to continually reduce its environmental impact.

HSE includes a large mobile workforce that undertakes inspection, investigation and enforcement activity across Britain, which involves a significant amount of business travel. We are striving to reduce our greenhouse gas emissions and are successfully working towards meeting the Greening Government in Operations and Procurement (GGOP) targets – see Sustainability Report for further information.

Sustainable procurement

HSE is committed to buying more sustainable products and services and all new staff to procurement are trained in sustainable procurement as part of their induction programme. We also engage with suppliers to understand and reduce the impact of their supply chains. Environmental requirements are embedded in HSE's General Terms and Conditions for Goods and Services and a sustainability contract schedule developed for higher value contracts.

We have introduced a Sustainability Supplier Awareness sheet, which is sent out to all potential suppliers as part of the HSE procurement process.

A supplier expenditure analysis has been undertaken and 84 high sustainability impact suppliers identified. Of those, 57 have published sustainable development policies and management systems in place, including environmental and corporate social responsibility targets. Of the remainder, 15 provide no evidence, 5 show limited evidence, 5 are registered charities or not-for-profit organisations and two are micro businesses.

There is a need to develop and deliver a supplier engagement programme with the 15 suppliers who demonstrate no commitment to sustainability and this will be taken forward in the coming year.

Sustainability Report

The Sustainability Report²⁰ (pages 35–38) incorporates HSE, HSL and ONR performance, and it details progress towards improving energy consumption and related reductions in carbon emissions, water consumption and waste management which are key areas against which the Government wishes to measure public bodies' environmental performance. A summary of performance is incorporated within each section.

²⁰ *The Sustainability Report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public sector annual reports – Sustainability reporting'.*

Table 10: Greenhouse gas (GHG) emissions ^{21 22}

	2011/12	2010/11	2009/10	Graphical analysis	
Non-financial indicators (tCO ₂ e)	Scope 1 emissions				
	Gas	2 917.99	3 245.80		3 154.94
	Fugitive emissions	59.07	Not avail		Not avail
	HSE & HSL owned vehicles ²³	446.26	525.45		550.36
	Total Scope 1 (tCO₂e)	3 423.32	3 771.25		3 705.30
	Scope 2 emissions				
	Electricity: brown	3 011.21	3 130.19		3 207.57
	Electricity: green	271.14	286.93		287.53
	Electricity: CHP	406.71	430.39		431.29
	Total Scope 2 (tCO₂e)	3 689.06	3 847.51		3 926.38
	Scope 3 emissions				
	Grey fleet	1 457.32	2 102.23		2 318.04
	Car hire ²⁴	366.77	363.86		172.81
	Air	513.67	538.25		575.32
	Rail	302.29	484.36		497.40
Total Scope 3 (tCO₂e)	2 640.05	3 488.70	3 563.57		
Total Scope 1, 2 & 3 emissions					
Total emissions (tCO₂e)	9 752.43	11 107.46	11 195.25		
Related energy consumption (kWh)	Scope 1				
	Gas (kWh)	15 662 861	17 422 437	16 934 726	
	Scope 2				
	Electricity: brown	5 549 588	5 768 879	5 911 481	
	Electricity: green	499 711	528 801	529 903	
	Electricity: CHP	749 567	793 201	794 854	
Total electricity (kWh)	6 798 866	7 090 881	7 236 237		
Financial indicators (£)	Scope 1 & 2 (£)				
	Gas	542 186	486 563	529 761	
	Electricity	1 556 485	1 370 299	1 767 174	
	HSE & HSL owned vehicles	316 772	405 923	387 398	
	Total Scope 1 & 2 (£)	2 415 444	2 262 785	2 684 333	
	Scope 3 (£)				
	Grey fleet	2 096 513	2 447 471	2 493 732	
	Car hire	289 840	236 552	163 337	
Air/rail	2 158 638	2 643 096	3 332 372		
Total Scope 3 (£)	4 544 991	5 327 119	5 989 441		

21 Total emissions have been calculated using DEFRA conversion factors provided for calculations in the Greening Government Commitment.

22 Emissions are not weather corrected.

23 Owned vehicles are vehicles used for official business but wholly owned by HSE.

24 Car hire: the contracted supplier provides this information although some of it would have been provided to them by their third party supply chain partners.

		2011/12	2010/11	2009/10	Graphical analysis
Normalised performance	Performance				
	Travel – emissions per FTE (tCO ₂ e)	0.95	1.18	1.14	
	Electricity – kWh per FTE	4 806	4 969	4 829	
	Gas – kWh per FTE	5 688	5 792	5 351	
	Travel – cost per FTE (£)	1 492	1 688	1 771	
	Electricity – cost per FTE (£)	534	456	558	
	Gas – cost per FTE (£)	197	162	167	
	Electricity – kWh per NIA (m ²)	148	156	159	
	Gas – kWh per NIA (m ²)	165	182	176	
Performance commentary					
<i>GGOP target</i>		<i>Progress towards target</i>			
Reduce Greenhouse Gas Emissions by 25% by 2015 from a 2009/10 baseline from the whole estate and business related transport.		✓ Delivered a 13% reduction in Greenhouse Gas Emissions in 2011/12 against the 2009/10 baseline.			
Cut domestic business travel flights by 20% by 2015 from a 2009/10 baseline.		✓ Achieved an 11% reduction in domestic business travel flights during 2011/12 against the 2009/10 baseline. Maintaining this level of reduction year on year should meet the 2015 reduction target.			
Actions taken by HSE to reduce Greenhouse Gas Emissions include:					
<ul style="list-style-type: none"> ✓ Air conditioning inspections have been completed, where appropriate, as required under the EU Energy Performance of Buildings Directive (EPBDD). ✓ Display Energy Certificates are displayed where required. This demonstrates to staff how efficiently their building is being managed and encourages positive behavioural changes. ✓ Carbon Reduction Commitment (CRC) – HSE is registered under the CRC Energy Efficiency Scheme and has completed its annual and footprint report, which resulted in HSE’s league table position ranking of 782 out of a possible 3000+. ✓ Combined Heat and Power (CHP) and Voltage Optimisation has been installed in HSE’s headquarters, which will reduce HSE’s electricity usage and contribute to meeting the Governments targets. ✓ Staff are encouraged to use the videoconferencing facilities to avoid travel where possible. ✓ An ‘Environmental awareness’ e-learning package has been purchased and is available to all staff. An awareness raising article was produced and published in HSE’s monthly online magazine and e-bulletin to encourage staff to complete the training. Uptake of this training is being monitored and further awareness raising initiatives are planned to persuade completion of this training. ✓ To promote and assist in the reduction of greenhouse gases, environmental issues and campaigns such as Government Sustainability targets, Earth Hour and HSE’s Car Sharing Scheme are communicated to staff via HSE’s monthly magazine and regular e-bulletins. 					

Table 11: Waste minimisation and management

		2011/2012	2010/ 2011	2009/2010	Graphical analysis
Non-financial indicators	Waste to landfill (t)	143.06	242.92	285.50	
	Waste recycled/re-used (t)	228.67	282.84	329.22	
	Waste incinerated (t)	25.00	16.00	7.90	
	Total waste (t)	396.73	541.76	622.62	
	Waste normalisation per FTE (t)	0.14	0.18	0.20	

Financial indicators:

Waste removal is one of a number of services provided by HSE and HSL's Facilities Management - for which HSE/HSL pay a standard service charge as part of an agreed 30 year contract. As the service charge is not separately itemised, financial indicators for waste minimisation and management are unavailable.

While an estimate could be based on the market price, this would not add any value to the table as the target is to reduce the quantity of waste, not the cost of waste removal.

Performance commentary

GGOP target

Progress towards target

Reduce the amount of waste we generate by 25% by 2014/15 from a 2009/10 baseline.	✓ A 36% reduction has been achieved in 2011/12 against the 2009/10 baseline.
Cut paper use by 10% in 2011/12 from a 2009/10 baseline.	✓ HSE paper usage was on target to reduce by 25% in 2011/12 against the 2009/10 baseline at mid year.
Government will go to market with a requirement for closed loop recycled paper in April 2011.	✓ The Government Procurement Services has now awarded a single pan-government contract for closed loop recycled paper. HSE will be considering its adoption during 2012/13. In 2011/12 HSE purchased paper that was 100% recycled and will continue to do so pending a decision on closed loop recycled paper. ²⁵

Actions taken by HSE to reduce waste include:

- ✓ Work continues with our Facilities Management teams to increase the number of commodities that can be recycled by for example:
 - reducing individual desk bins in many offices; and
 - providing more recycling containers for plastic; glass; aluminium; batteries; electrical and electronic equipment waste (WEEE); fluorescent lamps and cardboard waste. Cardboard is now segregated in HSE's Headquarters and a machine has been leased for on site baling. This has resulted in a reduction in the amount of waste placed in the general waste bins and the subsequent reduction of daily collections.
- ✓ To help us achieve the GGOP Paper Reduction Targets 'paper only' bins are provided in each office - this also avoids contamination.
- ✓ An article was produced on paper saving tips and promoted via HSE's online magazine and e-bulletins.

²⁵ HSE joined the new pan-Government Office Supplies contract on 1st October 2011. We have been unable to obtain management information from the new contractor to assess HSE's paper usage for the last six months of the year.

Table 12: Finite resource consumption

		2011/2012	2010/2011	2009/2010	Graphical analysis
Non-financial Indicators (m ³)	Water consumption (supplied)	40 069	46 006	48 904	
Water normalisation m ³ per FTE		14.55	16.17	16.37	
Financial indicators (£)	Water supply costs ²⁶	153 434	183 097	280 926	
Performance commentary					
<i>GGOP / internal targets</i>			<i>Progress towards target</i>		
<p>Reduce water consumption from a 2009/10 baseline, and report on office water use against best practice benchmarks, ie:</p> <ul style="list-style-type: none"> ● ≥6 m³ water consumption per FTE poor practice; ● 4 m³ to 6 m³ per FTE good practice; ● ≤4 m³ per FTE best practice; and ● % offices meeting best/good/poor practice benchmark. <p>HSL set an internal target to reduce water consumption by 30% against a 2004/05 baseline for the whole estate, this is because it is impossible to differentiate between office and laboratory water use. Water is used in a variety of experimental activities.</p>			<p>HSE is working towards meeting the target and it is expected that 'good practice' standard will be achieved.</p> <p>However, the above figures include consumption for HSL, who use water in their daily business of experimental activities.</p> <p>HSL consumed 43% less water in 2011/12, than in 2004/05.</p>		

Notes to the Sustainability Report

- To reduce the need to estimate utility data in future years, HSE will ensure, when agreeing new leases, that consumption data is identifiable and made available to HSE.
- Utility data provided:
 - excludes 11 properties where HSE is a minor occupier in another government department's premises – HSE's emissions will be included in their annual report & accounts;
 - includes usage from 4 sublets in properties where HSE is the major occupier; and
 - includes estimates for properties where the amount and cost of usage is included in the service charge. Therefore, HSE is not directly billed for the usage nor makes payment to the supplier. (Percentage of data that has been estimated: gas 11%; electricity 2%; water 10% and waste 17%. Further information is available on request).
- Estimations for electricity are based on emissions for standard/brown tariffs.
- All energy is based on information received up to the end of March 2012. Final accurate figures will not be available until all quarterly bills have been received. A reconciliation exercise will be undertaken and revised figures will be published in next year's annual report and accounts.

26 Water expenditure includes sewerage charges.

Looking forward

The HSE Business Plan details our specific aims, objectives and key activities for 2012–15 (see www.hse.gov.uk/aboutus/strategiesandplans/index.htm).

Taking the financial challenges HSE faces into account, the plan provides an outline of the ambitious, important and challenging activities and actions HSE will take forward to deliver the Government's reform agenda and our part to improve the health and safety performance of Britain. By 2015, if we have played our part successfully, HSE will have:

- drawn the distinction between real health and safety and bureaucracy and over interpretation;
- made it even easier for people to understand and do what is required;
- devoted a greater proportion of effort where risks are highest and where we can have greatest impact; and
- continued to hold to account those who expose their employees and others to unnecessary risk.

Management

Appointments

The Chair was appointed for a period of five years in October 2007. If the Chair leaves the Executive other than on the expiry of her 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.

The Chief Executive was appointed for a term of five years in 2005. This contract has been extended for a further three years from 25 November 2010. All senior officials are established members of the Senior Civil Service and subject to standard Cabinet Office terms and conditions. None receives any predetermined compensation on termination of office.

The Secretary of State appoints the Chair. Senior officials are civil servants and appointments are made in accordance with the Civil Service Commissioners' Recruitment Code.

Remuneration policy

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

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

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be made on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at <http://civilservicecommission.independent.gov.uk/>.

Details of the service contract for Board members who have served during the year, and the Chief Executive are as shown in Table 13.

