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HEALTH AND SAFETY COMMISSION

HSC/E Fundamental Review 2006

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Issue

1. The Fundamental Review (FR2006); an internal review of HSE's business, aligning with Treasury's Comprehensive Spending Review (CSR).

Timing

2. Urgent. In order to keep in step with Treasury's timescales, the FR2006 project must be up and running early in the new year.

Recommendation

3. The Commission:
 - Endorses the need to conduct a review of HSE's business;
 - Notes the proposed arrangements for the Fundamental Review, as set out in the project plan in Annex A; and
 - Agrees how often it wishes to receive progress reports during the life of the project.

Background

4. In July, Treasury announced the postponement until 2007 of the next Spending Review, to make way for a new Comprehensive Spending Review (CSR). The CSR process includes:
 - A Treasury led review of the long-term trends in public spending (since CSR98);
 - A Treasury led assessment of the long-term challenges facing Britain's public services;
 - A zero-based review of all departmental spending (reporting to the Prime Minister and Chancellor by mid-2006); and
 - A new efficiency review.

This will be the starting point for SR2007, which will set funding levels for the three years from 2008/09 to 2010/11, and for successive Spending Reviews over the next decade.

5. Treasury initially promised guidance on the conduct of CSR for September, but the latest advice we have received suggests that this may not now be published until January next year.

6. DWP has been pushing ahead with its own preparations for CSR. These started in October, with an extended mid-year review process to assess whether plans for the SR2004 period are still on track. HSE contributed to the review and, as a result, has been involved in discussions with DWP senior managers over threatened reductions to our budget. DWP is now embarking on its own internal zero-based review, but has advised us that this process will not look specifically at HSE's business.

Argument

7. The events outlined above should be viewed in the following context:
 - Regulators are likely to face increasing central pressure to cut back on their budgets;
 - Our sponsor department is particularly hard pressed, so senior DWP officials are keen to explore every avenue that might achieve significant savings;
 - We face significant future pressures as we look to do more on health and advice (e.g. Workplace Health Connect);
 - There may be opportunities, in working with the Department of Health and DWP on the Health, Work and Wellbeing agenda, to secure additional funding for preventative activity.
8. The Resource and Delivery Group (RDG) discussed this situation at its November meeting, and agreed that the postponement of the Spending Review process presents HSE with an opportunity to conduct its own zero-based review. This exercise (to be called the Fundamental Review) will address how HSE uses its resources and conducts its business, and will help:
 - Position HSE to implement the HSC Strategy and deliver the Public Service Agreement (PSA) targets;
 - Inform HSC/E's approach to the CSR and Spending Review 2007 (SR2007);
 - Secure support and commitment from DWP, Treasury and other key parts of government.
9. We have produced a project plan, outlining the process, personnel and structures needed to progress the Fundamental Review (FR2006) (see Annex A).
10. The key features of FR2006 will be:
 - **Two phases:** The first (running from January to February '06) will take a high-level look at HSE's business as a whole. The second (running from March to May '06) will concentrate on key areas identified during the first phase.
 - **Themes:** FR2006 will focus on a number of key themes, of strategic or political importance. The project plan includes some themes suggested by RDG, but these have yet to be agreed.
 - **FROG:** We are setting up a senior group (in effect, the project board) to lead FR2006 and review its outputs. The Fundamental Review Oversight Group will comprise the RDG members plus Judith Hackitt and Elizabeth Snape (the Commissioners that HSC nominated as part of its discussion on strategic resource planning in October). For the first FROG meeting in December, we will also invite Bill Callaghan and Philip Hunt to join the group.
 - **The Fundamental Review Leader:** We are planning to recruit an outsider; a senior civil servant from another government department to help carry out the review, with support from Strategic Planning Unit, Strategy Directorate and the Economic Advisers Unit.

Consultation

11. We have consulted RDG members, the Economic Advisers Unit, Judith Hackitt and Elizabeth Snape in preparing the project plan.

Presentation

12. In terms of presenting FR2006, there are three key audiences:
 - **HSE staff and trade unions:** Explaining the reasons behind FR2006, how the process will work, what our objectives are and addressing potential concerns.
 - **DWP, Treasury, etc:** Using FR2006 to secure support and commitment. Reinforcing the message that we are serious about delivery.
 - **External audiences (such as the press or safety campaigners):** Avoiding FR2006 being used as an opportunity by those who are already critical of HSE's enforcement record
13. Our approach to both audiences will require careful handling. We will work closely with Communications Directorate to plan how we communicate FR2006.

