

Guidance for the handover of ownership of a Site Licence Company between Parent Body Organisations

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Overview

The Nuclear Decommissioning Authority (NDA) competition strategy may result in the transfer of the ownership of a Site Licence Company (SLC), which holds one or more nuclear site Licences, disposal permits or authorisations, from one Parent Body Organisation (PBO) to another.^{Ref1} In this context the change over entails a new PBO taking over the responsibilities of the existing PBO, i.e. ownership of the SLC, to the satisfaction of the Regulators and NDA.

The document provides structure and guidance for a critical phase in this handover between two PBOs which is known as **Transition**. **The handover between two PBOs is a process instigated by, and under the control of NDA. PBO Transition should interface with the SLC's Site Licence obligations, and ensure that the latter are met.**^{Ref2} This document also provides guidance for NDA personnel who perform particular activities which govern the PBO transition process.

The transition process is executed within a number of legal frameworks giving rise to different obligations, including the EU Competition Directive, the UK Companies Act 2006, UK Health Safety and Environment Regulations including the Nuclear Installations and Radioactive Substances Acts and utilises good practice experiences and advice such as the Office of Government Commerce (OGC) guidance on realising the benefit of competition. OGC has recognised the importance of transition management and issued relevant guidance.^{Refs3&4}

Key Principles

- Handover and transition should be an integral part of the overall procurement process.
- PBO handover is a NDA controlled process which must interface with SLC 's Site Licence requirements.
- Only the SLC can make and manage changes to its organisation through the discharge of its Nuclear Site Licence responsibilities. Nothing in this guidance prejudices the requirement for the SLC to comply with its arrangements made under its Nuclear Site Licence, including those for Management of Change, Training & Experience etc. or those to comply with its Disposal Authorisation or Permit.
- The incumbent PBO remains the managing organisation until share transfer is complete.
- There should be limited change to the SLC organisation during transition; the scope is at the discretion of and under control of the SLC but should be the minimum necessary to permit the new PBO to take ownership of the SLC.
- Where possible the PBO secondee handover at the point of share transfer should be on a one for one basis to minimise the management of change workload on the SLC at that point.
- The Regulators should be engaged throughout the process and in particular in respect of the changes proposed to the organisation and senior staff during transition. The statutory requirements of the Regulators have precedence over any requirements of this document.

Outline of the Transition Process

There are four specific change pathways associated with the key principles described above which run throughout the handover process.

- Establishment of the arrangements for the transfer of responsibilities for management, governance and supply of secondees between the PBOs and delivery of this in a manner consistent with the SLC's management of change processes.

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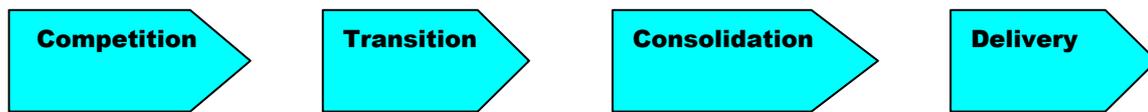
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- Legal transfer of ownership and control process that includes the coming into effect of the Parent Body Agreement (PBA), following a due diligence process, the transfer of the SLC shares and subsequently after further due process the signing of the revised M&O contract by the SLC.
- NDA governance of the transition process providing control of major steps in the transition process including the formal determination of fee to be paid to the outgoing PBO for the SLC's work to the point of share handover.
- Regulatory oversight of the transition and change processes including any permissioning stages.

These pathways are identified as specific key activities or milestones through the overall process of transition.

The NDA philosophy for the overall PBO handover process is to consider a number of distinct sequential phases (see diagram below) with the objective of achieving a successful transition to a new PBO and minimising impact on, change to the SLC during the period when the new PBO is taking over. By introducing hold points in the process the NDA can effect suitable assurance and governance whilst ensuring the continued smooth running of the SLC.



These phases are further described in **Annexe 1** of this guide. **Annexe 2** is primarily guidance to NDA staff on key matters to consider during its governance of the transition stage.