Table 13: Service contract (this information is subject to audit)

Name	Date of contract	Unexpired term as at 31 March 2012	Notice period
Board members			
Judith Hackitt CBE	1 October 2007	6 months	N/A
Sandy Blair CBE	1 April 2009	Retired	N/A
Robin Dahlberg	1 April 2010	1 year	N/A
David Gartside	1 April 2011	2 years	N/A
Paul Kenny	1 October 2010	1 year 6 months	N/A
Frances Outram	1 October 2010	1 year 6 months	N/A
Hugh Robertson	1 April 2010	1 year	N/A
Elizabeth Snape MBE	1 October 2009	6 months	N/A
John Spanswick CBE	1 May 2009	1 month	N/A
Richard Taylor	1 April 2011	2 years	N/A
Nick Baldwin	4 April 2011	2 years	N/A
Chief Executive			
Geoffrey Podger CB	25 November 2010	1 year 8 months	13 weeks
<i>The standard terms and conditions defined by Cabinet Office for members of the Senior Civil Service apply in HSE to the provision of compensation for early retirement.</i>			

HSE Board

The composition of the Board during the year is referred to under the governance statement section on page 52.

Salary and pension entitlements

The following section provides details of the remuneration and pension interests of the Chief Executive, Deputy Chief Executive and Board members.

Table 14: Remuneration (this information is subject to audit)

	2011/12					2010/11				
	Salary £'000	Bonus £'000	Allowances and taxable expenses to nearest £100	Benefits in kind to nearest £100	Salary full year equivalent (FYE) £'000	Salary £'000	Bonus £'000	Allowances and taxable expenses to nearest £100	Benefits in kind to nearest £100	Salary full year equivalent (FYE) £'000
Chief Executive and Deputy Chief Executive										
Geoffrey Podger CB	170-175	-	28 500	-	170-175	170-175	5-10	36 400	-	170-175
Kevin Myers	120-125	-	16 000	1 000	120-125	120-125	5-10	21 600	800	120-125
Board Members										
Judith Hackitt CBE	115-120	5-10	500	-	115-120	115-120	5-10	500	-	115-120
Sandy Blair CBE	15-20	-	900	-	15-20	15-20	-	900	-	15-20
Daniel Carrigan OBE ¹	-	-	-	-	-	5-10	-	1 000	-	15-20
Robin Dahlberg	15-20	-	900	-	15-20	15-20	-	1 600	-	15-20
Judith Donovan CBE ²	-	-	-	-	-	5-10	-	400	-	15-20
David Gartside	15-20	-	800	-	15-20	15-20	-	1 400	-	15-20
Professor Sayeed Khan ³	-	-	-	-	-	15-20	-	1 400	-	15-20
Hugh Robertson	15-20	-	-	-	15-20	15-20	-	200	-	15-20
Elizabeth Snape MBE	15-20	-	1 800	-	15-20	15-20	-	800	-	15-20
John Spanswick CBE	15-20	-	300	-	15-20	15-20	-	1 200	-	15-20
Frances Outram	15-20	-	1 000	-	15-20	5-10	-	900	-	15-20
Paul Kenny *	15-20	-	-	-	15-20	5-10	-	-	-	15-20
Professor Richard Taylor	15-20	-	1 400	-	15-20	-	-	-	-	-
Nick Baldwin	35-40	-	4 900	-	35-40	-	-	-	-	-

1 Daniel Carrigan's appointment ended 31 October 2010.

2 Judith Donovan's appointment ended 30 September 2010.

3 Professor Sayeed Khan's appointment ended 31 March 2011.

	2011/12		2010/11
Band of highest paid director's total remuneration £'000	200-205	Band of highest paid director's total remuneration £'000	215-220
Median total remuneration £	37 846	Median total remuneration £	36 029
Ratio	5.31	Ratio	6.07

Salary

'Salary' includes gross salary; performance pay; overtime; reserved rights to London weighting or London allowances; and recruitment and retention allowances. A performance-related bonus is paid to qualifying members of the Senior Civil Service. The value of the bonus is dependent on a number of factors and is subject to the total amount of available funds. For the reporting period the total value of the funds available for SCS bonuses was 5% of the total SCS pay bill. This presentation is based on payments made in-year by the Health and Safety Executive to those in Table 14.

* Mr Kenny's reimbursement of salary and expenses is paid direct to his employer (GMB Trade Union), who have responsibility for reporting any tax liability. The total paid to GMB for the year ended 31 March 2012 was £16 781.

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

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. These benefits for Board members include travel and subsistence payments associated with home to office travel, as appropriate. Any ensuing tax liability is met by HSE. The benefit in kind in respect of the Deputy Chief Executive reflects his use of HSE's private vehicle user scheme.

No significant awards were made to past senior managers.

No compensation was payable to former senior managers.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in HSE in the financial year 2011/12 was £200 000–£205 000 (2010/11: £215 000–£220 000). This was 5.31 times (2010/11: 6.07 times) the median remuneration of the workforce which was £37 846 (2010/11 £36 029).

In 2011/12, 0 (2010/11: 0) employees received remuneration in excess of the highest paid director.

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

Table 15: Pension benefits – Chief Executive and Deputy (this information is subject to audit)

	Accrued pension and lump sum at age 60 £'000	Real increase in pension and related lump sum at age 60 £'000	CETV²⁷ at 31/03/12 £'000	CETV ²⁸ at 31/03/11 £'000	Real increase in CETV
Geoffrey Podger CB	80-85 pension 240-245 lump sum	No increase	1 819	1 719	No increase
Kevin Myers	55-60 pension 165-170 lump sum	No increase	1 186	1 113	No increase

The current Chair is not a member of the Principal Civil Service Pension Scheme (PCSPS) and a contribution of 25% of salary is made to a stakeholder pension provider.

For all previous Chairs (including Sir Bill Callaghan) no contribution has been made to a stakeholder pension provider but a pension provision has been set up, in line with IAS 19, on a 'by analogy to the PCSPS' basis, to account for the value of an equivalent fund.

Civil Service pensions (CSP)

Pension benefits are provided through the CSP arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium, and classic plus) or a 'whole career' scheme (nuvos). The statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with the Pension Increase legislation. Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good-quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Increases to employees' contributions will apply from 1 April 2012. Benefits in classic 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. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme (31 March) the member's earned pension is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is updated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

27 Cash Equivalent Transfer Value.

28 The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to become an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at www.civilservice.gov.uk/my-civil-service/pensions/index.aspx.

The Cash Equivalent Transfer Value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity, to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own costs. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Non-executives (this information is subject to audit)

Fees and expenses amounting to £7 315 (2010/11: £7 937) were paid to the independent members of the Audit Committee as shown in Table 16.

Table 16: Honoraria and expenses paid to independent members of the Audit Committee

	2011/12 Total honoraria and expenses £'000	2010/11 Total honoraria and expenses £'000
Peter Conway	2	4
Graham Aitken	2	–
Kash Pandya	4	4

2010/11 figures are provided for comparative purposes.

Peter Conway - 1 April 2011 to 30 September 2011.

Graham Aitken - 1 October 2011 to 31 March 2012.

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

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

In preparing its accounts, HSE is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

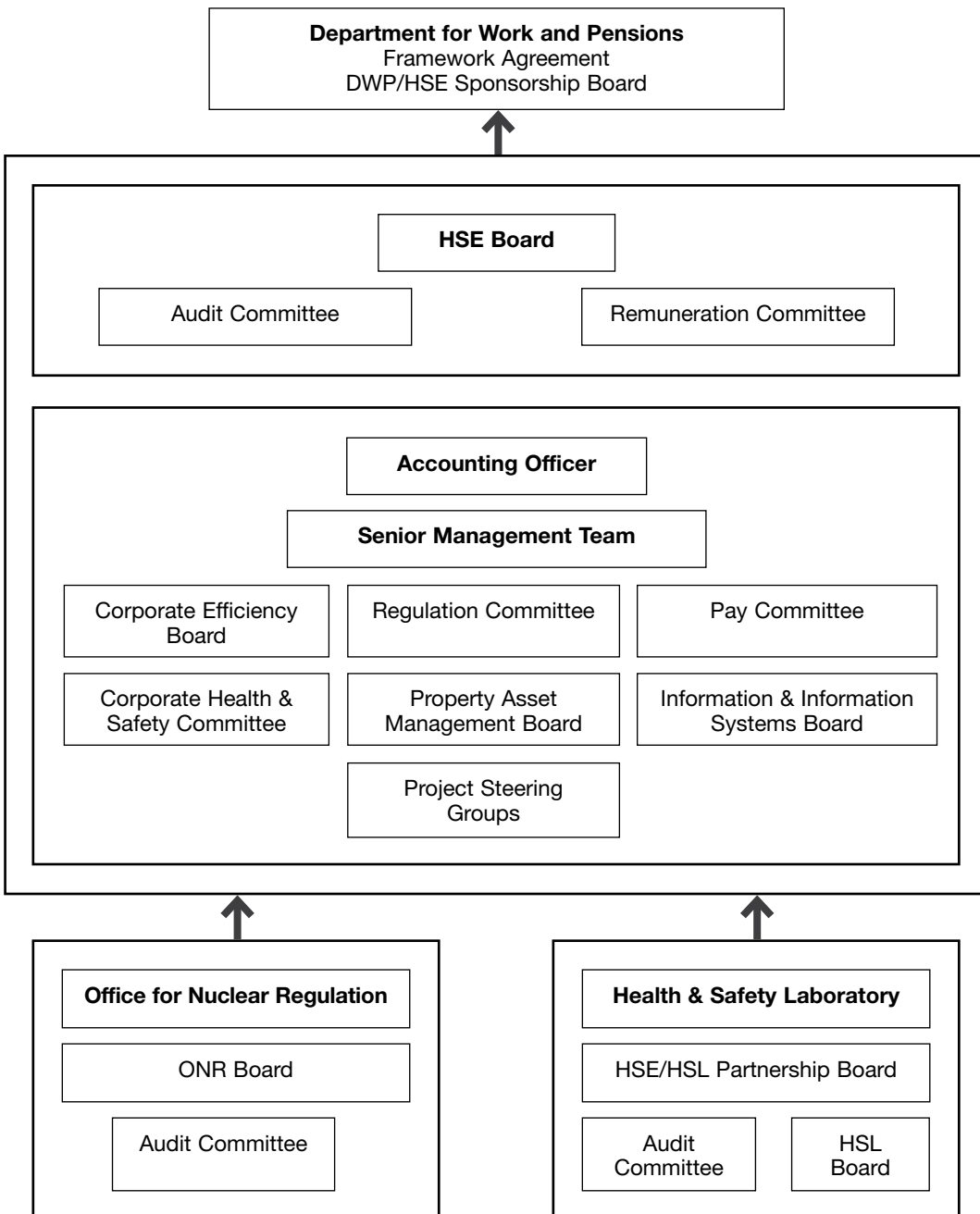
The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive of the Health and Safety Executive as Accounting Officer for HSE. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding assets are set out in Managing Public Money published by HM Treasury.

1 Introduction

1.1 The Governance Statement replaces and extends the Statement on Internal Control in previous HSE annual reports and accounts. It provides an overview of the arrangements for the stewardship of HSE, the systems of internal control employed and the key risks HSE faced in 2011/12 and their management.

2 The governance framework

Figure 16: Governance arrangements in HSE



2.1 Departmental oversight by the Department for Work and Pensions

2.1.1 HSE is primarily accountable to the Department for Work and Pensions (DWP) and its Ministers for its use of resources and performance. The arrangements between the Department and HSE within which corporate governance operates are set out in a Framework Document which can be found at www.hse.gov.uk/aboutus/howwework/management/dwphse.pdf.

2.1.2 DWP formally exercises its sponsorship role of HSE through quarterly meetings of a Sponsorship Board at which senior officials from DWP and HSE review HSE’s operational and financial performance, key risks and emerging issues. Additionally, HSE submits monthly data to DWP on its forecasts for and use of resources and quarterly on its operational performance for inclusion in DWP Executive Team reports and Quarterly Data Summaries.

2.1.3 Regular meetings are also scheduled through the year between the Minister for Employment and the Chair and Chief Executive of HSE.

