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**HEALTH AND SAFETY EXECUTIVE****The HSE Board****Business Performance Management using the Balanced Scorecard****A Paper by Tony Mulhall****Adviser(s): Bob Ledsome and Robert Vaughan****Cleared by Richard Hillier on 26 March 2002****Issue**

1 Implementation of an integrated business performance management system.

**Timing**

2 Immediate, the existing business performance management reports cover a quite limited area of HSE's business activity.

**Recommendation**

3 The Board agree:

the principle of using the Balanced Scorecard approach for managing business performance;

A balanced scorecard for health and safety in GB could form the basis of the State of the Nation report<sup>1</sup>;

PEFD work with divisions and directorates to develop appropriate outcome based performance indicators.

**Background**

4 Traditional performance management information to the Board has been limited to resource consumption and forecast outturns, staffing information and limited output performance measures on a monthly basis. More information on output performance has been included at the first quarter, mid year, third quarter and end of year reports.

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<sup>1</sup> (see Board paper on Strategic Planning and Reporting Documents - Health and Safety in the UK circulated on 27/11/01)

Even so wide areas of business activity have not been covered, although in fulfilling the commitment to report against the Management Plan we would cover some but not all of those areas.

## **Argument**

5 Securing better business planning and management is a management priority for HSE. The present business performance management approach is not sufficiently comprehensive to assure the Board and Commission fully that we are doing the right things well enough to run a successful business nor that we are doing the necessary development and preparation to ensure the business will continue to be successful in the years to come. Nor at present do we use business performance management information in the planning of HSE's future activities.

6 The power of the scorecard is that it does not only focus on the end results but also the process needed to deliver the results. It covers four perspectives of business success:

- Customer Perspective - To be successful, how should we appear to our customers and key stakeholders?
- Internal business process perspective - To be successful, which business processes should we be good at?
- Continuous improvement perspective - To be successful, how will we sustain our ability to learn and to improve?
- Financial Perspective - To be successful, how should we appear to those who provide our financial resources?

However the scorecard can and should be adapted to fit the needs of the user organisation.

## **What is a balanced scorecard ?**

7 The balanced scorecard is one of a number of tools used as part of overall strategic planning and management. Essentially it is a performance management approach that helps to connect strategy development with implementation in order to meet stakeholders' expectations and allows organisations to link long-term objectives with short-term actions. Balanced scorecards should give senior managers a rapid, but comprehensive perspective of their organisation's performance against strategic objectives and should allow them to track progress in key areas. This has been likened to a 'dashboard approach' with a balanced set of measures being analogous to an 'instrument panel'.

8 The approach starts from the our goals and priorities – what we are trying to achieve in the long-term. From there it moves to ensure that the key strategic actions required to achieve these goals have been identified and planned for. Finally, it ensures that we develop a comprehensive view of performance in the context of these plans by establishing measures across four interrelated perspectives: that of the customer/stakeholder, that of internal business performance, that of organisational development and that of resource management.

## **Why should we bother?**

**9** Introducing a balanced scorecards approach can:

- Help to develop appropriate performance measures and align them with our strategy at all levels of an organisation. ( No more bean counting for the sake of it)
- Provide the Board with a comprehensive view of our performance.
- Facilitate communication and understanding of strategies and objectives throughout HSE.
- Assist with allocating resources to deliver against particular objectives and targets.
- Highlighting interdependencies of key drivers and measures of success..
- Help to drive improvements in management information systems and procedures. (e.g. Refit activities)
- Provides a focus for management processes such as departmental and individual goal setting, business planning, resource allocations, improvement initiatives, monitoring, reviewing and organisational learning.

**How would HSE adopt the approach**

10 The theory requires us to first set our goals, we have already defined HSC/E's goal as "making work a better place to be". The next step is to identify our priorities to achieve the targets, again they are already set out in the Strategic Plan 2001/04. Similarly the third step stating HSC/E's "key strategic actions", the contributions to achieving the targets, are also set out in the Strategic and Management Plans; they 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
- ensuring that as an organisation it has the leadership and resources it needs.

In effect this summarises the work we have already completed to adopt the approach.

11 Applying the theory of the balanced scorecard approach to HSC/E's strategy development and implementation would address these four perspectives:

- what are the outcomes needed to be achieved;
- what do our stakeholders want from us;

- how are we managing the process to deliver the outcomes and meet our stakeholders expectations; and
- how are we developing and learning to improve processes and hence results.

12 In practice we propose developing the balanced scorecard establishing performance measures and indicators under the following perspectives:

- the performance perspective - how well we deliver the core business, this would cover the outcome targets;
- the organisational learning perspective - how well we develop the business and business processes, this would cover our internal management processes (e.g. time to fill vacancies)
- the resource perspective - how well we run the finances of the business
- the stakeholder perspective - how well we engage our customers and stakeholders

13 Under each perspective we would have business objectives, based on the Strategic, Management and Business plans, outcome based performance indicators, targets and baselines and the specific initiatives/activities to deliver the objectives. We see it as being crucial that we keep the numbers of indicators, targets etc., manageable to ensure we do not suffer “paralysis through analysis”. Where possible we should identify existing performance measures we can drop. An outline of a scorecard for HSC/E is at Annex 1; the scorecard content, in particular the detail of the performance indicators, is illustrative. If the Board agrees to the proposal we will work with D/Ds to refine the scorecard and to fill in the gaps. The scorecard would replace the existing output performance analysis.

14 It will also be possible to develop the concept in terms of health and safety performance in GB. We could apply the tool to the “State of the Nation” report.

15 We recognise the work to develop performance indicators will require the contribution and agreement of D/Ds. Also before we apply the scorecard we will also need to develop and implement the measures to assess delivery of the indicators. On that basis we expect to apply the scorecard to the 2003/4 Business Plan.

### **What would we do with the scorecard?**

16 We would produce periodic reports to the Board giving the required comprehensive view of our performance under the four perspectives. We expect the Board to be able to use this information to monitor progress, take decisions and maybe reallocate resource in year and to develop plans for the next year.

### **Consultation**

17 Performance, Delivery and Strategy Team, Home Office, D/Ds including FOD, SASD, HID, NSD and PD.

### **Presentation**

18 We will need to advise the Commission of the application of the approach.

## **Costs and Benefits**

19 The proposal will have no impact outside HSE.

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

20 PEFD will aim to 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 junk 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 existing but unnecessary management information collection. In the longer term we will work with the REFIT partner to develop management information IT systems to assist the process.

## **Environmental Implications**

21 None applicable

## **Other Implications**

22 The Treasury guidance for SR 2002 has indicated the Department will be expected to say how performance against delivery will be measured in the Service Delivery Agreement. It is likely we will be asked to indicate how we will measure our contribution to achieving the targets. The balanced scorecard approach would give the Department a comprehensive view of our performance

## **Action**

23 The board agree to adopt the Balanced Scorecard approach as one of their business management tools, and then

PEFD will develop detailed proposals for the operational process and to work with D/Ds to develop appropriate outcome based performance indicators.