This document is a guide and Competition Managers are expected to adapt it to the Commercial strategy being applied to a particular procurement. Significant deviations from this guidance must be discussed with Regulators. Further detail guidance is provided in the Annexes to this guidance listed below.

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Reference 1.	NDA Guidance note NSG31; The NDA Operating Model.	
Reference 2	NDA Guidance note NSG33; User of the site / Intelligent Client	
Reference 3	http://www.ogc.gov.uk/delivery_lifecycle_managing_transition.asp	
Reference 4	http://www.ogc.gov.uk/delivery_lifecycle-managing_change.asp	

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Annexe 1- The Transition Process

Transition occurs between contract award and change over of PBOs and therefore does not include implementation of any changes proposed to improve performance agreed to on placement of the contract. At the point of handover the new PBO assumes their management role which may be enhanced by a period in which the outgoing PBO continues to provide information and explanation on issues that continue to arise. This will allow the new PBO to consolidate their position and allow operations to proceed unabated. The transition process is illustrated in Figure 1.

The strategy for the handover recognises 4 distinct phases.

Competition: This is the period when NDA executes its work programme to compete the contract for the PBO. In support of this the SLC prepares for the upcoming transition phase (in consultation with Regulators) by producing transition principles for inclusion in the NDA competition data suite. Prospective PBOs will take account of these in transition proposals which they will submit in support of their bid package. On identification of the preferred bidder the SLC will work with that organisation and in consultation with regulators to develop a transition plan which includes any necessary management of change controls in accordance with the SLC's site licence arrangements. The competition phase is closed by NDA's award of a contract (Parent Body Agreement or PBA) to a successful PBO bidder. At this stage the SLC's due process for confirming the plan should be appropriately complete – e.g. signed off internally, but regulatory permission may, by agreement, remain outstanding at this point.

Transition: This is the phase where the successful PBO prepares to take over the SLC. The outgoing PBO's secondees remain in place and in control of the SLC during this phase, and as part of their contract with the NDA co-operate with the incoming PBO to ensure an effective handover. The incoming PBO and its staff have no role in managing the SLC's business or instructing SLC staff in the Transition phase. Following contract award, the incoming PBO mobilises its resources, conducts its due diligence, confirms the work required during the transition phase and ensures its proposed secondees undertake any training required for them to be ready to assume the management of the SLC in a safe, effective and efficient manner at the end of transition. The SLC should implement its agreed Transition Plan.

During this period change within the SLC should be minimised and limited to that necessary to prepare for an orderly transfer of responsibilities on share transfer. Meanwhile the NDA, new PBO and the SLC will work together on the development of a new SLC contract which will reflect the changes required to deliver the outcomes agreed in the PBA between the new PBO and the NDA. Prior to the end of transition the SLC management of change plan must be successfully completed and NDA, Regulators and new PBO must satisfy themselves that support is no longer required from the outgoing PBO. It is expected that the various parties will complete readiness reviews to assess the evidence that supports completion of transition. The end point of transition is where the incoming PBO takes ownership of the shares of the SLC and its secondees assume full management responsibility. This can be via a special meeting of the SLC Board where the new owners/shareholders agree the appointment of a new MD for the SLC. At this point the outgoing PBO relinquishes its role and moves on.

Consolidation: After share transfer, a period of consolidation occurs. This may be quite extended and ends when the proposals captured in the PBA have been reviewed and incorporated in SLC plans following any necessary SLC change processes. However it is NDA's philosophy that there are no significant changes until the new PBO and its SLC secondees have become sufficiently familiar with the SLC's business and processes to ensure that they have an appropriate level of knowledge to take decisions on changes required to deliver the required contract outcomes. Any outstanding

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administration associated with the close out of transition will also be completed. The new PBO will finalise and initiate the change programme required to deliver the benefits agreed in its contract with the NDA. This will take account of the SLC going through any necessary due processes to prepare to deliver any organisational changes and development of a revised Lifetime Plan which reflects the new PBOs bid commitments and delivery philosophy. However it is important that the timing of this is consistent with the SLC's enduring control of the safety, security and environmental basis of the plant's operation in accordance with its obligations as principal User of the nuclear licensed sites.^{Ref1}

Delivery: Whilst significant change is not part of the overall transition process in itself it is important to recognise that during consolidation and delivery there will be an expectation that under the new PBO's guidance and the control of its secondees, the SLC will make the changes necessary to deliver the required benefits. This is considered to be a return to normal business in which the Lifetime Plan is implemented with oversight by the NDA SLC facing team.

