



Regulatory directorate financial justification template for goods and services greater than £5,000 inc. TDA/Responsibility/Post Creation/Increase in working hours and other Allowances

The purpose of the financial justification is to provide the authorised signatory with a business justification for procurement of personnel, goods or services greater than £5,000. This will include a good description of what is being purchased, why it is being purchased, how much the item will cost (including VAT where applicable), if it is a budgeted item and that proper procedures are being followed.

No expenditure may be committed without evidence of approval.

Table with 2 columns: Field Name and Value. Fields include Division (Civil Nuclear Security and Safeguards), Divisional Director (Paul Fyfe), Originator / contact (Paul Shanes), and Date (20 July 2020).

Title of requirement

Continuation of existing Market-based Retention Allowance for Band 2 and 3 Nuclear Security Inspectors employed in Cyber Security Roles for a period of 15 months (Jan 2021 – Mar 2022) at a cost of £127,500.

Summary of the requirement and how it is intended to be met (description of goods / services)

Continuation of existing Market-based Retention Allowance (MbRA) of £8,500 per annum non-consolidated and paid pro-rata monthly for 12 x Band 2 and 3 Nuclear Security Inspectors employed in cyber security roles at a cost of £127,500.

The MbRA has proven to increase the financial attractiveness of the recruitment proposition for SQEP cyber staff, minimise likelihood of resignation, and gain as much advance warning of potential resignations as is possible.

The MbRA is currently used to enhance recruitment and is payable to any new cyber security recruits at Band 2 or 3 subject to them having an appropriate qualification and professional membership.

The MbRA will continue to be payable to existing Band 2 and Band 3 nuclear security inspectors employed in cyber security roles. These are:

Band 2 Security Inspectors: [redacted], [redacted] (TDA Band 1)<sup>1</sup>

Band 3 Security Inspectors: [redacted], [redacted], [redacted], [redacted], [redacted]

The payment of the MbRA is subject to individual agreements not to resign in the next 24 months (or exceptionally lesser period agreed by Dir HR and DCI CNSS). If individuals do resign then the monies are repayable. The 15 month extension of MbRA will necessitate new agreements.

<sup>1</sup> 1 x Band 2 Inspector currently on TDA to Band 1 and not in receipt of MbRA. Included for completeness should this employee revert to Band 2 and become eligible for the MbRA.

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## 1. Strategic Case

Please provide a brief description (including timescales) of the initiative and how procurement supports delivery of the ONR strategic objectives and delivery targets. Please detail the benefits, the options considered and the risks incurred by not proceeding.

### Background

ONR delivers regulation of civil nuclear cyber security through the Civil Nuclear Security and Safeguards Division. We currently have 12 security inspectors delivering cyber security regulation; across substantive Bands 2 - 3. Since 2014 (ie in 6-years) we have seen 9 staff resign (one re-joining 2 years later) and 1 leave the organisation due to behavioural concerns. This approximates to a level of churn of over 25% which is significantly greater than the ONR average or our planning assumptions.

As we increased our expectation for the SQEP capability of cyber security inspectors we likewise witnessed a decline in applications from suitable candidates. A number of previous recruitment rounds proved unsuccessful.

The process from resignation of previous staff members to having a capable warranted inspector that can be deployed with minimal supervision takes (optimistically) about 18 months. This does not account for any challenges presented by the increasingly challenging times we find ourselves in as a result of COVID-19 restrictions.

This high level of churn and the timescale to deliver a warranted inspector severely undermines ONR's regulatory capability. During the interregnum that follows any staff resignation, it is normal to have to reallocate regulatory responsibilities (inspections, issues), to reassess regulatory plans, and to take risk against current commitments. There is also a significant burden on other inspectors and dutyholders as staff become familiar with their newly assigned areas of responsibility.

All these factors take time out of the regulatory calendar, create the basis for staff stress due to additional unplanned responsibilities, and disrupt duty holders who have invested in the cyber security inspector's knowledge of their activities.

We experienced this high churn rate for cyber staff in common with all other employers and it was happening because of the recognition of cyber risk in all businesses. The explosion in the use of computers and the internet to support all aspects of Government and industrial capability has been matched by a significant exposure to cyber risk. Accordingly all employers are seeking to strengthen their staff capability in this area and there is an international and domestic shortfall in qualified capable cyber security experts. The size of the gap is often expressed as being in the hundreds of thousands, and significant wages are available to staff that are well-trained and experienced.

We are also working to ensure that we are judged a good employer by trying to maximise work/life balance, offering quality relevant training opportunities, and a supportive management style. We are aiming to maintain a resilient cyber security staff base of about 15 warranted inspectors with a training margin and appropriate support. Our aim is to reduce churn to an optimum rate of about 1 inspector per year.

### Objectives

In order to develop this strong base for cyber security regulatory inspectorate, our objectives to date have been to:

1. increase the financial attractiveness of the recruitment proposition,
2. minimise the number of resignations, and
3. gain as much advance warning of potential resignations as is possible.

