

Health and Safety Executive Board Paper			B/02/030
Meeting Date:	03 July 2002	Open Gov. Status:	Fully Open
Type of Paper:	Above the line	Paper File Ref:	
Exemptions:	None		

## HEALTH AND SAFETY EXECUTIVE

### The HSE Board

#### PERFORMANCE MANAGEMENT USING THE BALANCED SCORECARD

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 on 24 June 2002

#### Issue

1. Consideration of the details of a Balanced Scorecard.

#### Timing

2. Urgent

#### Recommendation

3. The Board
  - review and consider the draft balanced scorecard at Annex 1
  - consider and decide the four business perspectives that best describe their view of the business and show the linkages between perspectives:
  - consider and identify those Key Performance Indicators which will provide them with the essential intelligence to enable effective corporate decision making; and
  - agree that PEFD work with Directorates and Divisions to develop the detail of the indicators, to develop the mechanisms for assessing their delivery; and to set baselines and targets.

#### Background

4. The Board agreed on 1 May to adopt the Balanced Scorecard. PEFD was mandated to do further work to develop the scorecard. We have now met all Board members individually, this paper is the distillation of those meetings.

#### Argument

5. Board members are unanimous in agreeing **HSC/E's mission** is "to ensure that risks to people's health and safety from work activities are properly controlled". In short "reducing risks – protecting people". Board members do not believe there is a need to develop a HSE vision at this stage.

6. Board members agree **HSE's strategic priorities** in achieving the mission are:

- taking action in priority areas;
- ensuring an effective regulatory regime in the major hazards sectors;
- securing compliance with the law;
- meeting the mandate given us by statute and Government, and
- managing the business.

7. There is much support for the individual business objectives set out in annex 1 and some of the key performance indicators set out in outline Scorecard annexed to the previous paper. Issues raised by Board members include:

- Delivery of the PSA targets
- Over emphasis on compliance based indicators
- Need for indication of change in internal behaviours and attitudes,
- Prioritisation and re-allocation of resource
- Focus on resource control as opposed to resource management
- Inclusion of staff health and safety, communication, knowledge management,
- Clear linkages to business risk management and HSE's change programme
- Identification of more of our stakeholders
- New ways of working and networking, flexibility and adaptability
- Performance indicators should be few and fit for purpose and not precise and accurate.
- The tool should be applied in a way that it reduces bureaucratic burdens - any Information gathered must pass the "Is it important for Board decision making processes?" test.

8. All these issues have been taken into account developing the latest version of the scorecard except for the delivery of the PSA/RHS targets. The data to indicate delivery of the PSA targets is available at best only every Autumn, even then it is not a complete assessment of delivery of all targets. There is no readily available data which would give any meaningful direct indication of the delivery of the PSA/RHS targets on a more frequent basis, nor on a basis which allows assessment of delivery of the priority programme targets. However we will use all available information such as the ICC periodic RIDDOR report data as part of the overall indicators to assess delivery of the core business process, this data is limited to reported accidents alone. We will work to develop indicators which, with a reasonable leap of faith, will give indications of progress towards the targets.

9. The importance of the PSA/RHS targets means we must apply significant effort to identifying indicators to demonstrate progress. However, they do not represent all

we do, neither our work to secure compliance nor our work on public safety in both major hazard industries and from workplace activities in the widest sense. Some of the valuable work on delivering the Securing Health Together strategy is not represented by the PSA/RHS targets. Reporting simply on delivery of the PSA/RHS targets as a measure of our core business would be incomplete and misleading. We must also apply effort to developing indicators for our progress in reducing risks and protecting people in these other areas.

### **Business Perspectives?**

10. Board members have no strong preference for a particular arrangement of perspectives. However there is strong agreement on the primary business objectives we use to focus business performance within the perspectives.
  
11. We need to modify the usual Kaplan and Norton business perspectives to match the role of a Non-Departmental Public Body with enforcement duties. The recommended option (see below) outlined below links with our mission but does not have a compliance/ enforcement bias to the delivery of the business. It is also more in tune with the aims and objectives of the change programme.
  - the **core business perspective** - securing an improvement in the control of risks to people's health and safety
  - the **continuous improvement perspective** – how we develop as an organisation and how we develop the business of the organisation
  - the **resource perspective** - managing the resources of the business, the finances, staff and fixed assets such as premises and IT
  - the **external relationships perspective** - to secure, maintain and develop our credibility in the eyes of stakeholders, to develop trust in us as regulators etc.

More information on business perspectives and alternative other options are set out in annex 2 to assist the Board in debating and deciding that arrangement of perspectives which best serves their corporate needs.

### **Business Objectives & Performance Indicators?**

12. Board members are consistent in their assessment of the appropriate primary business objectives, these are set out in the scorecard at annex 1.
  
13. Again there is a reasonable level of consistency for the types of performance indicators. There is agreement that there should be a small number of key indicators based more on assessment rather than precise measurement. It is reasonable to have a small but supportable leap of faith from what we are doing/achieving to stopping people being hurt or made ill from work activities.

14. The indicators should be a mix of leading indicators – what we are doing - and lagging indicators – what effect it is having.
15. The indicators in annex 1 are a distillation of the Board members thoughts and are a shopping list for the Board to debate and define those indicators which would give them the best value in terms of their corporate decision making process.
16. Based on the Board's decisions PEFD will work with Divisions and Directorates to develop the detail of the indicators, the mechanisms for assessing their delivery and the setting of baselines and targets.

### **Consultation**

17. All Board members in the one on one meetings.

### **Presentation**

18. N/A at this stage

### **Costs and Benefits**

19. We expect the balanced scorecard to be the base document for reporting to the parent Department., it will also demonstrate our progress in following Cabinet Office and Treasury guidelines on better business planning

### **Financial/Resource Implications for HSE**

20. PEFD will find resources for the central management of the process from within existing budgets - the balanced scorecard is, to a significant degree, a case of working smarter rather than an additional piece of work. We do not intend to drop all existing output performance measures and replace them all with new indicators. D/Ds already collect significant amounts of management information, we will work with D/Ds to develop new performance measures as far as we can from existing OPMs. However some change will be inevitable as we move to outcome based performance measures. We will stop collecting existing but unnecessary management information. In the longer term we will work with the REFIT partner to develop management information IT systems to assist the process.

### **Environmental Implications**

21. N/A

### **Other Implications**

22. N/A

**Action**

23. If the Board agrees the approach in this paper PEFD will work with Directorates and Divisions to

- develop the detail of the indicators,
- develop the mechanisms for assessing their delivery, and
- set baselines and targets.