

Annex 3. Proposed Changes to Indicators.

Applying Business Improvements

Business Efficiency Unit proposes the following:

Last quarter a new set of indicators to reflect the Board steer that the indicator should align with the Efficiency, Economy and Productivity Programme.

It was however realised that it was unlikely that the target of £50m efficiencies over three years of the Spending Review period will be realised in three equal annual savings of £16.66m. This is due to some projects not realising benefits until nearer to the end of the period.

Revised proposals are as follows:

2005-06	= £10m
2006-07	= £15m
<u>2007-08</u>	<u>= £25m</u>
Total	= £50m

It is also noted that the efficiency savings above are unlikely to be met in equal savings of 25% per quarter. Historically these are back-loaded into the 4th quarter of the year.

Is the Board content with the proposals for the profile of delivering the Efficiency, Economy and productivity targets?

Personnel Indicators.

Further work is planned with Personnel Division to develop new, and more meaningful indicators than those previously found in the Balanced Scorecard.

Financial Management and Monitoring.

Work has been undertaken with PEFD Finance Unit to work up proposals for new indicators for Financial Management and Monitoring.

Proposals will be finalised and put to the RDG who monitor financial management on a monthly basis and take coordinated decisions to ensure HSE remains in a sound financial position.

It was noted that any target for overspend/underspend (variance) against profile would need to take account of the factors that contribute to the explanation of the variance.

It was proposed therefore that no rigid target for percentage variance was set as its interpretation may not always be helpful when judging performance in the Financial Management and Monitoring indicator.

Factors that may affect the variance include the following:

1. Time of year. (e.g. month 9 forecast is critical and must be within 1%)
2. Actual reason for variance. (e.g. awaiting a late invoice)
3. Materiality (e.g. individual budget variances may appear to be immaterial, or fall below a threshold, but with variances combined could create a corporate risk.)

It is proposed that a subjective judgement as to the status of the indicator is made overall that takes account of all the salient factors in the period. A comprehensive narrative would be provided to accompany the status.

The RDG is to be asked about the level of detail it thinks is needed for the purposes of the Balanced Scorecard. This is likely to include a pan-HSE view when the indicator is green and might include 'group' detail (i.e. ops group and policy group) or even Directorate level when an unfavourable status is subjectively assigned.

Is the Board content with this approach?

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