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HEALTH AND SAFETY EXECUTIVE

The HSE Board

Managing Performance and Business Risk

Consideration of HSE's Balanced Scorecard and Corporate Risk Register.

A Planning, Efficiency & Finance Division Paper

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Issue

1. Assessment of HSE's performance in 2nd quarter 2005/06 and the updated corporate risk register (CRR).

Timing

2. Routine.

Recommendation

3. That the Board:
 - notes the overall picture;
 - considers the key issues and whether further remedial action is required; and
 - agrees the reworked risk 11.

Background

4. A balanced overview of the 4 business perspectives of the Balanced Scorecard is at Annex 1. The Scorecard is at Annex 2. Supporting material is included for each of the indicators, including a narrative where required. The updated CRR is at Annex 3.
5. The updated CRR draws on input from risk owners and quarterly performance reports to RDG (which include an assessment of key risks to strategic programmes).

6. Annex 4 is an update on progress with the project to review and develop HSE's corporate Balanced Scorecard.

Overall Picture

7. Delivering Worker Health and Safety Targets continues to be assessed as Amber/Red this quarter, although there has been some encouraging work and a number of key activity milestones have been met. An Amber/Green status has been assigned to Financial Management and Monitoring, reflecting the financial risk involved with an inaccurate December forecast. An Amber/Green status has also been assigned to Allocating Resources to our Operational Priorities due to difficulties in both RI and NSD. In the CRR, Failure to ensure that resources are directed to priorities (Risk 17) has an Amber status showing continuing concern about this risk. There has been marked improvement in Stakeholder Engagement, which has been assigned an Amber/Green status. Severe risks remain on SFAIRP and pay issues (in particular the equal pay case) and there are emerging concerns over recruitment of new staff and retention of experienced personnel in a number of parts of the organisation.

Delivering Worker Health and Safety Targets

8. There has been some good progress in the Fit3 Strategic Programme this quarter with delivery of many key activity milestones and delivery outcomes. The scale of the challenge involved was judged to remain considerable and therefore the assessment of Delivering Worker Health and Safety Targets was again assigned an Amber/Red. This assessment was made however prior to the HSC's Annual Health and Safety Statistics.
9. The HSC's Annual Health and Safety Statistics support the encouraging signs that the shift in activity brought about by the Commission's Strategy has contributed to producing results, particularly in the work related ill-health and days lost targets. Ongoing analysis of the annual statistics may further inform our delivery plans and allocation of resource.
10. This is related closely to the risk of Failure to deliver mission critical projects (Risk 12) which has a Red ('Severe') marking. The elements making up this risk have also been re-defined. And their assessment unlikely to be affected by the publishing of HSC's Annual Health and Safety Statistics. There are three key elements to this risk. We need:
 - i) baseline data in order to manage and evaluate the Fit3 Programme
 - ii) to recruit, retain and suitably skill staff for delivering Fit3 (para 17-19)
 - iii) to properly manage the Workplace Health Direct 'Adviceline' contract.

Delivering Health and Safety in HSE.

11. This has remained Green this quarter. Although there has been slight slippage in two of the three corporate health and safety targets, there has been an encouraging, unprecedented continued Green status in both the number of instances and average number of days sickness absence in quarter 2.

Financial Management and Monitoring.

12. The outturn to date compared to budget shows a net resource underspend of £9.763m. The bulk of this underspend to date is forecast to be spent in the second half of the year (with the forecast outturn against budget for year showing a net resource underspend of £0.843m). The Amber/Green status reflects the current slippage in expenditure and the level of uncertainty that this places on the accuracy of the forecast. If the forecast is inaccurate at December HSE risks either losing EYF or a breach of Parliamentary Estimate.

Allocating Resources to our Operational Priorities.