2.2 Governance within HSE

2.2.1 Figure 17 indicates how governance within HSE operates.

Figure 17: How HSE governance operates

<i>Corporate governance</i>	<i>Operational governance</i>
<p>HSE Board – Sets the strategic direction for HSE, and the wider health and safety system. It approves plans and budgets and monitors performance, holding management accountable for delivery.</p> <p>The Chair and members are all non-executive directors of HSE, appointed by the Secretary of State and are drawn from a wide range of backgrounds, skills and expertise. Further details about the Board members can be located at www.hse.gov.uk/aboutus/hseboard/index.htm.</p> <p>The Board has a prescribed structure with three employee, three employer, one local authority and two independent representatives. The Chair of the ONR Board is an ex-officio member.</p> <p>The Board meets formally ten times per annum.</p> <p>The Board’s role and responsibilities are currently set out in a Code of Practice www.hse.gov.uk/aboutus/howwework/management/codeofpractice.pdf and the Framework Document.</p> <p>Further details are provided in sections 3–5 of this governance statement.</p>	<p>Accounting Officer (AO) – The AO for HSE is the Chief Executive and may be called to account to Parliament for the stewardship of the resources within HSE’s control.</p> <p>Senior Management Team – Chaired by HSE’s Chief Executive. Its membership can be viewed at www.hse.gov.uk/aboutus/hseboard/index.htm.</p> <p>The Senior Management Team (SMT) is responsible for implementing HSE’s strategy, policies and operational programmes. It also advises the Board on all key issues through the Chief Executive.</p> <p>The SMT meets formally once a month, supplemented by regular videoconferences and is supported by the following:</p> <p>Corporate Efficiency Board – Considers all significant expenditure cases and ensures compliance with government spending controls.</p> <p>Comprises the Chief Executive, Deputy Chief Executive, Director of Finance and Director of Human Resources.</p> <p>Corporate Health and Safety Committee – Promotes the safety and well-being of our employees, contractors and visitors.</p>

Figure 17: How HSE governance operates (cont)

<i>Corporate governance</i>	<i>Operational governance</i>
<p>Audit Committee – Assists the HSE Board and Accounting Officer in meeting their responsibilities in the areas of internal control and management of risk, the integrity of the financial statements, overseeing the work of internal and external audit and considering the minutes and reports from the HSL and ONR Audit Committees.</p> <p>It reports to the Board and is chaired by a HSE Board non-executive director.</p> <p>The Committee comprises two non-executive directors of the HSE Board and two independent external members.</p> <p>HSE’s Accounting Officer, Director of Finance and Head of Internal Audit and representatives from DWP and NAO routinely attend meetings.</p> <p>The Audit Committee met four times in 2011/12.</p> <p>The ONR and HSL Audit Committees report to the HSE Audit Committee.</p> <p>Remuneration Committee – Determines pay strategy, in line with Cabinet Office guidance, for the Chief Executive and Deputy Chief Executive.</p> <p>Comprises HSE Chair, independent Board member, and the Permanent Secretary of DWP.</p>	<p>Information and Information Systems Governance Group – Drives implementation of HSE’s Information and Information Systems Strategy.</p> <p>Pay Committee – Determines pay strategy for senior civil servants, other than the Chief Executive and Deputy Chief Executive.</p> <p>Comprises HSE’s Chief Executive, Deputy Chief Executive, Director of HR and an independent Board member.</p> <p>Property Asset Management Board – Responsible for developing and overseeing the delivery of HSE’s Estates Strategy.</p> <p>Project Steering Groups – In place for significant projects to provide appropriate direction, consider key risks, and monitor progress.</p> <p>Regulation Committee – Provides oversight to work relating to the delivery of Löfstedt, RTC and regulatory reviews.</p>

2.3 Governance of the Office for Nuclear Regulation and Health and Safety Laboratory

2.3.1 Both the Office for Nuclear Regulation (ONR) and Health and Safety Laboratory (HSL) are non-statutory in-house agencies of HSE. Both have their own boards comprising respective chairs, non-executive members and senior officials.

2.3.2 During 2011/12, ONR continued to be part of HSE’s Accounting Officer’s responsibilities. HSL receives its resource allocation through HSE and is accountable to HSE for its operational and financial performance. HSE’s Accounting Officer has formally designated HSL’s Chief Executive as its Accounting Officer but HSE remains ultimately accountable to DWP and Parliament for HSL’s use of resources and performance. HSL produces an annual report and accounts containing the HSL Governance Statement, which is audited by NAO.

2.3.3 The wider governance arrangements between HSE and its agencies are set out in respective framework agreements:

- ONR – www.hse.gov.uk/nuclear/onr-framework.pdf
- HSL – www.hsl.gov.uk/about-hsl/corporate-information.aspx

2.3.4 Figure 18 describes the governance structures within both ONR and HSL, including how HSE fulfils its oversight role.

Figure 18: How oversight of ONR and HSL operates

<i>ONR</i>	<i>HSL</i>
<p>ONR Board – Sets the strategic direction for the organisation and monitors performance, holding management accountable for delivery.</p> <p>The Board comprises nine members: a non-executive Chair, four non-executive members and four executive members. It held ten meetings in 2011/12.</p> <p>HSE fulfils its sponsorship of ONR through representation on ONR’s Board by a non-executive Board member and HSE’s Deputy Chief Executive.</p> <p>ONR’s Chair is an ex-officio member of HSE’s Board, reporting at each meeting on ONR’s financial and operational performance and any key issues.</p> <p>ONR Audit Committee – Comprises a non-executive Chairman and two other non-executive directors.</p> <p>The Committee met three times in 2011/12 after which it submitted its report to the ONR Board. All minutes of the ONR Audit Committee are considered by the HSE Audit Committee.</p> <p>HSE’s Head of Internal Audit attends the ONR Audit Committee.</p> <p>The ONR Director of Finance and Head of Internal Audit (HSE HoIA) usually attend the meetings.</p>	<p>HSE/L Partnership Board – Comprises the Chief Executives of HSE and HSL, HSL’s non-executive Board members and other HSE/L senior officials.</p> <p>It meets twice per annum to:</p> <ul style="list-style-type: none"> i) consider and agree HSL’s corporate strategy, associated plans and corporate governance arrangements; ii) monitor HSL’s performance against its published Annual Performance Agreement; and iii) consider any emerging risks and their control. <p>HSE’s Chief Executive reports to HSE’s Board on HSL’s performance.</p> <p>HSL Board – Responsible for overseeing the implementation of HSL’s plans and policies and its performance. Advises the Partnership Board on all key issues and keeps it informed of progress.</p> <p>The HSL Board comprises nine members: three non-executive members and six executive members. It held 11 meetings in 2011/12.</p> <p>The Chief Executive of HSL is a member of HSE’s Senior Management Team.</p> <p>HSL Audit Committee – Comprises a non-executive Chairman and two other non-executive directors.</p> <p>The Committee met three times in 2011/12, after which it submitted its report to the HSL Board. All minutes of the HSL Audit Committee are considered by the HSE Audit Committee.</p> <p>HSL’s Chief Executive in his role as HSL’s Accounting Officer and HSE’s Head of Internal Audit, as HSE’s representative, usually attend the meetings.</p>

3 HSE Board attendance

3.1 Figure 19 sets out the number of meetings the HSE Board and its principal committees held during 2011/12 and individual attendance by Board and committee members at these meetings.

Figure 19: Board and Committee attendance

Name	Board		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Chair Judith Hackitt CBE	10	10	–	–	1	1
Sandy Blair CBE ¹	10	10	–	–	1	1
Robin Dahlberg	10	10	2 (C) ²	2	–	–
David Gartside	10	9	4 (C) ²	4	–	–
Paul Kenny	10	6	–	–	–	–
Frances Outram ³	10	10	2	2	1	1
Hugh Robertson	10	10	–	–	–	–
Elizabeth Snape MBE	10	9	–	–	–	–
John Spanswick CBE	10	9	–	–	–	–
Professor Richard Taylor	10	10	–	–	–	–
Nick Baldwin Ex-officio member/ Chair of ONR	9	8	–	–	–	–
Independent members						
Kash Pandya	–	–	4	4	–	–
Peter Conway ⁴	–	–	2	1	–	–
Graham Aitken	–	–	2	2	–	–

A – Maximum number of meetings the individual could have attended.

B – Number of meetings the individual attended.

C – Committee Chair.

1 Sandy Blair's appointment ended on 31 March 2012. He was succeeded by Isobel Garner.

2 Robin Dahlberg was Chair of the Audit Committee until 30 September 2011. He was succeeded by David Gartside.

3 Frances Outram was appointed to the Audit Committee with effect from 1 October 2011.

4 Peter Conway was an independent member of the Audit Committee until 30 September 2011. He was succeeded by Graham Aitken.

3.2 Managing conflicts of interest

3.2.1 Board members and the independent members of the Audit Committee have a duty to update any changes to their register of interests. As well as their own proactive notifications, Board members are actively reminded on a six-monthly basis to review and update their register. The interests of each Board member can be viewed at www.hse.gov.uk/aboutus/hseboard/biographies/board.htm.

3.2.2 The Board Code of Practice documents the process to be followed should a Board member identify a potential conflict of interest. On receipt of the papers for a Board meeting, members consider their contents and are required to alert the Chair to any potential conflicts of interest. Given the representative nature of the Board's composition, the only conflicts that are considered to debar a member from taking part in a discussion are where there is a material financial interest. Only one such instance was noted in 2011/12 and the Board member stood aside from the discussion.

4 What has the Board and its Committees done during the year?

4.1 HSE Board

4.1.1 The Board's strategy, *The health and safety of Great Britain\Be part of the solution*, defines the goals that HSE and all stakeholders in the health and safety system should strive to achieve.

4.1.2 Over the last year or so, there have been a number of Government-led reviews of health and safety, including *Common Sense*, *Common Safety*, *Good Health and Safety*, *Good for Everyone* and the review of health and safety regulation by Professor Löfstedt. All have had the common aim of simplifying health and safety legislation and related guidance without reducing the protection of workers and the public, and align with the overall aims of the HSE strategy. The Board has overseen and guided HSE's contribution to these reviews.

4.1.3 During 2011/12, a key focus for the HSE Board has been to begin to adapt its approach in light of these reviews and implement those actions which fall to us. For example, the Board:

- determined that a sector-based approach to delivery of HSE's proactive work to take forward the strategy would be the most efficient means of targeting effort, allowing for the development of tailored, sector-specific interventions which have more resonance for industry partners; and guided the intervention plans in the higher risk sectors of agriculture, construction and waste management;
- considered the progress of preparations covering the health and safety aspects of venues for the Olympic Games;
- consulted on various specific health and safety regulations during the year and, having considered the outcomes, agreed the recommendations it would make to Ministers;
- steered an extensive review of HSE's guidance to ensure it offers a practical, proportionate approach for organisations to help them comply with the law;
- consulted on the Fee for Intervention cost recovery proposals and made recommendations to Ministers; and
- established the Challenge Panels which enable a business to challenge specific health and safety regulatory advice they believe to be unreasonable or disproportionate.

4.1.4 Given the financial challenges facing HSE (see 7.2.4) the Board has led the development and ensured the effective implementation of its financial strategy, which seeks to minimise the impact on frontline delivery where possible. The Board determined that HSE should seek to achieve the budget reductions through efficiency gains in ways of working, back office services, and estates in order to maintain frontline activities. At each of its meetings, the Board has reviewed financial performance and quarterly, operational performance to ensure that the financial strategy and operational activities are on track.

4.1.5 In taking forward its work in 2011/12, the HSE Board provided the leadership and direction necessary to ensure HSE continued to deliver its core regulatory functions, including better targeted inspection, investigation and enforcement. It was also committed to ensuring that the regulatory requirements on business are proportionate, and that it is easier for people to understand and do what is required. The expectation is that this should improve levels of compliance with existing standards, while maintaining the protection of workers and the public.

4.2 HSE Audit Committee

4.2.1 On behalf of the Board and to advise the Accounting Officer, the Audit Committee examines the effectiveness of HSE's system of internal control and management of risk, receives the report of the NAO's examination of the financial statements, and oversees the work of internal audit.

4.2.2 During the year, the Audit Committee:

- examined and reviewed the risk management processes within HSE and ONR, considering the risk escalation and relegation procedures, the links between HSE and its in-house agencies approach to risk, and the management of the most significant risks as included in the respective corporate risk registers;
- considered the scope of, and received reports from external and internal audit on, the major findings on their work;
- monitored the implementation of recommendations to improve internal control processes and mitigate control weaknesses;
- attended relevant training courses and held workshops to review specific areas in depth, eg fraud, value for money reporting and advisory work, financial systems etc;
- considered HSE's approach to the prevention and detection of fraud, including the outcome of the Managing the Risk of Financial Loss work and any implications for the governance statement;
- considered the draft and final governance statements, advising the Accounting Office of any further disclosures, as necessary;
- received assurance in relation to HSE's approach to information assurance and the delivery of the extension to the cost recovery project;
- had oversight of the work of the HSL and ONR Audit Committees; and
- recommended that the financial statements be signed by the Accounting Officer.

4.3 Remuneration Committee

4.3.1 The Remuneration Committee met once in 2011/12 to ensure HSE's Pay Strategy was fair and bias free; pay decisions complied with any criteria set out in the Pay Strategy; decisions were consistent with the evidence of individuals' performance; and that the same criteria were applied in arriving at each individual pay decision.

4.4 Data quality to support the Board's needs

4.4.1 The Board receives reports at its meetings to support its discussions. All reports comply with a prescribed layout to ensure that the Board is able to focus on the key issues and the decisions that are required.

4.4.2 All papers to the Board are cleared by SMT and any resource or financial implications must be cleared by HSE's Director of Finance and Planning.

4.4.3 Financial and performance data which is provided to the Board is extracted from HSE's corporate accounting or operational systems. These data systems and the procedures that support their use are subject to regular, planned internal quality assurance checks by the HSE teams that operate them, independent internal audits and, from time-to-time, external assurance by, for example, NAO, the UK Statistics Authority etc.

4.4.4 The Board has not raised any concerns with the quality of the information it receives.

5 How does HSE ensure the Board's effectiveness?

5.1 Board performance

5.1.1 The Board undertook a review of its effectiveness in March 2012. The review was based on a questionnaire developed by the National School for Government and completed by all Board members and members of HSE's SMT. A summary of the findings was distributed to all Board members for initial discussion at their strategic planning event in April 2012.

5.1.2 There was a broad convergence of views between the self-assessment undertaken by the Board members and the views of those who observe them. Overall, the Board's performance was considered to be effective. In particular, its relationship with key stakeholders (including the sponsoring department and SMT) had improved over the previous 12 months, and the Board recognised that, through its individual members, it interacted with a wide variety of external partners, but it was acknowledged that this could be more effective.

5.1.3 During the initial discussions, the Board agreed that, to enable it to further improve the discharge of its functions, the annual rolling programme of work coming to the Board should be enhanced to incorporate reports from all HSE's areas of responsibility. More in-depth consideration of the findings is to take place and any further actions taken forward as appropriate.