Costs and Benefits

14. The Fundamental Review will require commitment from senior managers and from staff carrying out the review. The benefits, described at para 7 above, include the prospect of an organisation better designed to deliver our targets, and an improved reputation with key stakeholders.

Financial/Resource Implications for HSE

15. CSR will set the starting point for SR2007, which (in turn) will determine HSC/E's financial allocation for 2008/09 to 2010/11.
16. We estimate that the full cost of staff working directly on the FR2006 project (over a six-month period) and potential research to be commissioned externally will be between £230k and £280k.

Environmental Implications

17. n/a

Other Implications

18. The risk implications of not carrying out the Fundamental Review are very serious. Cuts to HSC/E's budget would be determined on an arbitrary basis by "outsiders".

Action

19. We will push ahead with organising the inaugural FROG meeting in December, to finalise the project plan and launch FR2006.

HSC/E Fundamental Review 2006 (FR2006) Project Plan

A. Project definition

Aim:

Conduct a two-phase, fundamental review of the major areas of HSC/E's business.

Strategy:

The latest advice from the Department for Work and Pensions (our sponsor) is that:

- HSC/E will not be considered as part of the DWP zero-based review; and
- Treasury has no firm timescales for releasing its guidance on the conduct of the Comprehensive Spending Review (CSR).

However, the Resource and Delivery Group (RDG) feels that it would be imprudent for HSE not to take the opportunity presented by the postponement of the Spending Review (SR) process to conduct its own review. This exercise will reconsider HSE's approach to its work; addressing how we use our resources and conduct our business. The planned outcomes of such a review are set out below.

Outcomes:

- Positioning HSE to implement the HSC Strategy and deliver the workplace health and safety Public Service Agreement (PSA);
- Informing HSC/E's approach to the CSR and Spending Review 2007 (SR2007);
- Securing support and commitment from DWP, Treasury and other key parts of government (reinforcing the message that HSC/E is serious about delivery);
- A clearly established and accepted business case for HSC/E, which fully recognises the benefits of an effective HSE versus costs

Outputs:

The project will deliver the following products for RDG and the HSE Board:

- Focussed studies on the economic case for health and safety (concentrating on links with other government departments, but avoiding the 'traditional' approach to the economic case);
- An interim report at the conclusion of Phase 1 of the review;
- A final report (including recommendations) at the conclusion of FR2006.

Method:

The Fundamental Review will consist of two phases:

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- Phase 1:** A high-level review, examining: Jan 06¹ - Feb 06
- Where we deploy resource;
 - What we do with it; and
 - Which areas of the business deserve greater scrutiny in Phase 2.
- Phase 2:** A more detailed review of those areas identified by Phase 1, looking at: Mar 06 - May 06
- The amount of the resource we invest; and
 - Whether we use that resource in the best way.

An external senior civil servant (the Fundamental Review Leader) will carry out FR2006, with support from Strategic Planning Unit (SPU), Strategy Directorate (SD) and the Economic Advisers Unit (EAU). The Fundamental Review Oversight Group (FROG) will act as the project board; steering the project and reviewing its outputs.

FR2006 will focus on a number of themes, which FROG will decide upon at its first meeting in December. However, RDG has suggested the following:

- Delivering the conventional health and safety PSA targets and maintaining public confidence in our incident investigation work
- Health, Work and Well-being agenda
- Major hazards (e.g. nuclear industry)
- Corporate support
- The boundaries of our business (e.g. the public safety debate)
- Funding options, including incentives
- Research (e.g. how we use specialists and links with the Health and Safety Laboratory)

Timetable:

Please see the high-level timetable below:

Phase 1	15th December '05	First FROG meeting
	Early January '06	FR Leader in post
	January '06	Second FROG meeting
		FR Leader meets with SR Working Group
Late February/ Early March '06	Third FROG meeting: FR Leader reports on findings of Phase 1 review.	
Phase 2	Early April	Fourth FROG meeting
	Late May/ Early June '06	Fifth FROG meeting: FR Leader makes final report and recommendations

¹ Dependent upon date that FR Leader takes up post

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Constraints:

- Time - We need to get the project up and running quickly (including finding the FR Leader) so that the review can deliver in time to respond to CSR and inform preparations for SR2007
- Resistance to the process from within HSE

Links:

- Corporate planning process (preparation of the HSC Operating Plan 2006/07)
- DWP's CSR preparations (including their mid-year review)

