

NUCLEAR SAFETY DIRECTORATE - BUSINESS MANAGEMENT SYSTEM			
<b>BUSINESS SUPPORT</b>		<b>BSS/FPG/007</b>	
<b>CHARGES TO LICENSEES AND</b>		ISSUE 002	
<b>MEMORANDUM TRADING ACCOUNT</b>			
Approved By: <i>A Roberts</i>	A Roberts	Issue Date: 29/08/2005	
Open Government Status: Fully Open		Review Date: 29/08/2008	

## 1. Purpose and scope

1.1 The purpose of this procedure is to ensure that NSD's annual expenses are recovered from licensees in accordance with section 24A of the Nuclear Installation Act 1965, as amended by the Atomic Energy Act 1989.

## 2. Policy

2.1 NSD is required to comply with the policy contained in **HM Treasury's Fees and Charges Guide** and the accounting arrangements applicable to government departments.

2.2 HSE is funded via Grant in Aid less receipts. Therefore, HM Treasury requires HSE to collect its charges from nuclear licensees within the financial year (1<sup>st</sup> April to 31<sup>st</sup> March) to which they apply, so that HSE's expenditure less receipts does not exceed the Grant in Aid.

2.3 Each year, NSD's Planning, Performance and Finance (P,P&F) Unit prepares a Memorandum Trading Account in respect of NSD's costs and receipts, the figures being consolidated into the annual accounts for HSE. The National Audit Office audits HSE's accounts.

## 3. Responsibilities

3.1 The Director of NSD is the Budget Holder for NSD's budgets including receipts. He is therefore accountable for the resources requested and used by the Directorate, and the recovery of receipts within the financial year. The NSD P,P&F Manager assists him in this work.

3.2 NSD's P,P&F Unit is responsible for calculating charges, advising licensees of their apportionment of those charges and completing HSE invoice request forms. They are also responsible for the preparation of the MTA and its submission to Planning Efficiency and Finance Division (PEFD) and Internal Audit.

#### 4. Procedure

##### Principles on which charging procedure is based

4.1 The means used to calculate the charges to be applied to each licensee are long-standing, have been agreed with HM Treasury and follow the guidelines set out in the document entitled '**Fees and Charges Guide**'.

4.2 There are two major cost streams that make up the charges to each nuclear licensee; they are '**Operational Costs**' and '**Nuclear Safety Studies**' (NSS).

4.3 The principle underlying the charges made to nuclear licensees in respect of Operational Costs is that the charge is in direct proportion to the amount of HSE's effort incurred by them in each year.

4.4 **Operational Costs** are comprised of costs incurred by HSE in fulfilling its regulatory functions. These include:

- i. Payroll for Nuclear Inspectors and administrative staff within NSD;
- ii. Travel and subsistence;
- iii. Training and other staff related costs;
- iv. Chargeable policy work associated with the regulation of the nuclear industry; and
- v. A contribution towards HSE's central services costs, which include accommodation, utilities, computers and telecommunications.

4.5 **Nuclear Safety Studies** expenditure enables NSD to buy-in technical and scientific support, from private consultancies, universities etc., in order to fulfil its regulatory functions. This usually happens when the pressure for technical assessment exceeds NSD's internal

capacity, or when it is necessary to call on particular disciplines, or facilities that are not available in-house. Details of terms of contracts and finance procedures are contained in **G/RES/008 Commissioning and Managing Research and Support**

4.6 Contracts let against the NSS budget are in the main licensee specific, and the charges applied reflect actual costs incurred including HSE overheads (as detailed in paragraph 4.4 above). Charges for contracts relating to generic issues are allocated to licensees in direct proportion to the amount of HSE effort incurred by each licensee during the year.

## **5. Frequency of Charging**

5.1 The frequency of charging for licensees is as follows:

- i. Quarter 1 (April to June) invoice issued late July/early August;
- ii. Quarter 2 (July to September) invoice issued in late October/early November;
- iii. Quarter 3 (October to December); invoice issued in late January/early February; and
- iv. Quarter 4 (January to March) invoices issued late April/early May

5.2 HSE's payment terms are within 30 days of the invoice date.

5.3 Details of the charges calculated by NSD, and copies of letters to licensees providing details of the charges shown in the invoice are subsequently passed to HSE's Finance Operations Section (FOS) who raise the invoices and send them to the licensees. FOS receives the amounts payable and posts the payments to NSD's Fees and Charges receipt account.

## **6. Calculation of Charges**

6.1 In order to meet HM Treasury's requirements for charges to be recovered in-year, NSD uses a mix of actual outturn and forecast information as the basis of its charges.

6.2 For quarters 1, 2 and 3 the charges to licensees are calculated

using the actual outturn of effort from NSD's work recording system (for the appropriate 13-week period) to apportion costs based on actual expenditure for the same period and a quarter of the forecast annual overhead costs.

6.3 For quarter 4 charges to licensees the actual effort for the year is used to apportion costs based on known actual expenditure and overhead charges less payments on account made by licensees in the previous 3 quarters. This information is used to prepare a Memorandum Trading Account (MTA).

## **7. Charging Information and Adjustments**

7.1 NSD provides licensees with a detailed breakdown 'NII's Operational Costs', 'Nuclear Safety Studies Costs' and 'Total Allocated Costs' on each invoice. A further breakdown of how the 'Total Allocated Costs' have been attributed to the licensee's site(s) is also provided.

7.2 It is difficult to forecast the amount of effort a licensee will attract as a substantial proportion of NSD's work, as regulator of the nuclear industry, is reactive in that it needs to have flexibility to respond to the change in licensees' programmes for submission of safety cases, to the need to investigate incidents at nuclear sites and to allocate assessment resources to particular issues deemed by NSD as necessary.

## **8. Associated Documents**

8.1 HM Treasury's Fees and Charges Guide

8.2 **G/RES/008 Commissioning and Managing Research and Support**

8.3 **BSS/FPG/008 - NSD Work Recording Procedures**

8.4 **RES/002 - Nuclear Safety Studies Programme: Budget**

## **9. Retention of Documents**

9.1 The Memorandum Trading Account is used to calculate the charges to the licensees and is retained electronically by the Planning, Performance and Finance Unit for 3 years.

9.2 Reports taken from NSD's Work Recording System do not need to be retained on hard copy.

**Flowchart - Charges to Licenses and Memorandum Trading Account (MTA)**

# NSD BMS BSS/FPG/007

## CHARGES TO LICENSEES AND MEMORANDUM TRADING ACCOUNT (MTA)

### RESPONSIBILITIES

Planning, Performance & Finance Unit

Band 5

Band 5

Band 5

Band 4

Band 5

Band 5

Band 5

Band 5

Band 5

Band 4 & 5

Band 5 & 6

### GUIDANCE

- H M Treasury's Fees & Charges Guide
- NSD Guide to Commissioning Technical Support under the NSS Programme (Annexes 5 & 6); and
- SN 50 A Guide to Commissioning Technical Support under the Nuclear Safety Studies Programme