Overview of Transition governance. Appendix 1 presents a time line representing the transition strategy. Transition must be managed as part of an overall procurement process since a number of activities are required to be completed before transition can be implemented as described above. It is important to recognise that the chronology of some of the key milestones represented in Appendix 1 and discussed in this guidance represents only one of many available options. However, they serve to identify the strategic linkage of activities in the overall process.

The NDA exercises its own governance over the transition process through the hold points shown in Appendix 1. These reflect the key milestones that are designed to provide assurance that sufficient progress has been made and appropriate levels of performance have been achieved. Based on the completion of reviews and in consultation with the Regulators NDA will determine whether the hold points can be released. Decisions to release hold points or otherwise over must be confirmed in writing under the contract.

A prospective PBO should include a proposal on the management of transition in its tender submission. This should set out how the PBO intends to meet the transition principles provided by the SLC and manage the interface with its due diligence activities. At the appropriate stage the SLC will integrate these proposals into its own plans and identify the associated management of change requirements to produce **The Transition Plan**. The proposal from the incoming PBO will identify the extent and timing of any change they propose. Guidance on content and NDA's assessment of such a document is given in **Annexe 2**.

The SLC is an independent legal entity and must have proper governance throughout this period of change. The SLC's Independent Non-Executive Directors (those NEDs who are independent of the PBO) have an important role to play in this period. While it is the prerogative of the new PBO (working through its SLC Chairman appointee) to shape and populate the Board to meet its needs, NDA expects that, as best practice, the incumbent Independent NEDs should not be changed during the transition or consolidation phases.

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Annexe 2 - NDA's Transition Process Oversight

Overview

The objective of transition is to ensure that the change over of SLC ownership occurs as safely, effectively and efficiently as possible. This guide is intended to assist NDA staff in the assessment of transition proposals submitted by prospective PBOs or transition plans compiled by SLCs. Key sections expected in the plans are listed, together with advice to NDA staff as to how to determine if they have reached an acceptable standard. These activities are provided as a guide but are not limited to those described below.

The requirements for a prospective PBO to produce proposals for transition will be included as part of the requirements placed in the NDA tender document suite via the data room. Proposals must include details of the due diligence and contract development activities in sufficient detail to enable the SLC to develop its transition plan at the appropriate stage. The prospective PBO's submission should include a section on risks and opportunities associated with the plan as a basis for managing the risks during the transition process.

NDA staff should confirm that the prospective PBO's transition proposals submitted as part of its bid package:

- Demonstrates how it will gain a thorough **understanding** of the SLC's business, its culture, performance, and capability both to deliver the identified programme and to accommodate the impending changes and show how this might be managed
- Demonstrates that it understands NDA's Strategy, Strategic Specification, Client Specification and associated documentation.
- Includes a **plan** that effectively and efficiently prepares the new PBO to take over its responsibilities. This should include a communication plan to show how the new PBO would engage with staff and stakeholders.
- Shows how it would **implement** the transition plan through clear and effective **leadership** identifying and providing support where it is needed.
- Shows how it would exercise **control** of its part of the process through application of a governance process which includes risk management, tracking progress and learning from the experience.

Transition Plan Assessment

The following advice is based on the contents of NDA work breakdown category structure in PCP01. Items for inclusion in the plan are listed without narrative unless specific advice is given. The information provided is not exhaustive but rather a guide derived from good practice observed from other organisations experience. However it is possible that not all of the areas are relevant to each competition. Advice is split into 2 broad areas.