B. Project organisation structure

Senior Responsible Owner (SRO)	Director of Resources and Planning
Fundamental Review Oversight Group (FROG)	<p>FROG will comprise:</p> <ul style="list-style-type: none"> • The members of HSE's Resource and Delivery Group: <ul style="list-style-type: none"> - Geoffrey Podger (Chief Executive) - Justin McCracken (Deputy Chief Executive - Operations) - Jonathan Rees (Deputy Chief Executive - Policy) - Vivienne Dews (Director of Resources and Planning) - Paul Davies (Chief Scientist) • Two members of the Health and Safety Commission (whose responsibility it will be to keep the rest of HSC involved and informed): <ul style="list-style-type: none"> - Judith Hackitt - Elizabeth Snape <p>For the first meeting, Bill Callaghan (HSC Chair) and Lord Hunt (Parliamentary Under Secretary responsible for HSC/E) may also attend.</p> <p>Draft terms of reference for FROG can be found in Annex 1</p>
Fundamental Review Leader	External senior civil servant, who does the thinking and drives FR2006, and is personally responsible for delivering the FR2006 reports to FROG.
Spending Review Working Group	Representatives of the main areas of HSE's business. HSE established this group to advise on the SR2006 project. For the Fundamental Review, this group will act as first point of contact and a source of expertise for the FR Leader in working with different areas of HSE.
Support team	Members of Strategic Planning Unit, Strategy Directorate and the Economic Advisers' Unit, who support the FR Leader in managing the project and working with the rest of HSE.

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See Annex 2 for an organogram of the project's management structure.

C. Communication

There are several key communication issues around this project:

- 'Publicising' FR2006 to HSE staff and the trade union side (i.e. the reasons for it, the project's objectives, the process and addressing potential concerns)
- Setting up effective communication channels for the FR Leader (and support team);
- Communicating our voluntary initiative to undertake such a proactive study within Government
- Preparation of reactive response material in the event of external media/stakeholder interest in the project

SPU will work with Communications Directorate, as a priority, to develop a project communication plan.

D. Risks

The support team will maintain a risk log and the SRO will review it at regular intervals.

The key risks to the project will be:

Description	L	I	Action
1. Failure (or delay) in finding a suitable candidate for the FR Leader role	M	H	SRO approaching Cabinet Office to find a suitable person
2. Resistance to FR2006 from HSE staff	M	M	SPU developing plans with Communications Directorate to 'sell' FR2006 to HSE staff.
3. FR2006 does not deliver material required by Treasury for CSR.	L	M	We will review this plan in the light of HMT's CSR guidance as soon as possible

See the project risk register at Annex 3.

E. Project quality and control

The outputs from this project will be subject to:

- Scrutiny and review by contributors; and
- Review by the SRO and FROG

F. Business case

This project is **important** in:

- Making sure that HSE is based on the best possible business model to implement the HSC Strategy and delivering the PSA;

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- Assuring DWP and Treasury (the sources of our funding) that we are focused on delivery.

Costs

The project is scheduled to last for 6 months. We estimate that the full cost of staff working directly on the project and potential research to be commissioned externally will be between **£230k** and **£280k** (depending upon the person that fills the FR Leader post). There will, of course, be additional staff costs for the support and contributions provided by other parts of HSE.

Terms of reference for the Fundamental Review Oversight Group (FROG)

1. The members of FROG are:

Geoffrey Podger (Chair)	Chief Executive
Paul Davies	Chief Scientist
Vivienne Dews	Director of Resources and Planning (project SRO)
Judith Hackitt	Health and Safety Commissioner
Justin McCracken	Deputy Chief Executive - Operations
Jonathan Rees	Deputy Chief Executive - Policy
Elizabeth Snape	Health and Safety Commissioner

2. Terms of Reference:

FROG's central aim is to ensure that FR2006 is a comprehensive and strategically directed review of the business, which will help HSC/E position itself to meet the challenges of the future.

FROG will:

- Agree the plan for FR2006, including setting the requirements and tolerances for the project;
- Steer FR2006 by taking key project decisions, and advising and informing the project's work;
- Identify emerging risks and pressure points;
- Keep colleagues on the HSE Board and Health and Safety Commission informed and involved in the project;
- Monitor delivery of FR2006 against the project plan, which will include a timetable identifying key project milestones.
- Review the quality of the project's outputs.