5.2 Audit Committee performance

5.2.1 The Audit Committee undertook a review of its own performance in April 2011, using the National Audit Office self-assessment checklist. All Audit Committee members participated in the exercise.

5.2.2 A summary of the findings, as well as progress against its 2010 self-effectiveness review, was distributed to all members for discussion at their subsequent meeting. The review confirmed that the Committee met all five of the key principles (role, independence and objectivity, skills, scope of work and communication). As it meets quarterly, the Committee agreed that it would be helpful for it to receive updates on key issues at each meeting from the Accounting Officer; this now occurs.

6 Compliance with the Code of Practice

6.1 The Code of Corporate Governance, published in 2011, is primarily for ministerial departments. However, arm's length bodies (ALBs) such as HSE should adopt and adhere to the Code to the extent that it is practical, appropriate and not incompatible with any statutory or other authoritative requirements.

6.2 HSE has undertaken a review of its governance arrangements against the requirements set out in the new Code, evaluating the extent of its compliance while recognising the need to take into account the size and complexity of the organisation and the existing governance arrangements in place.

6.3 Based on this review, HSE complies substantially with those elements of the new Code of Corporate Governance as they are applicable to ALBs. The review has indicated some areas where HSE can further refine its arrangements to ensure they are suitably aligned to the requirements of the Code and these are as detailed below. Work will be taken forward in these areas in 2012/13:

- Nominations Committee – Consideration being given as to whether a formal Nominations Committee is needed in addition to the existing arrangements for succession planning for the Board and for senior official positions within HSE.
- While the Board has a Code of Practice it is recognised that it would benefit from being updated into a Board Operating Framework in light of the publication of the Code. Updating the Code of Practice is likely to have implications for the DWP/HSE Framework Document so, to avoid nugatory and duplicated effort, both documents will be reviewed and refreshed at the same time.

7 How HSE manages its risks

7.1 Identification and management of risks across HSE

Identification of risks

7.1.1 HSE's approach to business risk management aligns with the way we manage our activities, allocate resources and measure and review our performance. Risk registers are used to record identified risks to the delivery of objectives at a corporate level, within directorates and, where material, at individual programme/project level.

7.1.2 Risks are evaluated using a risk assessment matrix of likelihood and impact, which provides a 'traffic light' rating on the severity of each risk. This allows risks to be prioritised by highlighting those that are the most significant. Dependent on their rating, risks are escalated and relegated through the hierarchy of risk registers in HSE to ensure that they are managed by the appropriate level of the business.

7.1.3 The HSE corporate risk register contains those most significant risks considered to be facing HSE in the delivery of its objectives and which require corporate oversight.

Monitoring and reporting on risks

7.1.4 Regular reports are provided to HSE's SMT to enable them to focus on identifying and managing HSE's key risks. The SMT formally reviews progress quarterly, particularly to monitor how the most significant risks are being managed across HSE, decide on any new control measures, and to consider any potential emerging risks. The corporate risk register is considered as part of an integrated risk and performance report which emphasises the links between HSE's most significant risks and their potential to impact on performance.

7.1.5 In addition to SMT's scrutiny, the Audit Committee is responsible for monitoring HSE's management of risk, including the adequacy of the corporate risk register, and providing assurance to the Board on the effectiveness of the organisation's risk management processes. This year it has examined a number of areas, including the escalation and relegation process, and reviewed the links between the HSE, ONR and HSL risk registers.

7.1.6 The Board also scrutinises and challenges management on HSE's most pressing risks – as articulated in the corporate risk register every quarter, as does the DWP Sponsorship Board.

7.2 HSE's risk profile and newly emerging risks

7.2.1 HSE's mission, objectives and main functions as a regulator did not significantly change in 2011/12. As such, the risk profile of HSE, both in terms of the risks facing the organisation and the severity of those risks, particularly in undertaking its regulatory role, remained comparable to previous years. Like all organisations, HSE faces risks related to day-to-day operational activities, managing its people, finances, data security and change, and it is recognised that, should such risks materialise, they may have an impact on HSE's reputation.

7.2.2 During the year, there have been a number of significant reviews which will have consequences for those involved in health and safety, including HSE in terms of how HSE should deliver its role. The Government published its report, *Good Health and Safety, Good for Everyone*, at the end of 2010/11 and the independent review of health and safety legislation, *Reclaiming health and safety for all*, undertaken by Professor Löfstedt, was published in November 2011. Both of these reports recommended significant change to health and safety regulation. HSE also participated in the Government's Red Tape Challenge. The challenge facing HSE specifically is to implement those HSE-led aspects of the ambitious reform programme to the timescales prescribed.

7.2.3 HSE is managing this new risk by ensuring it has effective planning and delivery mechanisms in place, including clear accountabilities for delivery. Progress is being monitored through regular checkpoint meetings and oversight is provided by the HSE Regulation Committee. In addition, there has been routine reporting of progress to the SMT, Board, Department and Minister, which has also included DWP Structural Reform Plan updates on the No 10 website.

7.2.4 In common with the rest of the public sector, HSE also faces a substantial reduction in its government funding. This presents a significant challenge to the organisation as it seeks to minimise the impact on our delivery, operations and staffing.

7.2.5 HSE is managing this by taking difficult and timely decisions early to reduce carrying the risk into future years of the settlement (eg 2010/11 Voluntary Release Scheme) and implementing a substantial sustainable cost-reduction programme while maintaining frontline activities so far as possible. This has included reducing accommodation costs by moving to smaller premises through the Government Property Service or closing offices and reducing staff costs through smarter travel and the use of video conferencing. Spend has also been reduced on information and communications activities.

7.2.6 HSE's current and future financial position is scrutinised by the SMT and Board on a monthly basis.

7.2.7 Details of any lapses of protective security (eg data losses) are included in pages 28-29 of the annual report.

7.3 Evaluation of effectiveness of HSE's risk management and internal control processes

7.3.1 The risk management and internal control processes within HSE are considered to be effective, as demonstrated by the mitigation of key risks to tolerable levels and absence of any significant operational, financial or reputational damage for HSE.

7.3.2 This evaluation has been informed by a number of sources, including:

- HSE's operating policies and procedures;
- findings from Internal Audit, External Audit and other reviews;
- Statements of Assurance provided by HSE's SMT;
- assurance received from the Audit Committee.

Operating policies and procedures

7.3.3 Established corporate policies and procedures continue to contribute to HSE's effective control framework across a range of areas, from operational guidelines for our regulatory activities to financial processes, project governance, information security, business continuity, employee performance management and propriety, including fraud prevention. Guidance on related arrangements is set out in codes and other instructions which are accessible to staff via the HSE intranet and other media.

7.3.4 In 2011/12, policies in relation to information security, fraud and bribery were all reviewed and changes agreed to ensure they remained current and in line with best practice.

Findings from Internal Audit, External Audit and other reviews

7.3.5 Internal Audit considers the adequacy of HSE's (including ONR) system of governance, risk management and internal control and, within its reports, highlights recommendations for improvement.

7.3.6 In 2011/12, HSE Internal Audit has considered a wide range of topics across HSE and ONR, including risk management, key financial systems, compliance with central government spending controls, governance and propriety, data integrity, sustainability and intervention planning in accordance with their internal audit plan, which was considered by the Audit Committee.

7.3.7 Of the reviews undertaken in 2011/12, none received an 'unacceptable' assurance rating, and no Category A (substantial risk) recommendations were made. In addition, the annual report of the Head of Internal Audit, which was considered by the Audit Committee at its April 2012 meeting, indicated that the HSE has a satisfactory system of governance, risk management and control in place.

7.3.8 Within HSL, the internal audit function is supplied by a private sector firm. In relation to 2011/12, no high priority recommendations were made. The Head of Internal Audit at HSL has indicated that HSL has a sound system of internal control, and that controls were generally operating effectively for the period under review.

7.3.9 During 2011/12, HSE used the Managing the Risk of Financial Loss toolkit to assess its exposure to the risk of financial loss and completed the assessments for all key financial processes by 31 March 2012, in line with the DAO letter issued to all Accounting Officers by HM Treasury. The assessments, which were considered by the Audit Committee at its April 2012 meeting, did not identify any significant areas of weakness.

7.3.10 The National Audit Office has produced their 'Report to those charged with governance' on completion of their audit of the 2011/12 financial statements. No significant areas of weakness were reported.

Statements of Assurance provided by HSE's Senior Management Team

7.3.11 At the end of the financial year, all members of the SMT and the Executive Head of ONR have supplied letters of assurance to the Accounting Officer outlining the governance arrangements they have operated within their area of responsibility, including the identification and management of business risks, and their consideration of the effectiveness of those arrangements.

7.3.12 A review of these letters by the Accounting Officer indicates that there are no material issues or challenges which require additional disclosure, other than those already reported within the governance statement or elsewhere within this annual report and accounts.

Assurance received from the HSE Audit Committee

7.3.13 The Audit Committee completed its programme of work for the year and produced an annual report of its work for consideration by the Accounting Officer and HSE's Board. As part of its work programme the HSE Audit Committee has considered the minutes from both ONR and HSL Audit Committees, including, at its June 2012 meeting, their annual reports.

7.3.14 In reporting to the Board following each of its meetings, and in considering its own annual report and those of ONR and HSL Audit Committees, the HSE Audit Committee has not highlighted any issues in relation to HSE, HSL or ONR which require further disclosure within the governance statement.

7.3.15 At its June 2012 meeting, the Audit Committee considered the outcome of the NAO audit of the HSL financial statements. No significant issues were reported and, as such, the Committee recommended the consolidated HSE financial statements for signing by the Accounting Officer.

Significant control challenges faced by HSE

8.1 Based on the evaluation as described in section 7, above, it is the opinion of the Accounting Officer that there are no issues brought forward from 2010/11, nor any additional control challenges other than those incorporated within the governance statement, or pages 28–29 of the annual report (personal data incidents), which require further disclosure within the governance statement.



Geoffrey Podger CB

Chief Executive
Health and Safety Executive
Accounting Officer
11 June 2012

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

I certify that I have audited the financial statements of the Health and Safety Executive for the year ended 31 March 2012 under the Health and Safety at Work etc Act 1974. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows and Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Executive, Chief Executive and auditor

As explained more fully in the Statement of the Executive's and the Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Safety at Work etc Act 1974. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health and Safety Executive's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Safety Executive; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the foreword, the management commentary, the unaudited part of the Remuneration Report, the Statement of the Executive's and the Chief Executive's Responsibilities and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Safety Executive's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Safety at Work etc Act 1974 and Department for Work and Pensions directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Work and Pensions directions made under the Health and Safety at Work etc Act 1974; and
- the information given in the management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

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

22 June 2012

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

		2011/12	2010/11 (Restated)
	Notes	£'000	£'000
Administration costs			
Staff costs	2	38 262	44 302
Other administration costs	3	90 096	102 636
Operating income	5	(17 103)	(17 545)
EU income	5	(266)	(262)
Net administration costs		110 989	129 131
Programme costs			
Staff costs	2	137 817	149 111
Programme costs	4	24 987	30 702
Programme income	5	(98 247)	(105 320)
EU income	5	(634)	(715)
Net programme costs		63 923	73 778
Net operating cost for the year ended 31 March 2012		174 912	202 909
Other comprehensive expenditure:			
Net (gain)/loss on revaluation of property, plant and equipment	6	424	(2 000)
Actuarial (gain)/loss on pension	11b	59	(53)
Total comprehensive expenditure for the year ended 31 March 2012		175 395	200 856

All income and expenditure is derived from continuing operations.

The Notes on pages 66 to 103 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012 £'000	31 March 2011 (Restated) £'000	31 March 2010 (Restated) £'000
Non-current assets				
Property, plant and equipment	6(a)	93 042	96 394	96 274
Intangible assets	6(b)	1 143	1 132	1 420
Trade and other receivables due after more than one year	8	128	174	126
Total non-current assets		94 313	97 700	97 820
Current assets				
Inventories	7	615	980	1 113
Trade and other receivables	8	38 003	46 815	39 026
Cash and cash equivalents	9	1	2	265
Total current assets		38 619	47 797	40 404
Total assets		132 932	145 497	138 224
Current liabilities				
Trade and other payables	10	(27 134)	(34 152)	(38 037)
Provisions	11	(1 487)	(578)	(63)
Total current liabilities		(28 621)	(34 730)	(38 100)
Non-current assets plus/less net current assets/liabilities		104 311	110 767	100 124
Non-current liabilities				
Provisions	11	-	(1 065)	(1 303)
Other payables	10	(106 248)	(108 148)	(110 234)
Pension liabilities	11	(1 282)	(1 235)	(1 434)
Total non-current liabilities		(107 530)	(110 448)	(112 971)
Assets less liabilities		(3 219)	319	(12 847)
Taxpayers' equity				
General fund		(11 762)	(7 099)	(18 063)
Revaluation reserve		8 543	7 418	5 216
Total taxpayers' equity		(3 219)	319	(12 847)

The Notes on pages 66 to 103 form part of these accounts.



