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HEALTH AND SAFETY EXECUTIVE

The HSE Finance Board

HSE Balanced Scorecard for 2nd Quarter 2004/05

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Issue

1. Assessment of HSE's performance for the 2nd quarter 2004/05 using the Balanced Scorecard.

Timing

2. Routine.

Recommendation

3. That the Board:

- Considers the 'Balanced Overview of the Four Business Perspectives' at annexe 1;
- Confirms that Red status be assigned to Delivering Health and Safety in HSE and Amber status be assigned to Delivering Worker Health and Safety Targets, Retaining and Motivating, Leadership, Profile and Image, Trust and Reputation and Stakeholder Engagement;
- Notes that the Health and Safety Statistics for 2003/04, due for publishing on 18th November have not been used to assess the status of "Delivering Worker Health and Safety Targets" and that the Board agree that they should be used to assess progress in the 3rd quarter;
- Notes the ongoing development of the Leadership indicator;
- Discusses how sequential "Ambers" should be managed;
- Considers/notes other issues identified in the paper;
- Considers and accepts proposals for changed indicators described at Annex 3.

Background

4. The Balanced Scorecard (Annexe 2) is a method of measuring and managing performance across HSE. Supporting material is included for each of the indicators, including a narrative where required.

Overall Picture and Related Business Risks

5. HSE's overall performance in the 2nd quarter 2004/05 is mixed, with 7 Green and 5 Amber and 2 Red status assigned. There has been an improvement in performance in Delivering the Major Hazards PSA, and Allocating Resources to Priorities. Good

performances continue in Delivering Planned Work, Living Within the Budget, Recruitment, Applying Business Improvements and Applying Science and Technology, all maintaining a Green status. Amber status has been assigned to Delivering Worker Health and Safety Targets, Retaining and Motivating, Leadership, Image and Profile, Trust and Reputation, and Stakeholder Engagement. Delivering Health and Safety in HSE has been assigned a Red status.

Key Issues

6. The Amber for Delivering Worker Health and Safety Targets has been assigned on the basis of two Green and two Amber statuses for the four Strategic Programmes (SPs) used to measure progress. Of these, three SPs have improved their individual status compared with Q1, with the exception of the Health and Safety Hazards SP which remains Amber – although the outlook is positive.
7. It will not be possible to make a more definitive assessment of progress against these targets until the publication of the Health and Safety statistics for 2003/04, due to be released on the 18th November. They have therefore not been reflected in this paper. This more definitive assessment will be reported next quarter. The Amber may expose HSE to an increased business risk from *failure to achieve key operational outputs and outcomes* and may increase HSE's risk from *poor public image* and *poor relationships with key stakeholders*.
8. The Green for Delivering the Major Hazards PSA has been assigned based on improved progress in the Nuclear and Onshore components and continued progress in the Offshore component (all three are now Green). The rail component has moved to a Red status following modifications to the railway safety model (see Annex 1): on current performance the trend is above target and not converging, but there is an overall positive downward trend especially in key aspects such as Signals Passed at Danger (SPADs).
9. The indicator owner has assigned the Red for Delivering Health and Safety in HSE. This was due to one of three health and safety sub-indicators moving to a Red status (number of incidents reported under RIDDOR) and the other two sub-indicators remaining Amber.
10. The fourth sub-indicator (sickness absence) has also moved to an Amber status. This may expose HSE to an increased business risk from *shortage of competent staff*, which could impact on performance, particularly *failure to achieve key operational outputs and outcomes*. This could also result in an increase to HSE's risk from *poor public image*. An action plan has been discussed and will be finalised at the Corporate Health and Safety Committee meeting tabled for 11th November.
11. The Green for Allocating Resources to Priorities has been assigned due to an improved performance in the percentage of inspector time committed to SPs (OPM B). All Operational Directorates (ODs) have returned to a Green status this quarter. The new indicator reporting proportion of total resource spent on front-line activity (OPM B2) has been reported one quarter earlier than expected, with all participating ODs also returning a Green status.
12. The Amber for Retaining and Motivating has been assigned due to the current overall staff turnover rate in the 9 principal staff disciplines reporting an outturn of 4% at the

mid year point. An overall staff turnover rate of below 5% may indicate some degree of workforce stagnation within HSE. The implications of the related business risks have not yet been considered in full, but will take place at the 22 December Board workshop on HSE's proposed 'Workforce Strategy'.

13. The indicator owner has applied an Amber status to Leadership in this quarter. Leadership in HSE has continued to develop but is still looking for further improvements. The SCS conference facilitated practical improvements for HSE's senior management team regarding the movement of resource to areas the new strategy should support, how to work more effectively at a regional level and how teams combine to support and deliver our PSA target. The second stage of the strategy road shows begins on 15th November in Rose Court, engaging with staff on how the strategy is being applied in practice, listening to views on its application and practical lessons to be learned.

Costs and Benefits/Financial/Resource Implications for HSE

14. Some redirection of resources may be necessary to address areas highlighted in this paper as requiring remedial action.

Development of the Balanced Scorecard.

15. Communications Directorate has proposed a suite of new indicators for the "reputation" business perspective of HSE's Balanced Scorecard based on existing indicators and new areas. These include merging the Image and Profile and Trust and Reputation indicators, (which have been historically difficult to separate) and continuing to report on Stakeholder Engagement. A new indicator reporting on HSE's performance on Internal Communication is also proposed.
16. Much work has gone into the development of these indicators and salient measures have been identified for each. Details of the new "Reputation" indicators can be found at Annex 3. A meeting is planned between Strategic Planning Unit and Communications Directorate in December in order to firm up the sensitivities or tolerances for the status of each indicator and develop a set of rules for the combination of the sub-indicators.
17. Work involving Personnel Department (PD) and the Communication Directorate will soon be underway to develop as a matter of urgency the long awaited bi-annual staff 'temperature taking' survey. It is hoped that this will commence from February 2005 and will include questions relating to how staff perceive the leadership of HSE's senior management (among others). In the interim continued use of narrative is envisaged, reporting on topical issues and applying a subjective status to the Leadership indicator.
18. Further work is ongoing to develop more suitable indicators for reporting sickness absence data and on how they will impact on the headline Delivering Health and Safety in HSE indicator.
19. Further work is planned with the PD to examine the suitability of the Recruitment and Retaining and Motivating indicators, in light of the developing 'Workforce Strategy' and current tight financial situation.

20. At the last Finance Board meeting, the Board agreed to discuss a system for managing sequential “Amber” status i.e. is it acceptable for an indicator to report Amber over a number of quarters. The Board should note that the DWP system (for reports on delivery of PSAs to the Departmental Board) does not allow two sequential “Ambers”: an Amber marker for the last report requires either a Green or Red rating for the next report - hence the discrepancy between the Amber assigned for “Delivering Worker Health and Safety” in this report and the “Red” in HSE’s report to the Departmental Board this quarter.

21. Suggested options are as follows (the Board may prefer others):

- Maintain the status quo
- Adopt the DWP system
- Allow no more than **two** ambers in a row, following which the status must move to a red or a green
- If the status is judged amber, an indication must be given whether it is moving towards a green or towards a red.

Action.

17. The Board is asked to
- Note the overall picture and the business risks identified (paragraphs 5&6), and discuss what actions, if any, may need to be taken;
 - Note that indicators are still required for Leadership;
 - Decide the future system for managing sequential Ambers;
 - Accepts proposals for changes to the Balanced Scorecard “Reputation” indicators (see annex 3).