- Advice on NDA's governance on the PBO's 'Due Diligence' work which follows the contracting process.
- Advice on governance of the Transition work to enable the new PBO to take over the responsibilities of the incumbent organisation.

Due diligence (normally within 30 days) Whilst a degree of due diligence will have been enacted during the tender preparation phase, a full due diligence exercise is absolutely essential as soon as possible following the contract placement, and the PBO should have prepared to mobilise its resources

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to meet this. Due diligence will require walk downs of the sites to confirm that the SLC, facilities and plans are in line with bid assumptions. Further walkdowns, in conjunction with NDA may be required as part of the completion of the transition plan. On conclusion of its due diligence, the prospective PBO should confirm to NDA its plans for the detail programme of work that will result in the promised outputs from the tender documentation. During this period there should be a programme of work associated with the assessment of the original delivery plans submitted as part of the bid and their revision to reflect any changes identified through the due diligence work. This of course must be tracked through to contract changes as required.

Remedial Actions Where specific gaps in the previously accepted consolidation proposals are identified during the due diligence phase these should have been documented (in the form of a gaps and issues report with appropriate inclusion in the risk register) and presented to the NDA as a matter of priority. The plan for the consolidation phase should address these gaps either directly or in the form of the development of a plan to deliver depending on the priority.

Transition of PBOs This element of the programme relates to the alignment of the new PBO with the SLC both as a matter of management interfaces and secondments from the new PBO into the SLC where this is required. This will include the management of the transition and the transition from the current management systems and processes to those required by the incoming organisation management systems and processes. There must be a strong emphasis on the SLC governance process and how the main board interacts with its new chairman and non executive directors.

EH&S Management In the NDA model the principal responsibility for complying with all environment, health and safety legislation lies with the SLC. The incoming organisation must indicate a comprehensive programme allowing them to evaluate how this is organised. This links very strongly with the organisational element described below. In evaluating successful completion it is essential the incoming organisation fully understand the issue of controlling mind and have organisation and responsibilities that do not adversely impinge on this.

Safeguards and Security Identification of provisions to maintain security for the site including regulatory interfaces with ONR and where appropriate EURATOM. Direct contact with ONR should have been established to understand the demands placed by OCNS on the programme though the SLC can be expected to take the lead. EURATOM is of particular importance due to the presence on site on a regular basis of inspectors that also take up time from management, workers, utilising materials, facilities and equipment on site in the course of their duties. Access rights by these regulators must be properly understood.

Emergency Management Emergency management cover provisions for emergency preparedness and response, fire and rescue services and the Civil Nuclear Constabulary. SLCs have legal obligations to maintain plans to deal with the prevention of and response to crises. The day to day operations and response requirements in the event of an emergency must be fully understood since whilst the responsibility remains with the SLC to respond in accordance with the Site Licence requirements the PBO will also have to engage with the outside world. Adequate integrating arrangements must be in place to manage this and the transition phase will entail the identification and implementation of such requirements. This may entail the execution of emergency exercise(s) to confirm this prior to sign off.

Surveillance and maintenance programmes. Detailed plans should cover the maintenance schedule and discretionary maintenance including asset care and any development work required as an input to a

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revision of the change plan submitted in the enquiry response. This should be consistent with NDA's asset management strategy and PAS-55 performance standard

Quality Management Quality is essential to successful delivery and the transition plan must include a strong element or work to evaluate the systems and issues and develop organisational structure and responsibilities to accommodate the specific need in this area.

System and Process Walk-downs Identified experts from within NDA, PBOs and Regulators (i.e. identified milestone completion signatories), as appropriate, to walk down and validate completion of milestones linked to delivery are performed before presentation for sign off of each of the designated milestones. These walk downs will align with the due diligence work walk downs.

Commercial/Contract It is imperative during the transition phase that due consideration and amendment of the SLC delivery contract is included to allow the incoming PBO to deliver the benefits described in the PBA.