Geoffrey Podger CB
Chief Executive
Health and Safety Executive
Accounting Officer
11 June 2012



David Gartside
Chair to the Audit Committee
Health and Safety Executive

11 June 2012

Statement of Cash Flows for the year ended 31 March 2012

	<i>Notes</i>	2011/12 £'000	2010/11 <i>(Restated)</i> £'000
Cash flows from operating activities			
Net operating cost		(174 912)	(202 909)
Adjustments for non-cash transactions	3 and 4	10 680	9 120
(Increase)/decrease in trade and other receivables	8	8 858	(7 837)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(834)	(304)
(Increase)/decrease in inventories	7	365	133
Increase/(decrease) in trade payables	10	(6 327)	(4 746)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		1 649	1 791
Use of provisions	11	(180)	(121)
Payments of Consolidated Fund Extra Receipts (CFERs)		-	-
Net cash outflow from operating activities		(160 701)	(204 873)
Cash flows from investing activities			
Purchase of property, plant and equipment	6a (e)	(5 127)	(6 388) (e)
Purchase of intangible assets	6b (a)	(532)	(416)
Proceeds of disposal of property, plant and equipment		288	385
Net cash outflow from investing activities		(5 371)	(6 419)
Cash flows from financing activities			
Funding from DWP		169 981	213 472
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(1 319)	(1 218)
Net financing		168 662	212 254
Net increase/(decrease) in cash and cash equivalents in the period	9	2 590	962
Cash and cash equivalents at the beginning of the period	9	(2 633)	(3 595)
Cash and cash equivalents at the end of the period	9	(43)	(2 633)
Add bank overdraft reported in trade and other payables	9	44	2 635
Cash at bank and in hand at the end of the period	9	1	2

The Notes on pages 66 to 103 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Notes	(a) General Fund (Restated) £'000	(b) Revaluation Reserve £'000	Total reserves £'000
Balance at 31 March 2010		(17 959)	5 216	(12 743)
Restatements		(104)	–	(104)
(Restated) balance at 1 April 2010		(18 063)	5 216	(12 847)
Funding from DWP		213 472	–	213 472
CFERs payable to Consolidated Fund		–	–	–
Comprehensive expenditure for the year		(200 856)	–	(200 856)
Movements in reserves:				
Additions – Actuarial gain/(loss) on pension		53	–	53
– Net gain/(loss) on revaluation		–	2 000	2 000
Recognised in Statement of Comprehensive Net Expenditure		(2 053)	506	(1 547)
Transfer between reserves		304	(304)	–
Other		44	–	44
Restated balance at 31 March 2011		(7 099)	7 418	319
Funding from DWP		169 981	–	169 981
Financing in respect of transfer of functions		–	–	–
Comprehensive expenditure for the year		(175 395)	–	(175 395)
Movements in reserves:				
Additions – Actuarial gain/(loss) on pension	11b	(59)	–	(59)
– Net gain/(loss) on revaluation	6	–	(424)	(424)
Recognised in Statement of Comprehensive Net Expenditure		483	1 792	2 275
Transfer between reserves		243	(243)	–
Other		84	–	84
Balance at 31 March 2012		(11 762)	8 543	(3 219)

(a) The General Fund represents the total assets less liabilities of HSE to the extent that the total is not represented by other reserves and financing items.

(b) The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

(c) HSL Reserves are included within the General Fund figure.

HSL Reserves position – HSE is a level 3 organisation within DWP's hierarchical cash management regime on materiality grounds and its bank accounts (including HSL's cash requirement) are defunded by DWP on the last day of each month. This means that HSE's and HSL's bank accounts at year-end should only contain small overdrawn balances for transactions after the defunding process. HSL generates cash receipts from non-HSE customers and treats intercompany income from HSE as a cash transaction in its accounts although no cash changes hands. HSL is a net-nil organisation that seeks to recover its full costs from HSE and non-HSE income. As HSL's costs base includes cash and non-cash costs (eg depreciation on the laboratory) it appears to generate excess cash which, because of the defunding arrangements, is not shown in the Statement of Financial Position. The Board of HSE has considered this position and is content that the ongoing commitment from HSE supports preparation of the annual accounts on a going concern basis. (See also Note 22.)

The Notes on pages 66 to 103 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with the 2011/12 Government Financial Reporting Manual (FReM) (www.financial-reporting.gov.uk) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

All amounts included in the financial statements have been rounded to the nearest thousand pounds unless stated otherwise.

1.2 Accounts Direction

In accordance with the Accounts Direction issued by the Secretary of State with the approval of HM Treasury, the Health and Safety Executive has prepared a Statement of Responsibilities and a Governance Statement. HSE has no need to produce Parliamentary Control Schedules and the relevant information is contained in those schedules within DWP's accounts (see Note 1.7) with regard to Request for Resources.

1.3 Accounting standards, interpretations and amendments

Adopted in these financial statements

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2012, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

IAS 24 Related party transactions – the amendment provides exemption for full disclosure of transactions with state-controlled entities and does not impact the current exemption allowed within the FReM. HSE is compliant with the IFRS by disclosing it is related to DWP and other government departments.

IFRIC 14 (IAS 19) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – this amendment aims to correct an unintended flaw in IFRIC 14, whereby entities in some circumstances are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. (HSE makes payments analogous to contributions to the PCSPS into an external pension fund for the Chair and has some employees with stakeholder pensions. No prepayments have been made into either of these types of pension funds during the reporting period.)

Impending application of newly issued accounting standards not yet effective.

The following IFRSs, IFRIC Interpretations and Amendments have been issued but are not yet effective and have not been adopted early. An assessment will be undertaken to consider the impact of the IFRSs on HSE.

IFRS10 Consolidated Financial Statements (effective for periods beginning on or after 1 January 2013) – guidance to determine control and whether to include an entity in the consolidated financial statements of the parent.

IFRS 11 Joint Arrangements (effective for periods beginning on or after 1 January 2013) – rights and obligations of a joint arrangement, rather than its legal form.

IFRS 12 Disclosure of Interests in Other Entities (effective for periods beginning on or after 1 January 2013) – disclosure requirements for interests in other entities, ie joint arrangements.

IFRS 13 Fair Value Measurement (effective for periods beginning on or after 1 January 2013) – improve consistency, reduce complexity.

IAS 1 Presentation of Financial Statements (effective for periods beginning on or after 1 June 2012) – grouping items on the basis of whether they might at some point be reclassified from Other Comprehensive Income to profit.

IAS 19 Employee Benefits (effective for periods beginning on or after 1 January 2013) – disclosure requirements for defined benefit plans.

IPSAS 32 Service Concession Arrangement (effective for periods beginning on or after 1 January 2014) – provides a financial reporting standard for the grantor in accounting for service concession arrangements.

1.4 Accounting convention

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

1.5 Transfer of functions

Machinery of Government changes, which involve transfer of functions or responsibilities from one part of the public sector to another, are accounted for using merger accounting. This requires the restatement of the opening Statement of Financial Position and prior year's Statement of Comprehensive Net Expenditure, Statement of Cash Flows and associated notes to the accounts. The impact on the Statement of Comprehensive Expenditure and Statement of Financial Position is shown in Note 21.

1.6 Areas of judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include depreciation and amortisation periods, provisions, early departure costs and impairments.

1.7 Government grants

Grants receivable

Pursuant to section 43 of the Health and Safety at Work etc Act 1974, the Executive has been financed by a grant-in-aid from a Request for Resources from the Department for Work and Pensions (Request for Resources 2).

The total grant-in-aid received by the Health and Safety Executive from DWP for the financial year 2011/12 was £169 981 000 (2010/11 – £213 472 000 (restated)).

The grant-in-aid is credited to the General Fund in the year in which it is received.

1.8 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out by HM Treasury. Administration costs reflect the costs of running HSE. All HSE income is offset against gross costs.

Expenditure that does not fall within administration budgets is known as programme expenditure.

Programme costs include programme expenditure, programme overheads and non-administration costs, including any other disbursements by HSE which have been agreed as programme expenditure with HM Treasury.

1.9 Employee benefits

In accordance with IAS 19 employee benefits, short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that HSE has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to SCS employees are accrued to the extent that the total value of the bonuses can be measured reliably. General staff bonuses and bonuses relating to SCS employees are accrued in the year to which the performance relates and paid in the following financial year. The policy in relation to employee pensions is disclosed at Note 2.

IAS 19 requires HSE to determine true short-term employee benefit liability for employee leave. HSE calculates annual leave balances directly from the employee information system supplemented with a statistically valid sample extrapolated across the population to provide additional flexible working hours and time off in lieu liability at year end.

1.10 Research and development expenditure

Expenditure on research is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within IAS 38 Intangible Assets. Development costs previously recognised as an expense, prior to the relevant criteria being met, are not recognised as an asset in subsequent periods.

1.11 Value added tax

Most of HSE's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.12 Insurance

HSE does not purchase commercial insurance unless it is required under the standard terms of a service contract. Losses arising from damage to or loss of assets, employer's liability and claims from third parties are charged directly to the Statement of Comprehensive Net Expenditure.

1.13 Operating income

Operating income is income which relates directly to the operating activities of HSE. It principally comprises fees and charges for services provided on a full-cost basis to external customers (Note 5). Operating income is stated net of VAT.

1.14 Revenue recognition

HSE complies with IAS 18 for all material income streams and recognises revenue when earned. Earned income is assessed using time recording information and reliable estimates of recoverable costs. HSE takes a proportionate approach to revenue recognition and accounts for low value income in the period of receipt where immaterial to the accounts and consistent in value across financial years.

1.15 Property, plant and equipment

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

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Computer hardware has a capitalisation threshold of £1 000. A capitalisation threshold of £100 000 is applied to leasehold improvements. For all other tangible assets the prescribed capitalisation level is £5 000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered prohibitive and therefore the majority of these items are recorded on a pooled basis.

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

On initial recognition assets are measured at cost, including any costs, such as installation, which are directly attributable to bringing them into working condition and any associated

decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to HSE and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial period in which it is incurred.

1.16 Land and buildings

Land and buildings are measured initially at cost, restated to current market value using external professional valuations in accordance with IAS 16 at least every five years and in the intervening years by use of published indices, or desktop valuations as appropriate to the type of land and building.

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

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

DTZ professionally valued Redgrave Court as at 30 September 2011. They also conducted a desktop valuation of the building as at 31 March 2012. Jones Lang LaSalle professionally revalued all land and building assets on the HSL Buxton site as at 31 March 2010. Additionally, the freehold property at Carlisle was independently valued at 31 March 2009 by Donaldsons, Chartered Surveyors. In each case, the valuations were in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS).

1.17 Intangible assets

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

Purchased software

Purchased software licences and applications covering a period of more than one year and above the capitalisation threshold of £500 are capitalised at cost as intangible assets and reported at amortised cost. In view of the large number of software licences purchased across HSE those capitalised are accounted for on a pooled basis with any items/pools amounting to over £100 000 identified individually.

Licences with a finite life are amortised, on a straight-line basis, over the shorter of the licence period or five years. Should HSE purchase licences in advance they are only subject to amortisation once they are available for use.

Internally developed software

Internally developed software is capitalised if it meets the criteria specified in IAS 38 Intangible Assets. Costs are categorised as research or development costs and accounted for accordingly (see Note 1.10). Internally developed software that has a finite useful life is amortised on a straight-line basis over the shorter of five years or the life of the software.

Expenditure that does not meet the criteria for capitalisation is recognised as an expense in the year in which it is incurred. Costs associated with the maintenance of software are also expensed when incurred.

Website development costs

Website development costs are capitalised in line with the requirements of SIC 32 Web Site Costs and the specific criteria as determined by IAS 38 Intangible Assets. Costs are categorised as research or development costs and accounted for accordingly (see Note 1.10).

1.18 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives. No depreciation is provided on freehold land.

Depreciation commences once an asset is available for use and continues until the asset is derecognised or categorised as held for sale or written down to nil value. Property, plant and equipment are therefore depreciated from the date of acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction and residual interests in off-balance sheet Private Finance Initiative (PFI) contract assets are not depreciated until the asset is brought into use or reverts to HSE.

Estimated useful asset lives are normally in the following ranges:

Freehold buildings	50 years or remaining life as assessed by the valuers
Leasehold buildings	Period remaining on lease or to next rent review
HSL PFI leasehold buildings	60 years' designated life
Leasehold improvements	Up to 20 years (over the period remaining on lease)
Information technology	3 to 7 years
Plant and machinery	5 to 10 years
Furniture and fittings	2 to 15 years (except HSL PFI contract which is 30 years)
Motor vehicles	5 to 9 years

For vehicles acquired by the Health and Safety Executive car-leasing scheme, 63% of the original cost is depreciated over the three-year life of the contract.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.19 Amortisation

Amortisation is calculated on intangible assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Intangible assets are therefore depreciated from the date of acquisition. No amortisation is charged in the month of disposal. Assets in the course of construction are not amortised but are subject to impairment reviews until the asset is brought into use.

Estimated useful asset lives are normally in the following ranges:

Software licences	Shorter of licence period and 5 years
Internally developed software	5 years
Websites	5 years

The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.20 Revaluation and impairment of non-current assets

Increases in value are credited to the Revaluation Reserve, unless a reversal of a previous impairment, which is credited to the Statement of Comprehensive Expenditure to the extent of the previous impairment and then to the Revaluation Reserve, in accordance with IAS 36. Impairments of revalued assets, that do not result from a clear consumption of economic benefits, are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the Statement of Comprehensive Net Expenditure. Each year, the realised element of the reserve (ie an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

All non-current assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. In addition, intangible assets with an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.21 Financial assets and liabilities

Financial assets and liabilities are recognised when HSE becomes party to the contracts that give rise to them. It is HSE policy that no trading in financial instruments is undertaken.

Fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Loans and receivables

The fair value of trade and other receivables is usually the original invoiced amount. Any changes in value are recognised in the Statement of Comprehensive Net Expenditure.

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts. Bank overdrafts are included within current liabilities on the Statement of Financial Position.

Financial liabilities measured at amortised cost

Financial liabilities within trade payables and accruals are non-interest bearing and are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost.

Impairment of financial assets

HSE assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial instruments they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant, on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors.

The amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows and is recognised in the Statement of Comprehensive Net Expenditure. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the asset and historical loss experience for assets with credit risk characteristics similar to those in the group.

For the purpose of measuring the impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows.

1.22 Inventories

Inventories and work in progress are valued as follows:

- (a) Finished goods and priced goods for resale are valued at the lower of cost less cost to sell or, where materially different, current replacement cost or net realisable value. The cost of free publications is written off in the year in which it is incurred.
- (b) Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.23 Provisions

Provisions are recognised, in accordance with IAS 37, when HSE has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the Statement of Financial Position date, are included 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 real rate set by HM Treasury (currently 2.2% (2010/11 – 2.2%)). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Statement of Comprehensive Net Expenditure.

1.24 Early departure costs

For past early departure schemes, HSE meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. HSE provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 2.8% (2010/11 – 2.9%) in real terms.

From 22 December 2010, new Civil Service compensation terms have been introduced for early departure schemes. All exit costs falling to be paid by HSE under the new terms consist of lump sum payments only, which are recognised in the financial statements.

1.25 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 2. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. HSE recognises the expected cost of these elements, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the 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 schemes, HSE recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Previous Chairs of the Health and Safety Executive were not members of the PCSPS but arrangements exist whereby HSE makes pension payments analogous to those that would have been made had they been members of the PCSPS and which are payable out of current year's funds that are made available. The appointment of Board members (other than the Chair) is non-pensionable. The current Chair is not a member of the PCSPS but a contribution of 25% of her salary is made to a stakeholder pension provider. The pension liability is valued each year by the Government Actuary's Department and the full amount calculated is treated as a provision in the Statement of Financial Position. Changes to the provision resulting from actuarial losses or gains are charged to the General Fund, with in-year service charges and interest charges included in the Statement of Comprehensive Net Expenditure.

1.26 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases of assets where substantially all risks and rewards of ownership of a leased asset are borne by HSE are classified as finance leases. Leased assets are capitalised at the lower of the present value of the minimum lease payments discounted by the interest rate implicit in the lease or the fair value of the leased asset. Obligations relating to finance leases are recognised as liabilities. Payments are apportioned between reductions in the capital obligation included in creditors and the interest element of the finance lease payment which is charged to the Statement of Comprehensive Net Expenditure over the

period of the lease. Other leases are regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

Leases where the lessor retains a significant portion of the risks and rewards of ownerships are classified as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.27 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector.

Where HSE has control over the PFI assets, or where HSE does not have control but the balance of risks and rewards of ownership are borne by HSE, the asset is recognised as a non-current asset and the liability to pay for it is accounted for as a finance obligation. Contract payments are apportioned between a reduction in capital obligation, an imputed finance lease charge and a service charge.

Where HSE does not have control over the PFI asset and the balance of risks and rewards of ownership are borne by the PFI contractor, the PFI payments are recorded as an expense. Where HSE has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where at the end of the PFI contract a property reverts to HSE, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

1.28 Foreign currency translation

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

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction and translation differences are dealt with through the Statement of Comprehensive Net Expenditure.

1.29 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37. In addition, HSE discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be discounted by IAS 37 are stated at the amounts reported to Parliament.

1.30 Operating segments

IFRS 8 applies in full to HSE. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker, and are used to make strategic decisions. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

2 Staff numbers and costs of the Health and Safety Executive

(a) Staff costs

Staff costs comprise:

	Permanently employed staff	Others	2011/12 Total	2010/11 (Restated) Total
	£'000	£'000	£'000	£'000
Wages and salaries	133 452	3 299	136 751	145 860
Employers' National Insurance	11 774	39	11 813	11 695
Superannuation and pension costs	26 893	72	26 965	27 592
Lump sum exit costs	799	–	799	8 706
Total	172 918	3 410	176 328	193 853
Less recoveries in respect of outward secondments	(249)	–	(249)	(440)
Total net costs	172 669	3 410	176 079	193 413

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but HSE is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes in public service pensions and while future scheme changes are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employee and employer contribution rates, and these are currently being determined under the new scheme design. The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

For 2011/12 employer's contributions of £26.6 million were payable to the PCSPS (2010/11 – £27.2 million) at one of the four rates in the range 16.7 to 24.3% of pensionable pay (2010/11 – 16.7 to 24.3%), based on salary bands.

Outstanding contributions amounting to £2.6 million (2010/11 – £2.6 million) were payable to the Civil Superannuation Vote at 31 March 2012 and are included in payables (Note 10).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £104 893 (2010/11 – £137 683) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £8 013, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum payments on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the Statement of Financial Position date were £7 982.

Contributions prepaid at that date were £0.

In 2011/12 five people retired early on ill-health grounds (2010/11 – five people); the total additional accrued pension liabilities in the year amounted to £39 871 (2010/11 – £7 717). These liabilities are not the responsibility of HSE but are to be paid by the PCSPS.

(b) Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows:

		2011/12		<i>2010/11 (Restated)</i>
<i>Permanent staff</i>	<i>Other</i>	<i>Total</i>		<i>Total</i>
3 301	43	3 344		3 566

2.1 Exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
< £10 000	-	-	2	9	2	9
£10 000–£25 000	1	-	17	48	18	48
£25 000–£50 000	-	-	6	79	6	79
£50 000–£100 000	-	-	5	62	5	62
£100 000–£150 000	-	-	-	2	-	2
£150 000–£200 000	-	-	-	-	-	-
£200 000–£250 000	-	-	-	-	-	-
£250 000–£300 000	-	-	-	-	-	-
£300 000–£350 000	-	-	-	-	-	-
Total number of exit packages by type	1	-	30	200	31	200
Total resource cost	£22 664	-	£802 712	£8 706 054	£825 376	£8 706 054

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where HSE has agreed early retirements, the additional costs are met by HSE and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The total of lump sum exit costs in note 2.1 above (£825k) does not equal the value of lump sum exit costs in note 2(a) staff costs (£799k), as the latter includes an adjustment in respect of lump sum costs provided in the previous year.

3 Other administration costs

	2011/12	<i>2010/11</i> <i>(Restated)</i>
	£'000	£'000
Rentals under operating leases	5 736	5 411
PFI service charges		
On-Statement of Financial Position PFI contracts	20 737	21 601
Interest charges – On-Statement of Financial Position PFI contracts	8 866	8 967
Auditor's remuneration		
Statutory Audit	126	127
Non-cash items		
Depreciation and amortisation of non-current assets	7 791	7 938
Impairment of non-current assets	–	169
(Profit)/loss on disposal of non-current assets	274	120
Other non-cash items	–	–
Accommodation	12 475	12 675
Travel and subsistence	1 641	1 918
IT expenditure	7 589	8 654
Legal costs	9 683	7 785
Staff development and training	304	555
Consultants' fees	128	234
Publications	3 553	6 168
Provisions release	2 724	9 811
Other expenditure	8 469	10 503
Total administration costs	90 096	102 636

4 Other programme costs

	2011/12	<i>2010/11</i> <i>(Restated)</i>
	£'000	£'000
Research and development	3 538	6 798
Nuclear safety studies	3 570	13 471
Travel and subsistence	9 508	10 012
Staff development and training	2 483	2 921
Consultants' fees	331	198
Publications	32	7
Auditors' remuneration – EU audit fee	9	4
Non-cash items		
Impairment of non-current assets	1 792	337
Provisions – provided in year	12	252
Other non-cash	811	304
Early departure liability	115	228
Provisions cash payment	(2 724)	(9 811)
Other current expenditure	5 510	5 981
Gross programme costs	24 987	30 702

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.

	<i>Administration income</i> £'000	<i>2011/12 Programme income</i> £'000	<i>Cost</i> £'000	<i>Surplus/ (deficit)</i> £'000	<i>2010/11 Surplus/ (deficit)</i> £'000
(i) HSE fees and charges					
Licensing of nuclear installations		40 023	40 023	–	–
Safety-related research in the nuclear industry		199	199	–	–
Civil nuclear security		4 189	4 189	–	–
Generic Design Assessment		7 980	7 980	–	–
Genetically modified organisms		150	132	18	17
First-aid approvals		248	256	(8)	(15)
Asbestos licensing		775	666	109	(34)
Biocides and plant protection		13 315	13 667	(352)	(112)
Control of major accident hazards		12 394	11 394	1 000	504
Enforcement of offshore safety legislation		15 673	15 682	(9)	720
Enforcement of Gas Safety (Management) Regulations		361	427	(66)	(42)
Explosives		274	223	51	(50)
Central Index of Dose Information (CIDI)		119	137	(18)	(57)
Total HSE fees and charges for the year ended 31 March 2012		95 700	94 975	725	931
Health and Safety Laboratory external customers	7 189		7 189	–	–
Health and Safety Laboratory EU income	228	–	228	–	–
Other miscellaneous income	386	–	–		
Total HSL income	7 803	–			
Total fees and charges for the year ended 31 March 2012	7 803	95 700			
Total fees and charges for the year ended 31 March 2011	7 899	102 623			
(ii) HSE sales and other income					
Prosecutions	7 242	–			
Sale of publications	1 862	–	1 334	528	(509)
Other sales/income	424	2 547			
EU income	38	634			
Total sales and other income for the year ended 31 March 2012	9 566	3 181			
Total sales and other income for the year ended 31 March 2011	9 908	3 412			
Total income for the year ended 31 March 2012	17 369	98 881			
Total income for the year ended 31 March 2011	17 807	106 035			

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes and not for the purposes of IFRS 8.

	<i>2011/12</i>		
	<i>Income</i>	<i>Full cost</i>	<i>Surplus/ (deficit)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fees and charges to external customers	94 667	93 556	1 111
Fees and charges to other government departments	8 836	8 836	-
	103 503	102 392	1 111

	<i>2010/11</i>		
	<i>Income</i>	<i>Full cost</i>	<i>Surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fees and charges to external customers	101 513	100 364	1 149
Fees and charges to other government departments	9 010	9 010	-
	110 523	109 374	1 149

HSE has complied with the cost allocation and charging requirements set out in HM Treasury Guidance.

6 Property, plant and equipment

(a) Property, plant and equipment by category – 2011/12

2011/12	Land	Buildings	Leasehold improvements	Information technology	Motor vehicles	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2011	2 615	69 508	23 473	7 088	3 300	16 433	10 015	1 246	133 678
Reclassifications (cost)	-	765	-	146	-	335	-	(1 246)	-
Additions in year	-	624	944	1 476	628	793	479	37	4 981
Revaluations in year	(85)	(1 702)	-	-	-	-	-	-	(1 787)
Restatements	-	-	-	-	-	-	-	-	-
Disposals during year	-	(9)	(5 165)	(1 202)	(651)	(705)	(1 011)	-	(8 743)
Balance at 31 March 2012	2 530	69 186	19 252	7 508	3 277	16 856	9 483	37	128 129
Depreciation at 1 April 2011	0	2 424	13 287	4 159	1 409	11 864	4 141	-	37 284
Reclassifications	-	-	-	-	-	-	-	-	-
Charge in year	-	1 403	2 021	1 750	534	908	731	-	7 347
Revaluations in year	-	(1 363)	-	-	-	-	-	-	(1 363)
Restatements	-	-	-	-	-	-	-	-	-
Disposals during year	-	(9)	(5 165)	(1 203)	(401)	(658)	(745)	-	(8 181)
Accumulated depreciation at 31 March 2012	-	2 455	10 143	4 706	1 542	12 114	4 127	-	35 087
Net book value at 31 March 2012	2 530	66 731	9 109	2 802	1 735	4 742	5 356	37	93 042
Asset financing									
Owned	2 530	4 464	9 109	737	1 735	4 742	3 106	37	26 460
On-Statement of Financial Position PFI contracts	-	62 267	-	2 065	-	-	2 250	-	66 582
Net book value at 31 March 2012	2 530	66 731	9 109	2 802	1 735	4 742	5 356	37	93 042

