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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 Paper by Planning, Efficiency & Finance Division

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Issue

1. Assessment of HSE's performance in 3rd quarter 2005/06 and updated corporate risk management plans.

Timing

2. Routine

Recommendation

3. That the Board:
 - notes the overall picture;
 - considers the key issues identified in the paper and whether further remedial action is required;
 - agrees changes to the corporate risk management plan (CRMP) including the revisions (and associated change of emphasis) to risks 1, 4 (including the introduction of the 'managing change' concept) and 18, and splitting risk 2 to deal separately with the pay settlement and the equal pay agenda.

Background

4. An 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) and the updated CRMP, at Annex 3, draws on

input from risk owners and quarterly Strategic Programme performance reports (which include an assessment of key risks).

Overall Picture

5. Overall performance has been stable, with generally only minor changes to the Scorecard although there has been a significant improvement in Delivering Worker Health and Safety Targets, moving to an Amber/Green status this quarter. An improvement has also been reported for Internal Communications moving to an Amber/Green status due to the improving perceptions of staff.
6. The one Red indicator – Retention of personnel - has been triggered by a very low turnover rate at the mid-point of the year, but HRD considers that this will revert to a more acceptable rate by the end of the year. Health and safety in HSE was assigned an Amber/Green status in the third quarter, due to a seasonal rise in the instances of sickness absence and average working days lost per staff year, coupled with a similar performance to last quarter in the corporate health and safety targets.
7. In the CRMP, failure to respond appropriately to major incident or civil emergency remains at an Amber status, unchanged by the incident at the Buncefield oil storage depot. This reflects that 'live' testing of our major incident response policy and procedures at the incident show that control measures taken are satisfactory in practice. Review of our response to the incident however provides an opportunity for further learning and improvement.
8. Severe risks remain on the challenge to SFAIRP, failure to resolve equal pay issues and failure to deliver fully the agreed efficiency targets.

Delivering Worker Health and Safety Targets

9. Delivering Worker Health and Safety Targets reports an Amber/Green status this quarter. The 2004/05 statistics, published in November indicate that HSE's approach to delivering improved conventional health and safety outcomes is beginning to make real progress in terms of delivering the PSA targets. The Fit3 Strategic Delivery Programme has made further good progress this quarter delivering many key milestones. All component programmes are reporting an Amber/Green status, except the Construction Programme, which reports a Green status.
10. This is however related closely to the risk of Failure to deliver mission critical projects (Risk 12) which has a Red ('Severe') status after the application of control measures. This does contrast with the performance reported but reflects uncertainty as to the efficacy of new control measures that have been put in place or are planned. For example, additional funding for staffing (identified from results of the ILMs) has been agreed, but recruitment into Policy Group is proving difficult. Alternative methodologies are being tried e.g. greater use of communications resource for marketing for attendance at the Stress Management Standards Workshops rather than inspector resource, but the effectiveness remains to be seen.

Delivering Health and Safety in HSE

11. Delivering Health and Safety in HSE has been assigned an Amber/Green status this quarter by the indicator owner. This is due to a seasonal rise in instances of sickness absence and average working days lost per staff year. Within the corporate health and safety targets the number of reported slip and trip incidents reported is less than in either of the first two quarters of 2005/06. The remaining two corporate health and safety targets (DSE issues reported to HRD and RIDDOR reportable incidents) report the same numbers of incidents as in quarter two.

Financial Management and Monitoring

12. HSE's (excluding HSL) outturn to date compared to budget shows a net resource underspend of £12.691m (with the forecast outturn against budget for year showing a net resource underspend of £1.560m). The Amber/Green status reflects the current slippage in expenditure and the level of uncertainty that this places on the accuracy of the forecast in the last quarter – the bulk of the underspend is however likely to be spent in the last quarter.

Allocating Resources to our Operational Priorities

13. An Amber/Green status has been assigned overall. RI has continued to show improvement in 'Inspector time committed to Strategic Programme work as a proportion of that planned overall' – moving to Amber. This is encouraging in a year of considerable upheaval brought about by restructuring, staff shortages and work associated with transition to ORR.

14. The 'proportion of inspector time spent on front line activity' is reported at mid and end year points only.

Recruitment and Retention of Personnel

15. Retention of Personnel shows the outturn as a Red status this quarter (carried forward from quarter 2) as data is available at mid and end-year points only. HRD has reviewed expected departures in the second half of the year and consider that the turnover rate for 2005-6 will return to acceptable limits with planned retirements.

Leadership

16. There has been much activity in quarter 3 - maintaining its Amber/Green status. This is in direct agreement with information on the CRMP (risk 3). There have been three High Potential Leadership events for B1 and B2 staff, regular leadership discussions at Board level and consideration of the staff survey results. Board members have held small discussion groups with their staff to identify problems, and work is ongoing to identify and improve the leadership behaviours and effects that influence staff perceptions. A great deal of related activity is planned for both January and February 2006.

Applying Business Improvements

17. This indicator has reported a Green status for quarter 3. This, as last quarter, is directly related to recent/current performance against the 05-06 target of £10m efficiencies. However, this contrasts with the CRMP (risk 11), which continues to show a risk of failure to deliver our increasing targets in the future (£15m in year 2 and £25m in year 3 of this Spending Review period).

Reputation

18. Internal Communications has been assigned an improved Amber/Green status by the indicator owner this quarter. Results from the staff survey show a 9 percentage point improvement (overall outturn of 39%) in the number of staff with a positive view of internal communications. Staff are more satisfied with communication in their own area of HSE than with corporately led communication from the 'centre'. Substantial improvements are still required, and significant action is planned for the coming year to make this step change. This remains directly reflected in the measures taken and planned in the CRMP (Risk 4), which has now been reframed to incorporate 'managing change' in HSE.

19. Stakeholder Engagement has maintained an Amber/Green status this quarter. A review of the programme has identified a need for increased finances and personnel. A Stakeholder Engagement Manager post was approved for filling in January and a further post was also approved. To improve performance further, lead contacts will be expected to increase their contributory time working with stakeholders from 5 to 15 days per year. There was also a further increase in positive perceptions of HSE by MPs. 46% rated HSE as effective in November 05 (compared with 43% in June 05). These issues are directly reflected in the CRMP (risk 6).

Financial/Resource Implications for HSE

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

Development of Balanced Scorecard

21. The project to review and develop HSE's Balanced Scorecard remains on track. A series of one to one meetings with Board members has been arranged, starting in late February, to discuss the emerging revised Scorecard structure, and suitable measures for the indicators. We will bring a paper with firm proposals for the new Scorecard to the Board in April.

Action

22. PEFD proposes that the Board:

- discusses the key issues raised;
- agrees proposed action and directs any further remedial action required; and

- agrees the revisions and additions to the CRMP.