

PROJECT DOCUMENTATION

PROJECT INITIATION DOCUMENT

Charging Efficiency Project

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PRINCE 2

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Project Initiation Document History

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Approvals

This document requires the following approvals.
Signed approval forms are filed in the Management section of the project files.

Name	Signature	Title	Date of Issue	Version

Distribution

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Project Initiation Document

Purpose of Document

1. The purpose of this document is to define the project, to form the basis for its management and the assessment of overall success.

Background

2. Charging for full cost recovery was introduced to the onshore chemical (COMAH), Offshore Oil, Gas and Railways regulatory regimes in 1999. Though new to these regimes, cost recovery is a well-established part of the regulation of the nuclear industry having been in existence for some years.

3. In response to concerns from the Commission and industry, when charging was introduced to the non-nuclear regimes, Ministers agreed to review the impact of each of the new schemes after two years of operation. Deloitte and Touche were appointed by HSE to carry out the reviews.

4. One of the reports prepared by D&T reviewed the reasonableness of charge-out rates for all four regimes. The results showed that HSE's rates were broadly comparable with the Environment Agency (EA) but considerably greater than those for the Scottish Environmental Protection Agency (SEPA) and the Maritime and Coastguard Agency (MCA). The comparison with private sector consultancies carrying out similar functions was considerably less favourable. This and other reports referring to COMAH charging were put to the HSC on 16 April but at that time generated little debate.

5. The issues raised in the "reasonableness" report were brought back into sharp focus in August by proposals from Planning Efficiency and Finance Division (PEFD) to increase chargeout rates for Railways and Offshore by some 11%-16%; increases brought about by a substantial increase in staff numbers in the Railways Inspectorate and inclusion of travel time into Offshore overheads. Increases of this magnitude have led to protests from industry, which may be raised at ministerial level. With a new Department and new Ministers it is important that we are seen to have definite proposals for addressing the issues raised by D&T, including driving down costs where appropriate.

6. At a meeting on 11 September 2002, the HSE members of the Project Board (see below under "Project Organisation"):

- agreed terms of reference (these can be found at Annex A);
- made recommendations relating to project scope, organisation, timetable and communications, which are reflected in this PID;
- agreed that the project should proceed to the initiation stage.

Project Definition

Project Objectives

7. The objective of the project is to report to Justin McCracken and the HSE Board what actions can be taken to improve the efficiency of the major hazard charging regimes, identifying the order of magnitude of the achievable cost savings and the timescale over which they can be delivered.

Project Scope

8. The project will consider nuclear, COMAH, gas transportation, offshore and railways activities and the extent to which charges to operators/licensees within those cost recovery regimes can be contained/reduced by:

- Increased efficiency in delivery of chargeable activity
- Reduction of central/directorate overheads
- Review/adjustment of components of charge out rates and/or the basis for their calculation

Method of Approach

9. The project will:

- (a) Investigate, in consultation with those who administer cost recovery, those who deliver the chargeable activity, and PEFD, the charging arrangements for the five regimes covered by the project together with those for other comparable regimes in the public and private sectors. The comparators will include as many as possible of the following:
 - HSL (COMAH SR assessment)
 - EA (COMAH)
 - SEPA (COMAH)
 - MCA
 - Lloyds
 - Atkins
 - Serco (COMAH)
 - CMG
- (b) Utilise a standard questionnaire to support the investigation/information gathering which will seek to establish for each regime & comparator schemes:
 - the relevant financial/accounting rules & constraints
 - the cost components and their relative contributions
 - how the charges are calculated
 - how the chargeable activity is organised & delivered (taking account of findings/recommendations of other interfacing initiatives - see below)
 - how the overheads are organised and delivered
- (c) Analyse the gathered data in order to identify scope/areas for potential efficiency improvements for HSE schemes.
- (d) Report to the Project Board on current requirements and arrangements, and areas identified for further investigation/potential change.
- (e) Develop detailed recommendations for change and proposals for their implementation, for consideration/approval by the HSE Board. The implementation arrangements will include proposals (for consideration/adoption by the Project Board) as to how achievement of anticipated benefits might be measured and reviewed.

10. The project will be managed in accordance with the PRINCE 2 project management methodology. An in-house team, assisted by a consultant to provide analytical expertise and objectivity, will carry out the work. Particular attention will be paid to the need to explain to all interested staff why the project is being undertaken and how it is being done, and to ensure that they are kept up to date with progress.