Staff left previously for varied reasons but a key factor was the buoyant external jobs market for cyber security experts and the high-wages associated with that market, both within and outside the nuclear sector. The other reason for leaving had been issues with work/life balance, and we have addressed these issues through exercising balanced compassionate/robust management approaches.

Whilst offering pay parity with other employers would increase retention, if targeted only at the cyber security experts within the CNSS division, it could have a detrimental effect on morale across the

rest of the team. Nonetheless financial incentives can address these objectives if used to reduce the likelihood of resignation.

### Current Allowance

With the support of HR, and consultation with Weightmans solicitors, we previously devised a Market-based Retention Allowance that would see Nuclear Security Inspectors currently deployed in SQEP cyber security positions (total of 12 staff) invited to agree not to resign for a 24-month period (exceptionally a shorter period may be agreed by Dir HR and DCI CNS) in return for the allowance.

The MbRA is payable to existing Band 2 and Band 3 Nuclear Security Inspectors employed in cyber security roles. These are:

**Band 2 Security Inspectors:** [REDACTED], [REDACTED] (TDA Band 1)<sup>2</sup>

**Band 3 Security Inspectors:** [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]

If staff were to have resigned within that period, the payment would have to be repaid. Those retained on this basis were issued with a legally binding contract which was signed by both ONR and the individual. This contract covered the arrangement for repayment in the circumstance of an individual accepting the allowance and then subsequently withdrawing and resigning. In the time since the allowance has been available the team have only seen the resignation of 1 member of staff, which was a longstanding and pre-planned personal aspiration for the individual and 1 leave the organisation due to behavioural concerns.

The additional allowance has enabled the successful recruitment of an additional 6 inspectors, all of whom have remained with ONR, alongside the existing inspectorate.

This allowance scheme relies on the impact of the psychological contract of "signing up" for 24 months as research has shown that this acts as a key retention tool so long as the employer holds its side of the deal in terms of challenging and fulfilling role within a pleasant environment.

This approach has shown it meets both of the objectives expressed above, in that we have not seen people hunting for jobs as they would have to repay monies they have already spent, and if people did not accept the offer we would be able to infer that they were seeking an alternate position within the next 24 months.

For this approach to work, the payment had to be significant enough to have value after income tax has been applied. Accordingly having discussed this with HR colleagues we recommended that the value was set at £8,500 but not consolidated; we considered consolidation but concluded that it would be impractical to recover the consolidated element if a staff member were to leave the organisation before the 24 month period expired.

### Potential Options

The allowance has been in place since 1 December 2018 and is due to be reviewed after two years (on 31 December 2020). **In anticipation of the detrimental effect cessation of the allowance could have a number of options have been considered:**

1. **Do Nothing;** allow the allowance to cease wef 1 Dec 2020. This option will result in a return to the previous challenges faced with recruitment and retention, noting that the shortage of cyber SQEP personnel remains across all sectors and staff remain highly sought after. ***This option has therefore been discounted.***
2. **Extend Allowance 'As-Is';** extend the existing allowance for an agreed period of time, for eligible staff without material change to the terms and conditions. Note a new contract will be signed. ***This is the preferred option.***
3. **Amend Allowance;** make any number or combination of changes to the existing allowance which might include:
  - a. **Consolidation;** make the existing £8500 pensionable. This option has previously been discounted due to the challenges associated with any subsequent recovery of the monies. ***This option is therefore discounted.***

<sup>2</sup> 1 x Band 2 Inspector currently on TDA to Band 1 and not in receipt of MbRA. Included for completeness should this employee revert to Band 2 and become eligible for the MbRA.

- b. **Increase the Value;** increase the existing £8500 to take account of changing market factors. Whilst there could be a case to increase the financial amount as resources remain scarce. The current global economic situation counters any proposal to do so. ***This option is therefore discounted.***
  - c. **Remove the Repayment Clause;** this would materially change the nature of the allowance and risk achievement of the intended objectives around future planning and notification should staff consider leaving. ***This option is therefore discounted.***
4. **Amalgamate into Salary;** cease the existing allowance and consolidate into the main pay range for CS&IA Inspectors. ***This option is worthy of future consideration,*** however must be aligned to the timing of the wider ONR Pay and Grading Review which is currently on hold pending the current COVID-19 Pandemic. ***This option is therefore discounted at this time.***

**Preferred Option**

**Option 2: Extend Allowance ‘As-Is’ is the preferred option.** The intention is to extend the existing allowance for an agreed period of time, for eligible staff without material change to the terms and conditions, noting a new contract will be signed by those in receipt of the allowance.

**ONR Pay and Grading Review Alignment**

The ONR Pay and Grading Review conducted on by PwC in October 2019 recommended “*ONR continue to pay this allowance as long as skills are still deemed to be critical to the business following December 2020.*” Clearly with ONR still in the midst of delivering its outcome focused regulatory methodology, the associated up-skilling and increased expectations on dutyholder organisations with regards to cyber security and the imminent release of the next sector-wide Cyber Security Strategy from Government there remains an enduring requirement for SQEP inspectors.

