

Health and Safety Executive Senior Management Team Paper SMT/09/83			
Meeting Date:	5 August 2009	FOI Status:	Open
Type of Paper:	MISC	Trim Ref:	2009/295517
Exemptions:			

## HEALTH AND SAFETY EXECUTIVE

## Senior Management Team

**Developing arrangements to provide services from HSE to the Nuclear  
Statutory Corporation and vice versa**

A Paper by Steve Dennis and Mike Weightman

Advisors: Andrew Lindley, Stuart Moore

Cleared by Steve Dennis and Mike Weightman

**Issue**

1. The principles and actions required at this stage to prepare for service provision to the NSC and vice versa.

**Timing**

2. For discussion at this SMT meeting.

**Recommendation**

3. As in paragraph 14.

**Background**

4. At the moment ND receives over 200 different types of service from HSE. Additionally there is a lesser number provided by ND to HSE. The annual charge from HSE to ND, based on employee apportionment, is £9 million. For the NSC to operate as a separate (although closely related) organisation, it is necessary to formalise the HSE/ND service provision relationship. This will allow the NSC Board to understand what it is buying, monitor value for money, and to focus on those services that impact on NSC's effectiveness and efficiency. Similarly, it will enable HSE's managers to operate within a cost base that reflects what the NSC requires and have better clarity about the level of service they need to deliver.
5. The attached position paper at Annex 1 sets out the suggested approach.

**Discussion**

6. The creation of the NSC is driven by the need to have a sector-specific regulator that can optimise efficiency and effectiveness. The NSC is being set up to work closely with HSE. It is not being set up to be a totally detached body that operates on a strict commercial and legal basis. This is a very important distinction because if the latter scenario was the goal then the entire service arrangement between HSE and NSC would have to be based on legally-founded commercial arrangements. The design, negotiation and implementation of such a framework would be very burdensome, and deflect valuable resource from working on those aspects of NSC that will achieve the desired goals of improving efficiency and effectiveness. The chosen option is to use the service level agreement vehicle, and not a contract vehicle.

7. The role of the NSC Board will be to set strategy, and monitor the NSC's performance against its strategic goals and targets. It will be concerned centrally with those matters that impact on the organisation's ability to deliver its services. It follows that it will be interested in those respective services that it receives from HSE that have a direct supportive influence on inspectors and support staff. It will not be very interested in the multitude of generic services such as parking, restaurant and security.
8. The challenge is to design and agree a Service Level Agreement management framework that is fit for purpose. The attached paper sets out the main principles and timetable for formalising the service provision relationship between HSE and the NSC. Where they have not already done so, we now need Directors to nominate one or more managers (to Andy Lindley please) with whom the appropriate ND staff can discuss and develop the relevant SLAs, guided by the overall principles.
9. The SMT will wish to note that this task may be straightforward (e.g. provide the service on the basis of reasonable endeavours - the current "norm") or, despite the principles we are seeking to follow, require managers to define specific service levels and have a reliable means of measuring those levels where none exist at present, and look at the associated resources. Similarly, it will hopefully be possible to set costs/charges through a simple apportionment method but there will be cases where the actual variance from such a basis is so large that a different method may be needed.
10. It is also highly likely that the NSC will necessarily have to do for itself at least one or two things currently done by HSE. These will need to be identified early and the resource implications worked out, otherwise there will be a financial shortfall.

### **Consultation**

11. Formally between ND and PFPD at this stage. Other major service functions, e.g. HR, BSD, CD are in on-going discussion with ND but the process is only at an early stage for others.

### **Costs and Benefits**

12. The broad costs and benefits are defined in the Consultation Document concerning the proposed creation of the NSC.

### **Financial Implications**

13. It is intended that the costs of this work should be recovered from the industry either this year or next once the NSC is formed.

### **Action**

14. SMT is invited to note the principles and timetable by which SLAs between the NSC and HSE will be developed (see attached paper), nominate one or more

managers with whom the work can be taken forward and note that there may be areas where some new thinking is required.

# **NSC SLA Management Framework**

## **Position Paper – Annex 1**



**ND Transition Programme**

**Version 0.03**

**27 July 2009**

**Stuart Moore**  
**Workstream Owner: Finance and Governance**



## Contents

1. Background.....	7
2. Purpose of This Paper .....	7
3. Phased Approach.....	7
4. Phase 1 – Design Principles .....	8
5. Next Steps .....	9
6. Action Required.....	9

## Background

ND receives a number of services from HSE costing circa £9million a year. Some services, small in comparison, are provided by ND to HSE. In the creation and launch of NSC as a statutory corporation with its own legal identity, it is the plan to formalise this service provision landscape so that the services can be monitored, and evaluated. The goal is to set up the regime to be effective from April 2010, the start of shadow operations.

At present there are no formal arrangements between HSE and ND, and no formal management framework to monitor service delivery, resolve issues, evaluate VFM, and report to the ND Management Board. Such a regime needs to be designed and implemented. It is termed the SLA Management Framework.

The introduction of this new framework will impact on both HSE and NSC.