New Construction Projects This work stream is associated with a reconciliation of the ongoing site projects. This will entail appropriate engagement between incoming and outgoing PBOs any sub contractors and associated contracts, regulators, NDA and if required other stakeholders. The engagement by the incoming organisation with each of the respective stakeholder should be reflected in the transition plan.

Commercial Operations This work stream should include elements that identify the major income generating operational plants on site, operational strategy in relation to income optimisation, regulatory requirements, their contracting and sub contracting arrangements and how these plants relate to each other and other plants on site. The focus of the plan will be to gain sufficient understanding to allow effective management to deliver the optimal income whilst maintaining safety, environmental protect and security. This part of the plan should recognise the requirement to manage and store strategic materials, manage and dispose or store wastes (also see waste and nuclear materials) and comply with national security requirements.

Decommissioning and Termination This should identify the specific handover activities associated with this programme of work and as a minimum should reflect the content in this respect of the Lifetime Plan. This work stream is associated with a reconciliation of the ongoing site projects. This will entail appropriate engagement between incoming and outgoing PBOs any sub contractors and associated contracts, regulators, NDA and if required other stakeholders. The engagement by the incoming organisation with each of the respective stakeholders should be reflected in the transition plan. The object is to assist in the alignment of the management responsibilities and allow a development programme to be generated. There will be a large overlap with the Commercial Operations and Waste and Nuclear Materials Management and the programme should reflect such work.

Waste Management Projects This should identify the specific handover activities associated with this programme of work and as a minimum should reflect the content in this respect of the LTP. This should include the transitioning of specific responsibilities such as conditions for acceptance or permits. However in most cases the SLC will lead as it is named as the responsible organisation. Notwithstanding this, assurance that this is the case should be included in the detailed work scope. Direct consultation and or discussions with regulators should feature in this programme of work.

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Waste Disposal The plan should include a programme designed to gain an understanding of the obligations, constraints, licensing requirements and economies associated with the disposal of the various waste types generated whether radiological or non radiological.

Infrastructure The plan should reflect factors including;

- Site access by road, rail and air (e.g. helicopter pads for routine and non routine)
- Roads and rails on site
- Non-contracted services such as steam, water (including treatment), electricity, compressed air, sewage, etc,
- Local services in support of infrastructure maintenance

Lifetime Plan Integration and Development This is a key element of the transition plan in which the incoming organisation must ensure that the lead team can assume their management responsibilities for the whole of the programme that is contracted for. This will include developing the ideas introduced in the tender into a programme that will implement the improvements required.

Contract, Procurement, Supply Chain and Property Management No specific requirements

Research, Technology and Analytical Services No specific requirements

Records Management and Document Control (including electronic files, drawings. Maps, Specifications) No specific requirements

Information Technology No specific requirements

Human Resource/Workforce Transition Organisational structure and mapping of PBO into SLC including the completion of work to comply with Site Licence Condition 36 for the management of change, including engagement with the regulators and their acceptance through sign off of the associated documentation. Particular areas of importance relate to retaining the capability of the workforce in respect of **project and quality management**. As a minimum the standards applied to these areas must comply with NDA's own or define equivalents that meet or exceed these requirements.

- Resource mapping (organisational structure)
- Workforce transition (resourcing and interviewing)
- It essential that employees are engage in a **communications programme** as early as possible and this must be reflected in the transition plan. Though employees may prefer this to be done through organised representatives, there should be an opportunity for direct open discussion.

Unions and Labour Relations Good practice suggests that early work with unions and employee representatives pays dividends in helping to allay fears about the change. In some instances it has been know for incoming PBO to engage with employee representatives during the tender period. This provided an early indication to both parties as to the issues on the sites from their own perspectives and allowed, if necessary any adjustments to be made to the tender to accommodate previously unknown issues. A good transition plan should show early engagement with employee representatives.

Legal The transition plan must highlight specific legal requirements milestones that need to be completed before handover can take place. This must be done through engaging NDA Legal department to ensure that the original transition plan includes the correct work streams and in assessing and signing off completion

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Finance and Accounting The majority of requirements in this area relate to corporate responsibilities couched within the legal section. However finance must provide support in assessing the transition plan and signing off when satisfied that all finance and accounting requirements have been met.