The proposal is to extend the existing allowance for 15 months covering the period of January 2021 to March 2022. This is aimed at alignment with any future intent under the Pay and Grading Review, noting that PwC also highlighted that “*ONR should consider the strategic requirement for this skill set in the longer term...[and]...roll allowance into base pay to closer align ONR to the market for this skill set.*” It is hoped that a 15 month extension will provide certainty for the staff, the wider organisation (noting the objectives of the allowance) and enable time for consideration of PwC’s recommendations aligned with the wider ONR Pay and Grading Review.

Allowance	ONR practice	Market alignment	PwC recommendation	Considerations
Cyber Security allowance	A specialist skills allowance currently being paid to the Cyber Security team until 2020 December as their roles are core to the business during this period.		Specialist skills allowances are fairly common in the market for roles that are crucial to this business. However, they are typically dealt with under one retention policy rather than specific ones for each skill set.  <b>PwC would therefore suggest that ONR continue to pay this allowance as long as skills are still deemed to be critical to the business following December 2020.</b>	ONR should consider the strategic requirement for this skill set in the longer term. If required for the foreseeable future, to be made to roll allowance into base pay to closer align ONR to the market for this skill set. Should ONR cease allowance provision, they should understand the impact on the overall EVP for this population and ensure careful communication to ensure the required level of retention and maintained motivation.

**Figure 1: Extract (Page 17) from ONR Pay and Grading Review: October 2019**

If Request is in relation to TDA/Post Creation/Increase in working hours or other allowances please provide information where applicable aligned to the following points;

- i) Confirmation of expected duration of role (with PL comments on short/long term need of the skills)
- ii) Describe steps undertaken to provide an open opportunity e.g. expression of interest or not (and why not).
- iii) Discussions with individual to consider personal development and talent management as well as resilience for the organisation
- iv) Post filling arrangements (promotion/external advert etc.)
- v) Exit arrangements (so time limited or annual review)

It is expected that this allowance will continue to be paid in future years either as a standalone

allowance or potentially be amalgamated into base pay in order to address expected continued market salary differentials and will be incorporated into future years budgeting.

The payment of the allowance will be kept under review by Dir HR and DCI CNSS as the rate may need to be varied in response to changing market conditions.

## 2. Economic Case

Please detail the full life cost commitment of the procurement (cost of contract over life, cost of running, cost of contract management etc) and evidence (eg return on investment) that it demonstrates a 'Value for Money' solution that meets the strategic objectives. Incremental costs, where clear one-for-one increase; where it is clearer to do so, please show gross costs in table below and articulate relevant savings / efficiencies in the text box which follows.

Item	Description	Price Per Unit	Quantity	Total
1.	Allowance (15 months)	£10,625	12	£127,500
	Total Goods/Services	£10,625	12	£127,500
	VAT	N/A	0	0
	Total Cost	£10,625	12	£127,500

Please also provide details of timing, highlighting any commitment in future financial years. Evidence of a value for money solution that meets the strategic objectives and savings / efficiencies.

Payment of the allowance to be extended for 15 months covering the period of January 2021 to March 2022.

The total cost during this period is £127,500. This is split into £25,500 in FY 20/21 and £102,000 for FY21/22.

It is expected that this allowance will continue to be paid in future years either as a standalone allowance or potentially be amalgamated into base pay in order to address expected continued market salary differentials and will be incorporated into future years budgeting.

The payment of the allowance will be kept under review by Dir HR and DCI CNSS as the rate may need to be varied in response to changing market conditions.

## 3. Commercial Case

Please give details of the proposed commercial route, procurement strategy, and degree of competition (please provide a summary of quotes received) for this requirement. NB single tender initiatives will not be permitted, unless from a current framework. If there is any related party interest or possible (perceived) conflict of interest, it must be recorded here.

N/A

## 4. Financial Case

Please provide confirmation of the availability of the funds and affordability of this requirement.

Is this a budgeted item?

YES

NO

## 5. Contract Management Arrangements

Please provide evidence that practical and effective management plans will be in place to deliver the objectives. (Governance and control arrangements, to ensure delivery against requirements including eg quality and timescale)

N/A


### Approvals


#### 1. Team alignment


If this procurement relates to resources controlled by the following functions, approval from a responsible officer in that function must also be provided as below. Please insert "n/a" where not applicable.

Signature → Print Name: D Caton, HR Director Date: 7/8/20	
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#### 2. Requesting team

I approve this financial justification and wish to proceed to procurement	Responsible Officer - optional
Signature → Print Name: Paul Shanes, PL Cyber Security Date: 20/07/20	

I approve this financial justification and wish to proceed to procurement	Accountable Programme/Corporate director / delegate (band 1 / 2 as appropriate), or Head of Specialism-mandatory
Signature → Print Name: Paul Fyfe, Director CNSS Date: 06/08/20	

I approve this financial justification and wish to proceed to procurement	Accountable Programme/Corporate director / delegate (band 1 / 2 as appropriate), or Head of Specialism-mandatory
Signature Print Name: Mark Foy Date: 7 <sup>th</sup> August 2020	

I approve this financial justification and wish to proceed to procurement	Accountable Directorate Director - mandatory
Signature →  Print Name: Dave Caton, Director HR  Date: DD/MM/YY	