2010/11	Land	Buildings	Leasehold improvements	Information technology	Motor vehicles	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2010	2 115	66 775	22 513	8 685	3 318	16 062	11 529	673	131 670
Reclassifications (cost)	-	598	-	-	-	74	-	(672)	-
Additions in year	-	546	960	1 000	931	820	508	1 245	6 010
Revaluations in year	500	1 589	-	-	(63)	(106)	-	-	1 920
Restatements	-	-	-	-	-	-	-	-	-
Disposals during year	-	-	-	(2 597)	(886)	(417)	(2 022)	-	(5 922)
Balance at 31 March 2011	2 615	69 508	23 473	7 088	3 300	16 433	10 015	1 246	133 678
Depreciation at 1 April 2010	-	1 143	11 275	5 041	1 426	11 375	5 136	-	35 396
Reclassifications	-	-	-	-	-	-	-	-	-
Charge in year	-	1 362	2 012	1 714	547	896	854	-	7 385
Revaluations in year	-	(81)	-	-	-	-	-	-	(81)
Restatements	-	-	-	-	-	-	-	-	-
Disposals during year	-	-	-	(2 596)	(564)	(407)	(1 849)	-	(5 416)
Accumulated depreciation at 31 March 2011	-	2 424	13 287	4 159	1 409	11 864	4 141	-	37 284
Net book value at 31 March 2011	2 615	67 084	10 186	2 929	1 891	4 569	5 874	1 246	96 394
Asset financing									
Owned	2 615	4 150	10 186	614	1 891	4 569	3 432	481	27 938
On-Statement of Financial Position PFI contracts	-	62 934	-	2 315	-	-	2 442	765	68 456
Net book value at 31 March 2011	2 615	67 084	10 186	2 929	1 891	4 569	5 874	1 246	96 394

Land and buildings comprise the following:

	<i>Freeholds</i>	<i>Leaseholds</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation at 1 April 2011	7 018	65 105	72 123
Reclassifications	–	765	765
Additions in year	416	208	624
Revaluations in year	74	(1 861)	(1 787)
Disposals during year	(9)	–	(9)
Balance at 31 March 2012	7 499	64 217	71 716
Depreciation at 1 April 2011	252	2 172	2 424
Charge in year	249	1 154	1 403
Revaluations in year	13	(1 376)	(1 363)
Disposals during year	(9)	–	(9)
Accumulated depreciation at 31 March 2012	505	1 950	2 455
Net book value at 31 March 2012	6 994	62 267	69 261

(a) Property, plant and equipment are stated at valuation, which is obtained by the use of appropriate indices. However, as permitted by the FReM, the Executive has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

(b) Redgrave Court was procured following an open, competitive tendering exercise seeking new or existing office accommodation in North West England. As a consequence, Bootle Accommodation Partnerships Ltd (BAPL) constructed and provides HSE with serviced accommodation under the Private Finance Initiative at Redgrave Court, which is owned by BAPL.

The open market value of Redgrave Court of £11 million (£11 million as at 31 March 2011) is significantly lower than the outstanding repayment liability to the contractor (£56.6 million) for the remainder of the 30-year PFI agreement. The construction cost to the contractor was approximately £60 million. The building is situated in an area of social deprivation which reduces its open market value.

The impact of this valuation is that HSE's Statement of Financial Position shows low figures for net assets and reserves. The Board of HSE has considered the impact and is content that the ongoing commitment from the Department for Work and Pensions supports preparation of the annual accounts on a going concern basis.

DTZ professionally valued Redgrave Court as at 30 September 2011 with a desktop valuation completed at 31 March 2012. Jones Lang LaSalle professionally revalued all land and building assets on the Buxton site as at 31 March 2010. For the year ending 31 March 2012 all land and buildings on the Buxton site were revalued using All In Tender price

indices produced by RICS. Additionally, the freehold property at Carlisle was independently valued at 31 March 2009 by Donaldsons, Chartered Surveyors. In each case, the valuations were in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors (RICS).

(c) Costs incurred during the year in respect of major refurbishment and improvement of properties have been capitalised as leasehold improvements.

(d) Depreciation charged in the year on assets under PFI contracts was £2.626 million (2010/11 – £2.472 million).

(e) Cash flow reconciliation

		2011/12	2010/11
	<i>Notes</i>	£'000	£'000
Capital payables and accruals at 1 April	10	406	784
Capital prepayments at 1 April		–	–
Capital additions	6a	4 981	6 010
Capital prepayments at 31 March		–	–
Capital payables and accruals at 31 March	10	(260)	(406)
Purchases of property, plant and equipment as per Statement of Cash Flows		5 127	6 388

(b) Intangible assets

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

	<i>2011/12</i>				<i>Total</i>
	<i>Websites</i>	<i>Purchased software licences</i>	<i>Internally developed software</i>	<i>Payments on account and assets under construction</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation at 1 April 2011	136	3 961	32	52	4 181
Reclassification	–	52	–	(52)	–
Additions in year	9	446	–	–	455
Disposals	–	–	–	–	–
Impairments	–	–	–	–	–
Revaluations	–	–	–	–	–
Balance at 31 March 2012	145	4 459	32	–	4 636
Amortisation at 1 April 2011	76	2 960	13	–	3 049
Charge in year	36	397	11	–	444
Disposals	–	–	–	–	–
Impairments	–	–	–	–	–
Reclassifications	–	–	–	–	–
Revaluations	–	–	–	–	–
Accumulated amortisation at 31 March 2012	112	3 357	24	–	3 493
Net book value at 31 March 2012	33	1 102	8	–	1 143

	<i>2010/11</i>				<i>Total</i>
	<i>Websites</i>	<i>Purchased software licences</i>	<i>Internally developed software</i>	<i>Payments on account and assets under construction</i>	
	£'000	£'000	£'000	£'000	
Cost or valuation at 1 April 2010	112	4 146	32	–	4 290
Reclassification	–	–	–	–	–
Additions in year	24	189	–	52	265
Disposals	–	(374)	–	–	(374)
Impairments	–	–	–	–	–
Revaluations	–	–	–	–	–
Balance at 31 March 2011	136	3 961	32	52	4 181
Amortisation at 1 April 2010	31	2 837	2	–	2 870
Charge in year	45	497	11	–	553
Disposals	–	(374)	–	–	(374)
Impairments	–	–	–	–	–
Reclassifications	–	–	–	–	–
Revaluations	–	–	–	–	–
Accumulated amortisation at 31 March 2011	76	2 960	13	–	3 049
Net book value at 31 March 2011	60	1 001	19	52	1 132

(a) Cash flow reconciliation

	<i>Notes</i>	<i>2011/12</i>	<i>2010/11</i>
		£'000	£'000
Capital payables and accruals at 1 April	10	127	278
Capital additions	6b	455	265
Capital prepayments at 31 March		–	–
Capital payables and accruals at 31 March	10	(50)	(127)
Purchases of intangible assets		532	416

7 Inventories

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Work in progress	298	704	555
Finished stock for sale	317	276	558
	615	980	1 113

8 Trade receivables and other current assets

(a) Analysis by type

Administration receivables:

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
		<i>(Restated)</i>	<i>(Restated)</i>
Amounts falling due within one year			
Trade receivables	12 630	14 681	12 104
Deposits and advances (see table below)	240	247	307
Prepayments and accrued income	22 938	28 673	22 108
VAT	2 176	3 214	3 884
Other receivables	19	–	623
	38 003	46 815	39 026
Amounts falling due after more than one year			
Other prepayments	66	96	39
Deposits and advances (see table below)	62	78	87
	128	174	126
Total	38 131	46 989	39 152

The deposits and advances total of £301 929 (2010/11 – £325 837) includes:

	2011/12	2010/11
	£	£
Advances of salary for house purchases	78 830	99 556
Advances of salary for season ticket purchases	84 056	75 293
Imprests	112 981	116 183
Other amounts to be reclaimed from staff	26 062	34 805

There were nine officers who had £2 500 or more outstanding at 31 March 2012 which totalled £78 593 (2010/11 – £89 097, relating to 11 officers).

(b) Intra-government balances

The following tables analyse total trade and other receivable balances across the categories shown:

	31 March 2012	31 March 2012	31 March 2011 (Restated)	31 March 2011 (Restated)	31 March 2010 (Restated)	31 March 2010 (Restated)
	Amounts falling due within one year	Amounts falling due later than one year	Amounts falling due within one year	Amounts falling due later than one year	Amounts falling due within one year	Amounts falling due later than one year
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with other central government bodies	3 483	–	4 099	–	4 722	–
Balances with local authorities	98	–	213	–	112	–
Balances with NHS trusts	6	–	6	–	18	–
Balances with public corporations and trading funds	54	–	78	–	2 553	–
Subtotal: intra-government balances	3 641	–	4 396	–	7 405	–
Balances with bodies external to government	34 362	128	42 419	174	31 621	126
Total receivables at 31 March	38 003	128	46 815	174	39 026	126

9 Cash and cash equivalents

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Balance at 1 April	(2 633)	(3 595)	(5 730)
Net change in cash and cash equivalent balances	2 590	962	2 135
Balance at 31 March	(43)	(2 633)	(3 595)
Less bank overdraft reported in trade and other payables	44	2 635	3 860
Balance per Statement of Financial Position	1	2	265
The following balances at 31 March are held at			
Government banking services	(44)	(2 635)	(3 860)
Commercial banks and cash in hand	1	2	265
	(43)	(2 633)	(3 595)

The credit balance (£43 000) relates to transactions posted at Government banking services after the defunding of HSE's account on 31 March 2012 in accordance with DWP's cash management arrangements agreed with HM Treasury.

10 Trade and other payables

(a) Analysis by type

	31 March 2012	31 March 2011 (Restated)	31 March 2010 (Restated)
	£'000	£'000	£'000
Amounts falling due within one year			
Taxation and social security	3 733	3 714	3 646
Superannuation	2 567	2 566	2 562
Trade payables: non capital	590	916	1 911
Trade payables: capital	310	533	1 061
Other payables	529	2 053	305
Accruals and deferred income	17 093	18 744	22 247
On-Statement of Financial Position PFI contracts	1 430	1 319	1 218
Balance with Office of HM Paymaster General	44	2 635	3 860
Early departure liability	838	1 672	1 213
Provision reclassified as creditors	-	-	14
	27 134	34 152	38 037

	31 March 2012	31 March 2011 (Restated)	31 March 2010 (Restated)
	£'000	£'000	£'000
Amounts falling due after more than one year			
Imputed finance lease element of On-Statement of Financial Position PFI contracts	105 119	106 549	107 868
Other payables	4	11	–
Early departure liability	1 125	1 588	2 345
Provision reclassified as creditors	–	–	21
	106 248	108 148	110 234
Total	133 382	142 300	148 271

(b) Intra-government balances

	31 March 2012	31 March 2012	31 March 2011 (Restated)	31 March 2011 (Restated)	31 March 2010 (Restated)	31 March 2010 (Restated)
	Amounts falling due within one year £'000	Amounts falling due later than one year £'000	Amounts falling due within one year £'000	Amounts falling due later than one year £'000	Amounts falling due within one year £'000	Amounts falling due later than one year £'000
Balances with other central government bodies	7 388	–	8 862	–	7 097	–
Balances with local authorities	8	–	16	–	10	–
Balances with NHS trusts	–	–	77	–	26	–
Balances with public corporations and trading funds	52	–	168	–	2 687	–
Subtotal: intra-government balances	7 448	–	9 123	–	9 820	–
Balances with bodies external to government	19 686	106 248	25 029	108 148	28 217	110 234
Total trade and other payables at 31 March	27 134	106 248	34 152	108 148	38 037	110 234

11 Provisions for liabilities and charges

(a) Administration provisions

	<i>Dilapidations</i>	<i>Chair's pension by analogy</i>	<i>Other</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Balance at 1 April 2011	1 553	1 235	90	2 878
Provided in year	425	126	-	551
Provisions not required written back	(409)	-	(71)	(480)
Utilised in year	(82)	(79)	(19)	(180)
Balance at 31 March 2012	1 487	1 282	-	2 769

	<i>Dilapidations</i>	<i>Chair's pension by analogy</i>	<i>Other</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Balance at 1 April 2010	1 314	1 434	52	2 800
Provided in year	250	59	71	380
Provisions not required written back	-	(181)	-	(181)
Utilised in year	(11)	(77)	(33)	(121)
Balance at 31 March 2011	1 553	1 235	90	2 878

(b) Analysis of expected timings of discounted flows

	<i>Dilapidations</i>	<i>Other</i>	<i>Total</i>
Not later than one year	1 487	-	1 487
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
Balance at 31 March 2012	1 487	-	1 487

(a) Dilapidations

HSE makes a provision for the cost of dilapidation works required to satisfy its legal requirement upon leaving a leased property. The provision is based on a professional estimate of the cost to return the premises to the condition agreed in the lease documentation.

(b) Provision for retired Chairs of Health and Safety Commission (HSC)

Provision has been made for retired Chairs' pensions in HSE's accounts as if they were members of the PCSPS. In 2008/09 the Health and Safety Commission and the Health and Safety Executive merged to form a single regulatory body, the Health and Safety Executive. The current Chair receives a contribution towards a private pension and is not included in this provision.

The provision reflects the valuation made by the Government Actuary's Department (GAD) at 31 March 2012. In 2010/11 the rate used for calculating values was changed from Retail Price Index (RPI) to Consumer Price Index (CPI) in line with government policy. The results of the actuarial assessment are shown below:

	31 March 2012		31 March 2011		31 March 2010	
	£'000	%	£'000	%	£'000	%
Financial assumptions						
The RPI inflation rate assumptions	-		-			2.75
The CPI inflation rate assumptions	2.00			2.65		-
The rate of increase in salaries	4.25			4.90		4.29
The rate of increase for pensions in payment and deferred pensions	2.00			2.65		2.75
The rate used to discount scheme liabilities	4.85			5.60		4.60
Amounts charged to operating costs						
The current service cost (net of employee contributions)	-		-		-	
Any past service costs	-		(128)		-	
Gains and losses on any settlements and curtailments	-		-		-	
The interest cost	67		59		67	
Actuarial gains and losses during year †						
Experience losses/(gains)	38		18		52	
Effect of changes in assumptions underlying the present value of the scheme's liabilities	21		(71)		252	
Total actuarial losses/(gains)	59		(53)		304	
Liability						
Actives	-		-		-	
Deferreds	-		-		-	
Pensioners and dependent pensioners	1 282		1 235		1 434	
Total present value of the scheme liabilities	1 282		1 235		1 434	

† Amounts are expressed as a percentage of the present value of the scheme liabilities as at the Statement of Financial Position date. The past service and interest cost elements were charged to HSE's operating costs.