Project Deliverables and/or Desired Outcomes

11. The products of the project will be:

Management & Quality:

- M1 - Project Brief (already complete)
- M2 - Project Initiation Document - (i.e. this document, which includes the Quality Plan)
- M3 - Highlight Reports
- M4 - End of Project Report

Business:

- B1 - communications plan
- B2 - questionnaire (to support information gathering & ensure consistency)

B3 - report for Project Board on current requirements/arrangements, and areas identified for further investigation/potential change
B4 - report for Executive Board with recommendations for change
B5 - implementation proposals (which will be presented to the Project & HSE Boards in conjunction with Product B4).

12. Detailed product descriptions are included at Annex D.

Exclusions

13. The project will not investigate cost recovery regimes within HSE other than those identified at Para 8 above. It will however consider the extent to which its recommendations are applicable and implementable for all HSE's cost recoverable activities.

14. While the recommendations for change arising from this project will include proposals for implementation, the implementation process itself is excluded from the project scope.

Constraints

15. Three constraints have been identified which may affect the basis on which the project is able to develop recommendations for change, and/or the extent to which those recommendations are implementable in practice. They are:

- future developments affecting the systems supporting cost recovery (e.g. development of COIN and "RASP 2") which may result in substantial re-engineering of business processes;
- possible changes in the Fees and Charges Regulations which could modify the basis for cost recovery;
- the availability of funds to finance structural change.

Interfaces

16. The Charging Efficiency Project will not provide products directly needed by other current projects. But the following initiatives may provide relevant inputs for the project:

- the projects underway within OG Directorates to increase regulatory productivity for inspectors;
- the Change in HSE projects with particular emphasis on the Corporate Services Review;
- the COIN Project;
- the RASP replacement project;
- the Statistics Programme.

Assumptions

17. The objectives of the project, and the proposed method of approach, are dependent on the following assumptions:

- the "Major Hazard Directorates" and PEFD will provide resource and information to support the project, and will participate in the identification of cost cutting measures;
- Deloitte and Touche will cooperate in providing information that supported the conclusions in their report on the reasonableness of charges;
- information on costs can be obtained from an appropriate range of public and private sector comparators.

Initial Business Case

18. The project will:

- act on the findings of the Deloitte & Touche report on the reasonableness of charging;
- respond to industry pressure to drive down costs;
- comply with the Government's policy to minimise state burdens on industry.

19. It will seek to reduce the costs of chargeable activity by identifying what steps can be taken to:

- increase efficiency in the delivery of chargeable activity
- reduce central/directorate overheads
- review and adjust the components of charge out rates and/or the basis for their calculation

20. Implementable improvements under any of these headings will obviously result in direct benefits to industry in terms of reduction/containment of charges to licensees & operators. Moreover, reduction of overhead costs will represent an efficiency saving for HSE, while any increase of productivity in the delivery of regulatory work (chargeable and non-chargeable) will free resource to be used on other regulatory work; an outcome, which is in the interests of continued risk reduction in the major hazards sector.

21. At their initial meeting on 11 September 2002, the Project Board members decided not to set targets for efficiency savings at the initiation stage of the project but to review the issue when options for savings begin to emerge.

22. Arrangements for measurement and review of savings achieved in practice will be included with the implementation proposals within the project's final report and recommendations to the Project and Executive Boards.

Project Organisation Structure

Senior Responsible Owner

Justin McCracken (DDG Ops) - responsible for ensuring that the project meets its objectives and delivers the projected benefits; owner of the business changes, which will flow from the project's recommendations.

Project Management Board:

Vivienne Dews (RPD) - Executive
Paul Davies (HID)
Steve Dennis (BSD)
Dick Pape (NSD)
Alan Osborne (RI)
Jane Willis (PEFD)
Bob Henry (CORGI)
Clive Holtham (City University)

Project Manager:

Brian Fullam (HID CD1) - responsibilities as defined in PRINCE 2.

Project Administrator:

Elaine Radford (HID CD1) - responsible for providing support to Project Board and Team, monitoring progress and resource usage, maintaining project plan, establishing and operating arrangements for document version control, establishing and operating arrangements for handling project issues, and maintaining the Quality Log.