Risk Management

The transition plan submitted must be accompanied by a risk/opportunity register and associated risk management plan to identify key areas of uncertainty.

The risks associated with each procurement will be different and require to be assessed individually. However the hold points designed into the process are designed to act as governance points against which the risk management programme managed by the PBO is assessed. On top of this the oversight management performed by the NDA SLC facing team(s) will provide on going assessment and review of the adequacy of the mitigation plans.

Key generic risks tend to be associated with people issues. Primary in this is people who work at the sites and related to continued capability to deliver services such as pay and welfare which are reflected in the listing above for inclusion in the transition plan. In addition the remaining people risks relate to:

- Completion of transfer of responsibilities to allow management of change processes to be completed for site licensing purposes,
- All other regulatory compliance requirements,
- Retention of capabilities of workforce,
- Communications with stakeholders,
- Transfer of ownership of licenses,
- Transfers or renegotiation of sub contracts,
- Distracting SLC from delivering regulatory and customer compliant work,
- Integration with SLC customer's contracts.
- In addition the risk management plan must recognise the risk to business continuity and allow for the prevention and management of crises that may impact on this.

Other matters

Nuclear and non nuclear permits and licences (transfer mechanisms) PBO should fully understand the issues of licences and permits associated with all site operations including regulatory issues. The transition plan should include reviews of regulatory requirements and meetings with the regulators as a means of being able to properly understand the issues.

Stakeholder Support Work streams identifying an approach to defining an understanding of Regulator Support and Public Affairs/Public Relations (Public Affairs/Public Relations) must be identified.

Communications plans (safety, employee, community, media relations, business communications, transition progress) Good practice indicates that this activity will commence well before start of contract for both the outgoing and incoming organisations. Whilst this may not be reflected in the overall programme for the incoming organisation it should indicate an early and substantive approach to help alleviate the fears of the change. Experience indicates that a much smoother transition is enacted when

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local stakeholders meet and are able to discuss the intent of the new organisation at the tender stage. This can also indicate an organisation with a good appreciation of stakeholder management requirements.

Transition Governance

The key to transition governance is the provision and completion of Transition Item Checklists (or equivalent) which extract the key milestones from the transition plan schedule into a document that can be signed off by the SLC, PBOs and NDA. These completed checklists (or equivalent) will be provided with the transition plan by the SLC incorporating a succession of readiness reviews and hold points as shown in Appendix 1. The purpose of the readiness reviews and hold points is to provide a gate through which the transition process must pass successfully before allowing the process to continue. The responsibility for signing off the checklist within the NDA lies with the SLC facing team. However where checklists require expert opinion and assessment outside this team additional sign off will be required e.g. from Legal, Finance and HR. The key factor which is imperative in this is the completion of the Regulatory management of change requirements. Due to the regulatory requirements for this the signatory must lie only with the SLC. However each requirement in this area may be referred to in the final sign off confirming completion.

Current good practice suggests that the whole process should be managed on a day to day basis through a working group comprising of SLC, PBOs with a weekly update with the SLC facing NDA officer. In addition monthly reviews should be conducted through a steering group at a higher level in the NDA with the same SLC and PBO representatives and SLC facing NDA officer.

The detail around performance based incentives in terms of their content and fee available for the transition phase is a matter for those involved with the development negotiation and signatory of the associated contracts. In addition the provisions of costs to the incoming PBO for work done during the transition phase is a matter for the overall contract negotiation. However there are two overriding principals to be adhered to in respect of fee earning:

The outgoing PBO is contracted to complete transition and receives fee on successful completion and hence appropriate performance objectives should be agreed through the completion of a Performance Agreement Form with a completion date on the change over of PBOs.

