

Health and Safety Executive Board		Paper No: HSE/09/73	
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<b>DWP/DECC CONSULTATION ON THE RESTRUCTURING OF HSE'S NUCLEAR DIRECTORATE</b>			

### Purpose of the paper

1. To bring to the Board's attention the DWP/DECC consultation document on restructuring the Nuclear Directorate (ND) as a statutory corporation; to highlight some significant points within the document; and to provide a brief progress report on the ND's transition to a statutory corporation.

### Background

2. The *DWP/DECC Consultation on the Restructuring of HSE's Nuclear Directorate* (copy attached) was published on 30 June with consultation to close on 22 September. The proposals are intended to ensure that the ND is better able to adapt to the current and future challenges of change in the nuclear industry and give effect to the Government's commitment in January 2009 in response to Dr Tim Stone's review of the nuclear regulatory regime.

### Argument

3. Annex 1 to this paper summarises the main points of the proposals. Some points of particular interest and which take account of views previously expressed by the Board include:

- The proposed rationale and remit of the nuclear statutory corporation (NSC) are summarised on page 3 in Annex 1 and set out in more detail on pages 24-28 of the consultation document.
- Governance arrangements, particularly the composition and functions of the proposed NSC Board, are summarised on pages 3-4 in Annex 1 and set out in more detail on pages 32-36 of the consultation document.
- Arrangements for proposing regulations are set out on page 29 of the consultation document. In summary, the NSC would recommend new or changed regulations on nuclear safety to HSE, who would propose them to Ministers (as now). The NSC would recommend new or changed regulations on other matters (including fees) direct to Ministers, after consulting HSE in relation to security and safeguards.
- DWP sponsorship and proposed arrangements for appointments (to the NSC Board; of the NSC Chair to the HSE Board; and of the Chief Inspector) are summarised on pages 3-4 in Annex 1 and set out in more detail on pages 32-34 of the consultation document.

## **ND transition**

4. Without prejudging the outcome of consultation, ND has initiated a major programme to ensure that, assuming the LRO comes into effect as proposed, the NSC will be ready to start operations on the appropriate date. Annex 2 gives a diagrammatic representation of the Transition Programme. This programme has identified 11 work streams to date, including Finance, Human Resources, Communications (including consultation with ND staff and the trades unions) and Operational Improvement. It is being managed through a “stage gate” process, with each stage being signed off by Judith Hackitt as chair of the Transition Oversight Board before moving on to the next. Work is now moving from the detailed planning phase into mobilisation. An oral update on progress will be given to the Board on 22 July, but some key recent developments are:

- Workstream owners have been recruited from a combination of ND staff and Interim Managers with considerable experience in similar changes in areas such as HR and Finance;
- An invitation to tender has been completed and consultants nominated (subject to contract) for specialist advice in areas such as pensions and insurance;
- A specialist programme management office has been established within ND to ensure the programme is planned and executed professionally and activity has started on all workstreams;
- Trades Unions have been engaged formally (via four sub Whitley meetings to date) and informally. They shared the platform with the transition team at a highly successful staff event on 9 July attended by over 300 ND staff;
- The key deliverable for the transition team is to have the NSC ready for shadow operation by April 2010 and full operation by Autumn 2010.

## **Financial/resource implications**

5. These are set out on pages 36-39 of the consultation document and in the Partial Impact Assessment at Annex D of the consultation document. It is expected that, as now with ND, the NSC will recover most of its costs from industry duty holders.

## **Action**

6. To note progress with consultation on restructuring and on the ND Transition Programme.

## **Paper clearance**

7. Cleared by Mike Weightman.

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## **ND RESTRUCTURING: SUMMARY OF DECC/DWP PROPOSALS**

### **AIMS**

- NSC: new, sector specific independent regulator, at arm's length from central Government and duty holders
- Strong regulator for changing nuclear industry:
  - ageing reactors, decommissioning, new build
  - increased competition in global nuclear skills market
  - further enhance accountability, transparency, efficiency in public sector regulation.

### **NSC REMIT AND MINISTERIAL SPONSORSHIP**

- ND as now, including security and safeguards
- Plus DfT functions:
  - transport of radioactive material by road and rail
  - TRANSEC transport security functions
- Support to Government: policy advice on ND issues as now plus DfT
- DWP sponsor of NSC.

### **GOVERNANCE**

- Own dedicated, largely non- executive board
- Independent, small and flexible: up to 8 non- executives; up to 5 executives, including the Chief Nuclear Inspector
- Board responsible for non-regulatory matters – strategic and annual business planning, reporting, staffing and resources. Reports on such matters to HSE and Ministers
- NSC chair appointed by DWP Ministers, in consultation with DECC and DfT Ministers. Also appointed to HSE Board.
- Non- executive Board appointments made by HSE subject to Ministerial approval.
- Pay for non – executives to be approved by Ministers.

## **REGULATORY FUNCTIONS**

- Chief Inspector will become a statutory office
- Regulatory decisions vested in Chief Inspector who may delegate operational functions to appropriate NSC staff
- Chief Inspector appointed to NSC Board as an executive, subject to Ministerial consent
- NSC to appoint inspectors
- NSC and Chief Inspector to report informally to Ministers as HSE Board/Mike Weightman does now. Ministers not able to influence regulatory decisions.

## **STRATEGY, PLANNING AND FINANCE**

- NSC to produce long-term strategy and annual business plan, to be approved by Ministers and HSE
- NSC to report to Ministers and HSE on performance against stated objectives quarterly and annually, with reports published
- NSC to have own budgets and financial controls and will produce its own annual report and accounts
- NSC in public sector, with freedom to set own remuneration conditions
- Funding through nuclear charging scheme to remain in short term. NSC to consider options for extending scheme.

## **PROPOSED TIMETABLE**

- Government's CD published: 30 June
- Close consultation: 22 September
- Lay LRO: end 2009
- LRO made: Spring 2010
- NSC created: Autumn 2010

# The Transition Organisation