Project Team:

Julie Pascoe (HID LD3)
Charles Ransome (HID CD1B)
Mark Reyland (PEFD FINU2)
The Project Team, together with the Project Manager, will be responsible for researching and developing the business products of the project

Consultancy Support:

The project will utilise consultancy support from HSE's REFIT Partner to assist with gathering and analysis of data and formulation of recommendations.

Communications Plan

23. Information about the project's purpose, progress and outcomes will be provided to all interested parties, (particularly those HSE staff who deliver chargeable work and those who administer the cost recovery arrangements for each regime) in order to ensure "buy-in" to any proposed changes. Details of communications methods, together with a schedule of communications, are included in a communications plan, which is treated as a business product of the project. A product description is included at Annex D.

Project Quality Plan

24. All products will be subject to a quality review or other quality control method. The methods/ reviewers are specified in the product descriptions at Annex D. If products fail to meet their quality criteria they will be returned to their authors for amendment; in the event of substantial error a second quality review will be arranged.

Initial Project Plan

25. The project will run from 11 September 2002 to 31 March 2003. An outline plan is shown below:

	Stage	Completion Date
1	Project start -up	11 September 2002
2	Project Initiation (PID accepted by Project Board)	5 November 2002
3	Data Collection and analysis	To January 2003
4	Report (B3) to Project Board	January 2003
5	Identification/development of cost reduction options	To mid March 2003
6	Final Report & Recommendations (B4 & B5) to Project Board	End March 2003
7	Paper to Executive Board	Early April 2003

A detailed plan in Gantt chart format is included at Annex C.

Project Controls

26. The project will be subject to the standard control mechanisms and features of PRINCE 2.

27. Progress beyond the initiation stage of the project will be subject to agreement of this Project Initiation Document by the Project Board. Thereafter, The Project Manager will report progress to the Project Board by means of monthly Highlight Reports.

28. A quality log will be maintained as an up-to-date record of the status of each business product. Products will not be regarded as complete and fit for purpose until the person responsible for the quality method has signed them off in the quality log. The quality log will be made available to each Project Board meeting.

29. The Project Administrator will be responsible for establishing arrangements for document version control, and ensuring that these are adhered to. The Project Administrator will also establish arrangements for handling any project issues in accordance with the PRINCE methodology.

30. Completion of the project will be subject to acceptance by the Project Board of the End of Project Report [Product M4], which will be prepared by the Project Manager.

31. The Project Manager will be responsible for ensuring that the project proceeds according to the agreed project and resource plans, and will have authority for dealing with any deviations from those plans within a tolerance of +/- 10%.

32. The frequency of Project Board meetings is set out in the project plan.

Exception Process

33. Any anticipated deviations, which are expected to exceed the tolerances specified above, will be reported to the Project Board with recommendations for corrective action.

Initial Risk Log

34. The initial risk log for the project is at Annex B. The risk log will be maintained and regularly reviewed by the Project Manager in order that known risks are effectively managed and contained.

Contingency Plans

35. It is not considered that management of any of the identified risks requires a contingency plan.

ANNEX A

TERMS OF REFERENCE FOR CHARGING EFFICIENCY STUDY

Taking account of work done and in train to improve efficiency in the areas covered by HSE's major hazards charging regimes¹, and of the work and recommendations of Deloitte and Touche³, to consider and report by no later than 1 April 2003 on what further action should be taken, the order of magnitude of the achievable cost savings, and the timescale over which they could be achieved.

¹Specifically, the study will cover nuclear, COMAH, gas transportation, offshore, and railways activities. The list of relevant Deloitte and Touche reports is attached.

²The project manager will be Brian Fullam. He will report to a Board comprising the Director of RPD (chair), the Director of HID, NSD and Rail Safety (or their nominees), the heads of PEFD and BSD and a non-HSE nominee [somebody from CMG, the EA, industry, other?].

³Deloitte and Touche have also studied the EA (as part of their FMPR). This efficiency study should liaise with EA to identify common themes/lessons.

ANNEX B

INITIAL RISK LOG

Risk	Countermeasures
1. Directorates do not cooperate with the project by providing the information required	Heads of Directorates are members of the Project Board and can direct that information and resources are provided.
2. Directorates do not cooperate with the project by providing the resources necessary for each stage	
3. Members of the project team are lost to the project.	If sufficient priority is given to the project replacements will be found. The staged approach will provide natural break points for handover.
4. Directorates unwilling to embrace the changes identified by the project	Staff from the Directorates will participate in all phases of the project and should have ownership of proposed changes.

Project Plan