13. An Amber/Green status has been assigned overall. RI has delivered a continued Red status for 'Inspector time committed to Strategic Programme work as a proportion of that planned overall' – although there has been an improvement on last quarter. Reasons given for this includes issues with inspectors work recording, number of inspectors being below 'cadre' and irreducible work associated with the transition to ORR.
14. An Amber/Red status for the proportion of inspector time spent on front line activity has been reported by NSD. Loss of frontline resources, both through retirements and resignations have affected productivity. It has not been possible to recruit candidates to achieve the agreed 'cadre' and significant amounts of payroll have been returned to the centre. Those staff recruited to backfill are in training and not yet fully productive. More work is in hand to address the shortfall in front line resourcing. In the meantime NSD front line staff (site inspectors and assessment inspectors) are performing significantly ahead of planned proportion of their time on regulatory duties.

Recruitment and Retention of Personnel.

15. Recruitment is currently good, with a Green status assigned. Performance against the current tolerances set for Retention of Personnel shows the outturn as Red this quarter. Although turnover at 2.93% is significantly lower than at the mid year point last year (4.04%) PD are aware of this issue and are content that with planned retirements, including the series of early retirements about to commence, that the overall turnover rate will rise to 6% – 7%, closer to our normal end of year position and a return to a Green status.
16. Some parts of the organisation however are becoming concerned about recruiting and/or retaining people with the skills needed to deliver. There are specific issues in one or two areas. PD shares the concerns of local managers about the areas where there is high turnover, and work is ongoing with those managers to find ways of tackling each of those problems.
17. A combination of turnover, retirement and pockets where there is a higher level of vacancies than is acceptable has put pressure on Policy Group (for example). Specific measures are being taken, including a consultant working exclusively on Workforce Plans for Policy Group and specific recruitment schemes, including a new foundation scheme, where 21 high calibre staff will work for two years gaining experience on job rotation.

18. For HID/Offshore there are/have been active recruitment campaigns with some positive outcomes (attracting experienced staff).

Leadership.

19. There has been some encouraging progress in this area in quarter 2 maintaining its Amber/Green status. This is in direct agreement with information on the corporate risk register (risk 3). Results of the recent staff survey have now been received and contain a significant amount of information on staff perception and experience of leadership. These findings are being analysed and will be presented in the near future.

Applying Business Improvements

20. This indicator is reported as a Green status in the Balanced Scorecard. This is directly related to recent/current performance against the 05-06 target of £10m efficiencies (of which 50% must be cash releasing). Problem areas include delays with COIN roll out and Redgrave Court occupation. However, this contrasts with the Red residual risk in the CRR (risk 11). The risk register reflects that performance in coming years may not be as good, as the target for efficiency savings increases (£15m in year 2 and £25m in year 3 of this Spending Review period). A rewording of this risk is proposed on the CRR to define it more precisely.

Reputation.

21. Internal Communications maintains an Amber/Red status this quarter. Results from the staff survey are not yet published in full. Work will soon commence in CD with NOP, (the service provider for the survey) to use staff survey results to segment internal audiences, and reinforce the Pulse Panel as an attitude tracking system. This is directly reflected in the measures taken and planned in the CRR (Risk 4).

22. Stakeholder Engagement has improved this quarter, from Amber/Red to Amber/Green. 25 of 30 key stakeholders have completed their action plans (only one remains incomplete from the priority set) and most have started to implement their plans. A study of the perception of these corporate stakeholders is due to start in December. There has also been an increase in positive perceptions of HSE by MPs. 43% rated HSE as effective in June 05 (compared with 39% in November 04) despite an influx of new MPs at recent election not having been touched by HSE 'outreach' in recent months. These issues are directly reflected in the risk register (risk 6, rated Amber).

Financial/Resource Implications for HSE

23. Redirection of some resource may be necessary to address issues described above.

Further Development

24. A project is ongoing to review and further develop the corporate level Balanced Scorecard to produce a tool that can be used to strategically manage HSE's performance. A Board level sub-group met twice at workshops in November. It

discussed the architecture, headline indicators and sub measures needed to develop the corporate scorecard to meet this remit. A paper will be presented to the Board in January 2006. Details are at Annex 4.

Action

25. PEFD proposes that the Board:

- discusses the key issues raised;
- directs any remedial action; and
- notes planned development activity.