## Purpose of This Paper

The purpose of this paper is:

- To agree the SLA Management Framework's design principles
- To explain how the SLA Management Framework is to be constructed, implemented and passed to NSC BAU
- To explore who in ND and HSE needs to authorise what, and who the key working group players are
- To ensure that the NSC Transition Programme Workstreams are in alignment
- To seek authority to proceed

## Phased Approach

The plan to implement the SLA Management Framework has four phases:

- Phase 1 concerns the design principles, and seeks to obtain relevant management approval before proceeding. Phase 1 is captured in this paper. (Timing – mid-August)
- Phase 2 concerns the specification of the major parts of the SLA Management Framework including SLA template, SLA NSC Regime Owner role, SLA Manager role, NSC Board role, issue resolution process, invoicing/payment regime, and other major components. (Timing – end-September)
- Phase 3 concerns agreeing what specific SLAs are necessary, and negotiating them with respective SLA Managers within HSE and ND. SLA Managers within HSE and NSC will be identified in this phase. (Timing – September to end-February)
- Phase 4 concerns conducting an impact assessment on the NSC organisation, and passing the regime into BAU. (January to March)

## Phase 1 – Design Principles

The five main design principles of the SLA Management Framework are as follows:

**“If it isn’t broken don’t fix it”.** This means that unless there is a compelling reason to change the way a service is provided at the moment, as from April 2010 the status quo will prevail. Phase 3 will address this particular aspect.

**Focus on efficiency and effectiveness.** The framework will focus on those services that impact on NSC’s efficiency and effectiveness. This will result in large number of services being grouped under a single SLA where costs will be charged to NSC on the existing employment apportionment basis.

**Avoidance of bureaucracy and cost.** The framework will be simple, and not bureaucratic or burdensome to either NSC or HSE.

**Acceptance of new way of working.** The framework will be a new way of working for both HSE and NSC. There may be new duties for existing HSE job holders, e.g. to produce, monitor and report on performance levels; and consider the costs of one-off or variable volume services. Within NSC roles and responsibilities will be formally defined and built into NSC’s organisational design. This will cover the NSC Board, NSC’s procurement function, NSC’s SLA Managers, and NSC’s Regime Owner. ND staff who “buy” or require services may need to do so in some cases, in a more timely and specific way. HSE will need to appoint respective SLA Managers.

**NSC Board direction.** The framework will be set up to support the NSC Board in its role. This means the Board must be able to review VFM and take informed decisions.

The NSC Regime Owner will have over-arching responsibility for ensuring the SLA Management Framework is fit for purpose and is being complied with. For example, the Regime Owner will support NSC SLA Managers in understanding and complying with their responsibilities for tracking and reporting services, and for resolving service delivery issues. The Regime Owner will ensure that processes and procedures are consistent, and aligned to both NSC’s and HSE’s way of working. The Regime Owner will be responsible for reporting to the NSC Management Board, and the NSC Board. The Regime Owner is likely to be the new suggested NSC Procurement Officer.

NSC SLA Managers will be those specific job holders charged with responsibility for tracking, evaluating and reporting on services received, or provided. They will work closely with the Regime Owner. It is very likely that new posts will have to be created in NSC, such as Company Secretary, and these new roles will take on responsibility for being an SLA Manager. HSE will have SLA Managers who are responsible for service delivery to NSC. (For those minor services provided by NSC to ND the converse will apply.)

Services are charged to ND on an overhead apportionment basis at the moment. The apportionment basis, if not superseded by direct charges negotiated within respective SLAs, will be agreed with NSC on an annual basis.

There will need to be simple but effective dispute resolution procedure.

Payment for services will be done by SLA, processed monthly, or quarterly, and subject to invoice once the NSC is fully operational. Invoices will be approved by SLA Managers. The NSC budget structure will need to be aligned to the SLA Management Framework.

There will be some functions currently carried out by HSE that the NSC must sensibly do for itself from or before its inception, e.g. branding, media handling etc and budget adjustments may therefore be required.

### Next Steps

Before proceeding to Phase 2 and beyond, senior approval is sought from ND and HSE. This is judged necessary because the SLA Management Framework has the following impact:

- It introduces a new way of working for NSC, namely the SLA Management Framework, with new roles of SLA Regime Owner, and SLA Manager.
- Similarly it introduces a new way of working for HSE in that HSE will need to comply with the SLA Management Framework, and also appoint SLA Managers.
- It imposes new responsibilities on existing line managers, who will take on responsibility for being SLA Managers.
- It assumes that NSC will have a permanent Procurement Manager.
- It may raise consideration of the overall size of the current £9million service charge.
- Once the non-generic SLAs are identified and agreed their respective negotiation could be difficult and burdensome.

In anticipation of this work, in addition to contract novation and other contract work, an interim Procurement Manager is being recruited for the Transition Programme.

A ProcurementSLA Steering Group will be set up structured as follows:

- Stuart Moore, Finance and Governance Workstream Owner: chair
- Interim Procurement Manager (Acting SLA Regime Owner)
- Tony Daniels
- Eleri James, Head of HSE's Procurement Unit.

### Action Required

Mike Weightman and Steve Dennis are requested to advise on the way forward and agree respective nominations.