3. Meetings

FROG's life will be limited to the period of the FR2006 project (we anticipate December '05 – May '06). We have proposed rough dates below:

	Date	Purpose
1	15 th December 2005	Agree the project plan and launch FR2006
2	Mid January 2006	Introduction of the FR Leader and progress report
3	February/March 2006	Phase 1 report. FROG steer for Phase 2.
4	Early April 2006	Progress report
5	May/June 2006	Final report and recommendations.

4. Communication

SPU will manage delivery of a communication plan to support delivery of the project. This will include:

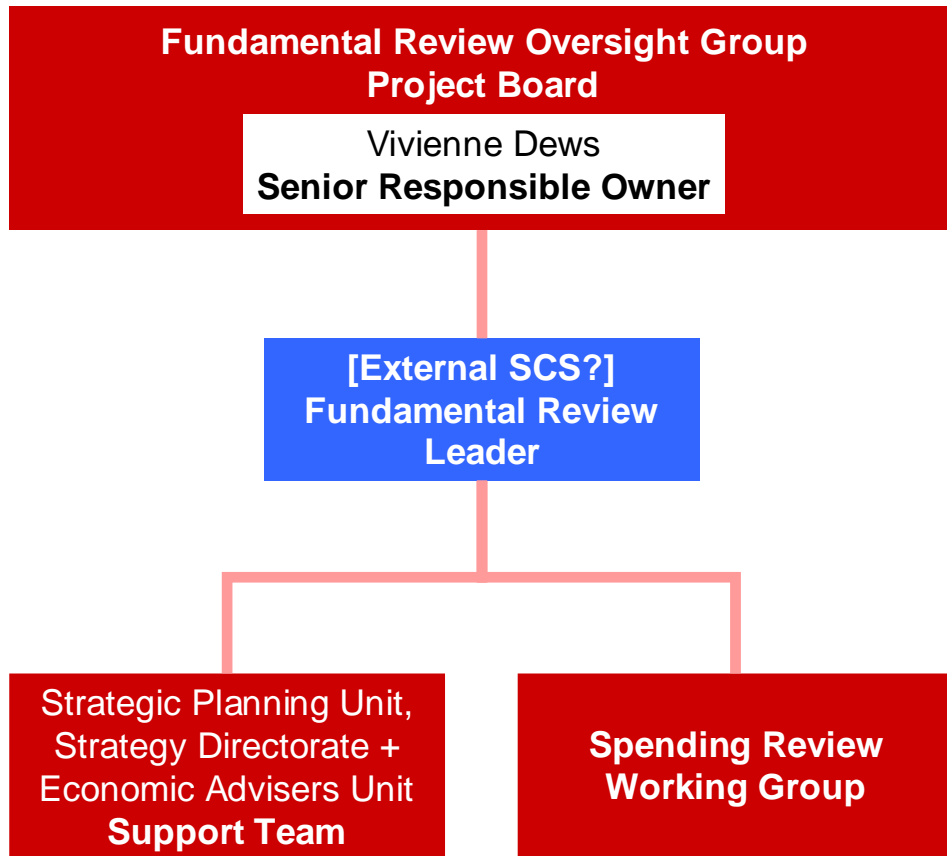
- Communicating with HSE staff on FR2006; and
- Keeping FROG members and informed of any developments relating to FR2006 (and the wider public spending agenda – CSR, DWP mid-year review, etc.).

5. Secretariat

SPU will fulfil the secretariat function, by:

- Arranging FROG meetings;
- Distributing documents and any other relevant material
- Drafting and issuing a note following each meeting.

Project organisation/governance structure



Risk log

Risk Owner	Risk	Rating		Control measures proposed	Residual	
		L'Hood	Impact		L'Hood	Impact
	1. Failure (or delay) in finding a suitable candidate for the FR Leader role	H	H	SRO approaching Cabinet Office to find a suitable person	M	H
	2. Resistance to FR2006 from HSE staff	M	M	SPU developing plans with Communications Directorate to 'sell' FR2006 to HSE staff.	L	M
	3. FR2006 does not deliver material required by Treasury for CSR.	L	M	We will review this plan in the light of HMT's CSR guidance as soon as possible	L	M
	4. Key project personnel move on.	M	M	Project management structures in place to minimise disruption	M	M
	5. External media/stakeholder interest/prejudging of project	M	M	SPU developing plans with Communications Directorate to 'sell' FR2006 to HSE staff.	L	M
				-		
				-		

Impact	H			
	M			
	L			
		L	M	H
		Likelihood		