Actuarial gains and losses since 1 April 2005 have been as follows:

	<i>(Gain)/loss</i> £'000
Year to 31 March 2006	504
Year to 31 March 2007	157
Year to 31 March 2008	97
Year to 31 March 2009	(147)
Year to 31 March 2010	304
Year to 31 March 2011	(53)
Year to 31 March 2012	59
Total actuarial loss	921

HSE complies with IAS 19 and used longevity assumptions based on appropriate life expectancies advised by GAD.

12 Capital commitments (other than PFI capital commitments which are disclosed separately)

	31 March 2012	<i>31 March 2011</i>	<i>31 March 2010</i>
	£'000	£'000	£'000
Contracted commitments at 31 March not otherwise included in these financial statements			
Property, plant and equipment	411	958	504
Intangible assets	7	4	39
Total capital commitments	418	962	543

13 Losses and special payments

	2011/12	2010/11	2011/12	2010/11
	No of cases	No of cases	£'000	£'000
Administration losses				
Cash losses	42	48	16	50
Claims waived or abandoned	127	211	316	198
Administrative losses	0	0	0	0
Fruitless payments	25	32	12	180
Stocks, stores and obsolete publications	6	7	21	390
Total administration losses	200	298	365	818
Special payments	14	2	47	0
Total losses and special payments	214	300	412	818

Special payments made by HSE to staff and members of the public totalled 14 cases in 2011/12 to the value of £47 005 (2010/11 – two cases totalling £122).

14 Commitments under non-PFI operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires:

	31 March 2012			31 March 2011		
	<i>Land</i>	<i>Buildings</i>	<i>Other</i>	<i>Land</i>	<i>Buildings</i>	<i>Other</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Leases expiring within						
Not later than 1 year	62	267	7	69	288	8
Later than 1 year and not later than 5 years	–	406	–	–	497	–
Later than 5 years	–	2 432	–	–	3 256	–
Total	62	3 105	7	69	4 041	8

	31 March 2010		
	<i>Land</i>	<i>Buildings</i>	<i>Other</i>
	£'000	£'000	£'000
Leases expiring within			
Not later than 1 year	87	1 231	–
Later than 1 year and not later than 5 years	–	592	1
Later than 5 years	–	3 815	–
Total	87	5 638	1

15 Commitments under non-PFI finance leases

HSE does not currently have any obligations under non-PFI finance leases.

16 Commitments under PFI contracts

HSE has entered into the following three contracts let under the Private Finance Initiative that have been assessed under IFRIC 4; IFRIC 12; IAS 16 and IAS 17 as being brought onto HSE's Statement of Financial Position under adoption of IFRS. The intention of the contracts is that the majority of the risks are transferred to the party best able to manage them and in these cases this is the private sector supplier.

Merseyside headquarters (Redgrave Court)

HSE has signed a 30-year contract with Kajima Development (Bootle Accommodation Partnerships) Ltd for the provision of fully serviced accommodation in Bootle, Merseyside. The contract runs from May 2005 to May 2035.

IT services

HSE has streamlined the management of its IT service by placing all of its IT services with a single strategic partner who has responsibility for delivery and end-to-end service. In June 2001, HSE signed a ten-year contract with a partner (LogicaCMG with Computacenter as the key subcontractor) for the provision of information and communications technology (ICT) and information strategy (IS) service across all HSE sites and to all HSE users. This contract has been extended for an additional year to October 2012 and HSE is in the process of procuring new services using a government framework contract.

HSL accommodation

With effect from 28 October 2004, HSL took occupation of serviced accommodation for laboratory and support functions provided under a 32 years and 29 weeks term 'design, build, finance and operate' contract with Investors in the Community (Buxton) Limited (ICB Ltd), 2 years and 29 weeks being the design and build period prior to occupation.

The transactions arising out of this contract have been accounted for in accordance with the FReM.

Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of On-Statement of Financial Position PFI transactions was £20.7 million (2010/11 – £21.6 million) and the payments to which HSE is committed during 2012/13, analysed by the period in which the commitment expires, are as follows:

	31 March 2012	<i>31 March 2011</i>	<i>31 March 2010</i>
	£'000	<i>£'000</i>	<i>£'000</i>
Not later than one year	10 704	–	–
Later than one year and not later than 5 years	–	12 360	14 326
Later than 5 years	9 264	8 547	7 533
Total committed	19 968	20 907	21 859

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

Total obligations for the following periods comprise:

	31 March 2012	<i>31 March 2011</i>	<i>31 March 2010</i>
	£'000	<i>£'000</i>	<i>£'000</i>
Gross liabilities			
Not later than one year	10 185	10 185	10 185
Later than one year and not later than 5 years	41 093	40 952	40 811
Later than 5 years	193 730	204 056	214 383
Total committed	245 008	255 193	265 379
Less interest element	(138 459)	(147 325)	(156 293)
Present value of obligations	106 549	107 868	109 086

	31 March 2012	<i>31 March 2011</i>	<i>31 March 2010</i>
	£'000	<i>£'000</i>	<i>£'000</i>
Present value of obligations			
Not later than one year	1 430	1 319	1 218
Later than one year and not later than 5 years	7 407	6 701	6 050
Later than 5 years	97 712	99 848	101 818
Total present value of obligations	106 549	107 868	109 086

17 Related party transactions

The Health and Safety Executive is an Executive Non-Departmental Public Body with Crown status and is sponsored by DWP. DWP is regarded as a related party. During the year, HSE had several transactions on an arm's length basis with DWP that mainly related to the provision of pension services, receipts from staff loans and premises costs. HSE did not have material transactions with other entities for which the DWP is regarded as the parent department.

In addition, HSE had a number of material transactions with the following other government departments and other central government bodies:

ACAS, Cabinet Office, Civil Nuclear Constabulary, Crown Prosecution Service, Department for Business, Innovation and Skills, Department for Education, Department for Energy and Climate Change, Department for Environment, Food and Rural Affairs, Department for Transport, Department of Agriculture and Rural Development NI, Health Protection Agency, Home Office, Ministry of Defence, National School of Government, Natural England, Nuclear Decommissioning Authority, Office for National Statistics, Office of Rail Regulation, Scottish Environmental Protection Agency, Scottish Government, Security Industry Authority, SW England Development Agency, Treasury Solicitors.

None of the Executive or non-Executive members, the Chief Executive or senior managers, or any person connected with these, had any interest in any material transactions with HSE or received benefits from HSE suppliers other than declared hospitality during the year.

18 Contingent liabilities

HSE have recently been made aware of a potential claim for breach of copyright by a company alleging use of their intellectual property which had not been agreed in advance. No formal claim has yet been received and at this stage there is a significant element of uncertainty concerning liability.

19 Financial instruments

As the cash requirements of HSE are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with HSE's expected purchase and usage requirements and HSE is therefore exposed to little credit, liquidity or market risk.

Interest rate risk

HSE has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates. The interest profile of HSE's financial assets and liabilities has therefore not been disclosed.

Foreign currency risk

HSE's exposure to foreign currency risk is not significant. The foreign exchange loss for 2011/12 was £4 373 (2010/11 – £37 414).

20 Segmental analysis

	2011/12				
	<i>Health and Safety Executive £'000</i>	<i>Health and Safety Laboratory £'000</i>	<i>Office for Nuclear Regulation £'000</i>	<i>Less intercompany transactions £'000</i>	<i>Total as per Statement of Comprehensive Net Expenditure £'000</i>
Admin expenditure	120 302	37 613	11 369	(40 926)	128 358
Programme expenditure	119 216	(230)	43 818	–	162 804
Total expenditure	239 518	37 383	55 187	(40 926)	291 162
Operating income	(20 874)	(37 155)	–	40 926	(17 103)
EU income	(672)	(228)	–	–	(900)
Programme income	(45 545)	–	(52 702)	–	(98 247)
Total income	(67 091)	(37 383)	(52 702)	40 926	(116 250)
Reportable segment net resources	172 427	–	2 485	–	174 912

Note: Net resources shown for ONR exclude notional costs. Actual non-recoverable expenditure for the year was £3 154 000.

	2010/11 (Restated)				
	<i>Health and Safety Executive £'000</i>	<i>Health and Safety Laboratory £'000</i>	<i>Office for Nuclear Regulation £'000</i>	<i>Less intercompany transactions £'000</i>	<i>Total as per Statement of Comprehensive Net Expenditure £'000</i>
Admin expenditure	138 611	37 855	10 398	(39 926)	146 938
Programme expenditure	130 774	(500)	49 539	–	179 813
Total expenditure	269 385	37 355	59 937	(39 926)	326 751
Operating income	(20 353)	(37 118)	–	39 926	(17 545)
EU income	(703)	(237)	(37)	–	(977)
Programme income	(45 824)	–	(59 496)	–	(105 320)
Total income	(66 880)	(37 355)	(59 533)	39 926	(123 842)
Reportable segment net resources	202 505	–	404	–	202 909

Note: Net resources shown for ONR exclude notional costs. Actual non-recoverable expenditure for the year was £1 060 000.

The Health and Safety Laboratory (HSL) and the Office for Nuclear Regulation (ONR) are both in-house agencies of HSE. HSL has its own Accounting Officer and Audit Committee and produces its own published annual report and accounts which is consolidated into the HSE annual report and accounts. ONR was created as an in-house agency of HSE on 1 April 2011. HSE's Chief Executive is Accounting Officer for both HSE and ONR. ONR does not produce a separate annual report and accounts and so is included as a division of HSE rather than consolidated. More information about these arrangements is provided in the Governance Statement.

Analysis of revenue by major customer

Revenue from HSE's two major customers (2010/11 – three), which individually represent over 10% of total revenue is:

	2011/12	2010/11
	£'000	£'000
Customer 1	19 635	21 916
Customer 2	13 723	12 123
Customer 3	–	11 533

The majority of transactions with these bodies were with the Office for Nuclear Regulation.

21 Restatements

Reported figures at 31 March 2011 have been restated as a result of the following:

- The Machinery of Government transfer of the Radioactive Materials Transport function from the Department of Transport to HSE on 24 October 2012.
- The reclassification of administration and programme income in line with HM Treasury's Clear Line of Sight (CLOS) project.

Restatement of Statement of Financial Position

	<i>Published accounts at 31 March 2011</i>	<i>RMTT transfer</i>	<i>Restated 31 March 2011</i>
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	96 394	–	96 394
Intangible assets	1 132	–	1 132
Trade and other receivables	174	–	174
Current assets			
Inventories	980	–	980
Trade and other receivables	46 793	22	46 815
Cash and cash equivalents	2	–	2
Current liabilities			
Trade and other payables	(34 046)	(106)	(34 152)
Provisions [†]	–	–	(578)
Non-current liabilities			
Provisions*	(1 643)	–	(1 065)
Other payables	(108 148)	–	(108 148)
Pension liabilities	(1 235)	–	(1 235)
Net assets/(liabilities)	403	(84)	319
Taxpayers' equity			
General Fund	(7 015)	(84)	(7 099)
Revaluation Reserve	7 418	–	7 418
Total taxpayers' equity	403	(84)	319

Note: No restatement to the Statement of Financial Position in respect of CLOS was necessary.

† On the 2011/12 Statement of Financial Position, provisions for the prior year are shown split between current and non-current liabilities.

Restatement of Statement of Comprehensive Net Expenditure at 31 March 2011

	<i>Published accounts 2010/11</i>	<i>CLOS restatements</i>	<i>RMTT transfer</i>	<i>Restated 2010/11</i>
	£'000	£'000	£'000	£'000
Administration costs				
Staff costs	191 823	(147 521)	–	44 302
Other administration costs	97 025	5 511	100	102 636
Gross administration costs	288 848	(142 010)	100	146 938
Operating income	(121 331)	103 524	–	(17 807)
Net administration costs	167 517	(38 486)	100	129 131
Programme costs				
Staff costs	–	147 521	1 590	149 111
Expenditure	35 986	(5 511)	227	30 702
Income	(2 454)	(103 524)	(57)	(106 035)
Net programme costs	33 532	38 486	1 760	73 778
Net operating cost	201 049	–	1 860	202 909
Other comprehensive expenditure				
Net (gain)/loss on revaluation of property, plant and equipment	(2 000)	–	–	(2 000)
Actuarial (gain)/loss on pension	(53)	–	–	(53)
Total comprehensive expenditure for the year ended 31 March 2012	198 996	–	1 860	200 856

22 Going concern

HSE's closing Statement of Financial Position shows a negative general reserve figure largely due to the impairment in the value of HSE's PFI assets and further impacted by the decrease in trade and other receivable balances held at the year end. The Board has considered this position and in the light of ongoing commitment from DWP is content that HSE should continue to prepare the annual accounts on a going concern basis.

23 Events after the reporting period

IAS 10 requires HSE to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

The authorised date for issue is 22 June 2012.



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