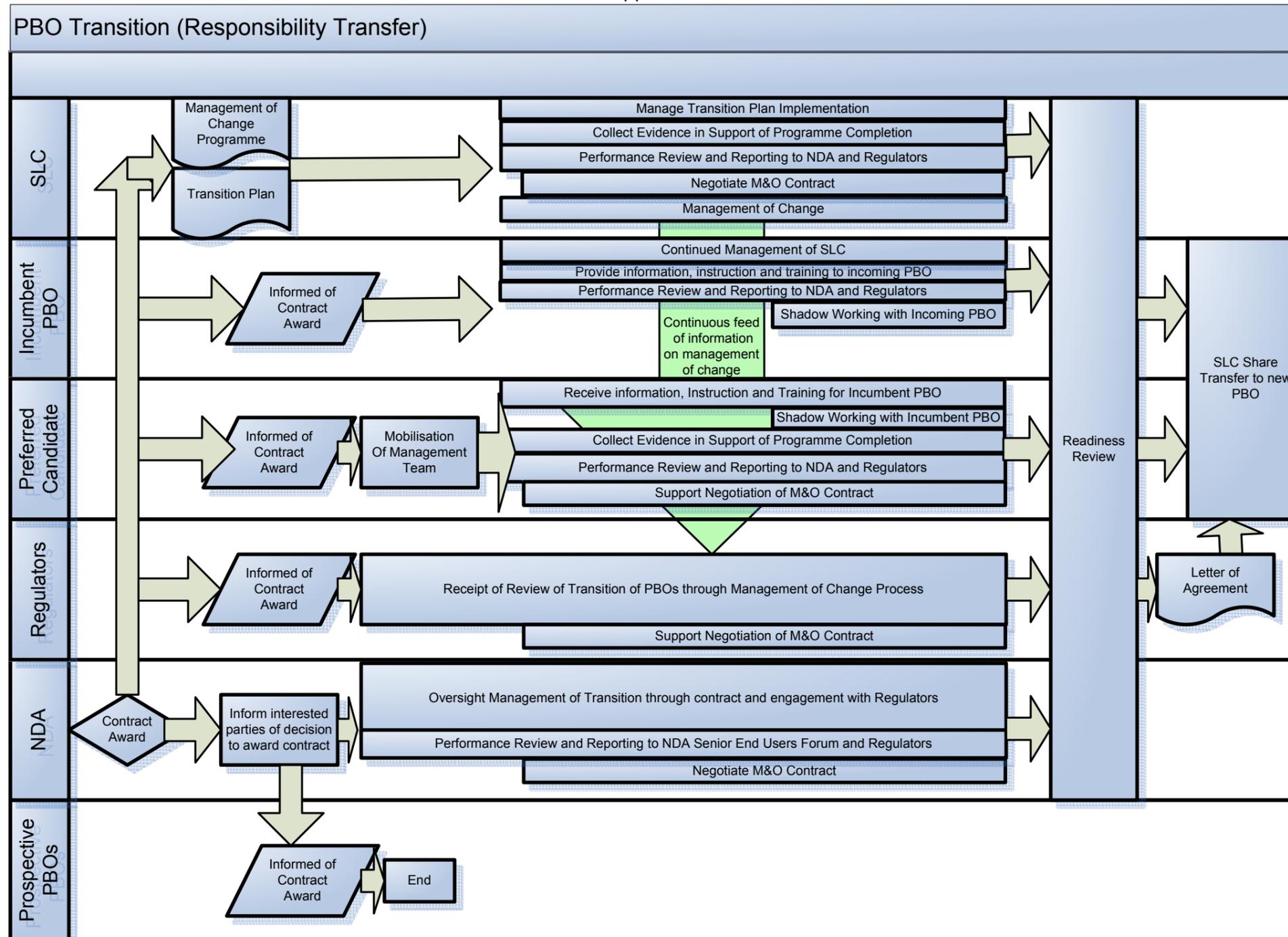
The incoming PBO will receive no incentives (fee) until transition is complete. However in the lead up to completing transition PAFs will be agreed either as amendments to those negotiated prior to contract award or as new PAFs identified through the work done in transition.

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Appendix 3

