

Annual Report and Accounts

2004/5

for the four months ended 31 March 2005

NDA

Nuclear
Decommissioning
Authority

The Nuclear Decommissioning Authority

Annual Report and Accounts 2004/5

Presented to Parliament pursuant to sections 14 (6), (8) and 26 (10), (11) of The Energy Act 2004.
Laid before the House of Commons 21 July 2005 HC/442
Laid before the Scottish Parliament by the Scottish Ministers 21 July 2005 SE/2005/127
Ordered by the House of Commons to be printed 21 July 2005

‘To deliver a world class programme of safe, cost-effective, accelerated and environmentally responsible decommissioning of the UK’s civil nuclear legacy in an open and transparent manner and with due regard to the socio-economic impacts on our communities.’

The Nuclear Decommissioning Authority

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01

Annual Report and Accounts 2004/5

ISBN 0 10 294361 3

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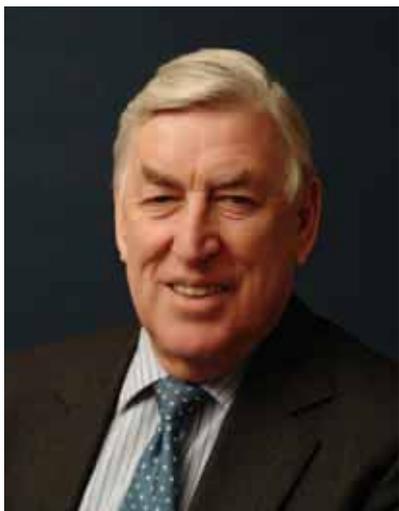
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Chairman's Statement

02



Sir Anthony Cleaver
Chairman

‘ This is the Nuclear Decommissioning Authority’s (NDA’s) first Annual Report and Accounts and covers the four month period up to 31 March 2005. It is an important milestone for the NDA. As an authority that only took on its full functions on 1 April 2005, this report is an ideal opportunity for us to look back and reflect on the reasons for our creation as well as the challenges that lie ahead’.

A handwritten signature in black ink, reading "A. B. Cleaver". The signature is written in a cursive style with a horizontal line under the name.

The NDA's arrival signals perhaps the greatest change in the UK nuclear industry since its formation. It is the first time a single organisation will be responsible for managing the decommissioning process across the country.

The strategy behind this restructuring was very clearly laid out by the Government in the 2002 White Paper: 'Managing the Nuclear Legacy – A Strategy for Action'. The Government firmly believes that the generations who created and benefited from the UK's nuclear legacy should take responsibility for cleaning it up, and not leave the problem for future generations to deal with. Hence the necessity for a body that reports to Government with a specific remit to ensure the safe, responsible and cost effective clean-up of the UK's nuclear legacy.

The legacy itself consists of 20 sites that were previously operated by British Nuclear Fuels plc (BNFL) and the United Kingdom Atomic Energy Authority (UKAEA). Many of these UK sites have reached, or will shortly reach, the end of their active lives and, since most of them have their origins in the 1950s and 60s, they have a long history and represent considerable challenges in clean-up. The current estimate for the cost of the NDA's scope of operations, which we have inherited, is upwards of £50 billion undiscounted, with that programme likely to take over 100 years to complete. Additional investigation may increase this estimate.

Over the next few years, through innovation and the introduction of competition for the contracts to run the sites, I expect the NDA not only to reduce the total cost of cleaning up our nuclear sites, but also to achieve more effective deployment of public funds to speed up the decommissioning process. The NDA will not compromise on safety, security and environmental standards, but will work in consultation with the nuclear industry regulators to determine the arrangements for the management of individual sites.

In July 2004 the Energy Act was given Royal Assent, enabling the NDA to be set up. It outlined a number of important obligations and requirements the NDA must fulfil. Crucially, another of the reasons for the creation of the NDA is to try to break down the image of a nuclear industry that historically has been perceived as secretive, leading to public mistrust and lack of confidence. The Energy Act contains a number of measures to ensure the openness and transparency of the NDA. We have already, I believe, shown important examples of this philosophy in the consultation process for our first Annual Plan.

The Annual Plan outlines the work the NDA aims to take forward in 2005/06 through its contractors. A draft plan was published for consultation in November 2004, and I am pleased to say that we received many helpful suggestions in the consultation process,

many of which were incorporated into the final version, published 1 April 2005.

I believe it is this process of consultation with our stakeholders that is vital to the NDA's success in fulfilling its objectives. The NDA has already run a number of regional events across the country, receiving a lot of positive feedback and useful comment. The NDA is changing the format of stakeholder engagement, with the Local Liaison Committees (LLC) being replaced by Site Stakeholder Groups (SSG) which have a broader remit and a wider membership.

1 April 2005 was an important date, not only for the NDA, but also for the other entities who have been so heavily involved in the nuclear industry for many years. It saw what was probably one of the largest transactions made within British industry in the last 50 years, as civil nuclear legacy assets and liabilities were transferred to the NDA. Contracts were signed with British Nuclear Group, UKAEA and Springfields Fuels Ltd, to manage and operate the sites on the NDA's behalf, and with both Nexia Solutions Ltd and Nirex for other services.

Our two most significant achievements in the reporting period have been the progress we have made in recruitment to establish our fledgling organisation and the creation of the contractual framework which will allow us to take the industry forward.

I want to take this opportunity to thank all those staff who got us to that point by 1 April and all those who worked in the DTI's Liabilities Management Unit (LMU) in preparation for our creation. A tremendous amount of work has had to be done in order for the transfer to take place and begin the process of creating a world centre of excellence in nuclear decommissioning.

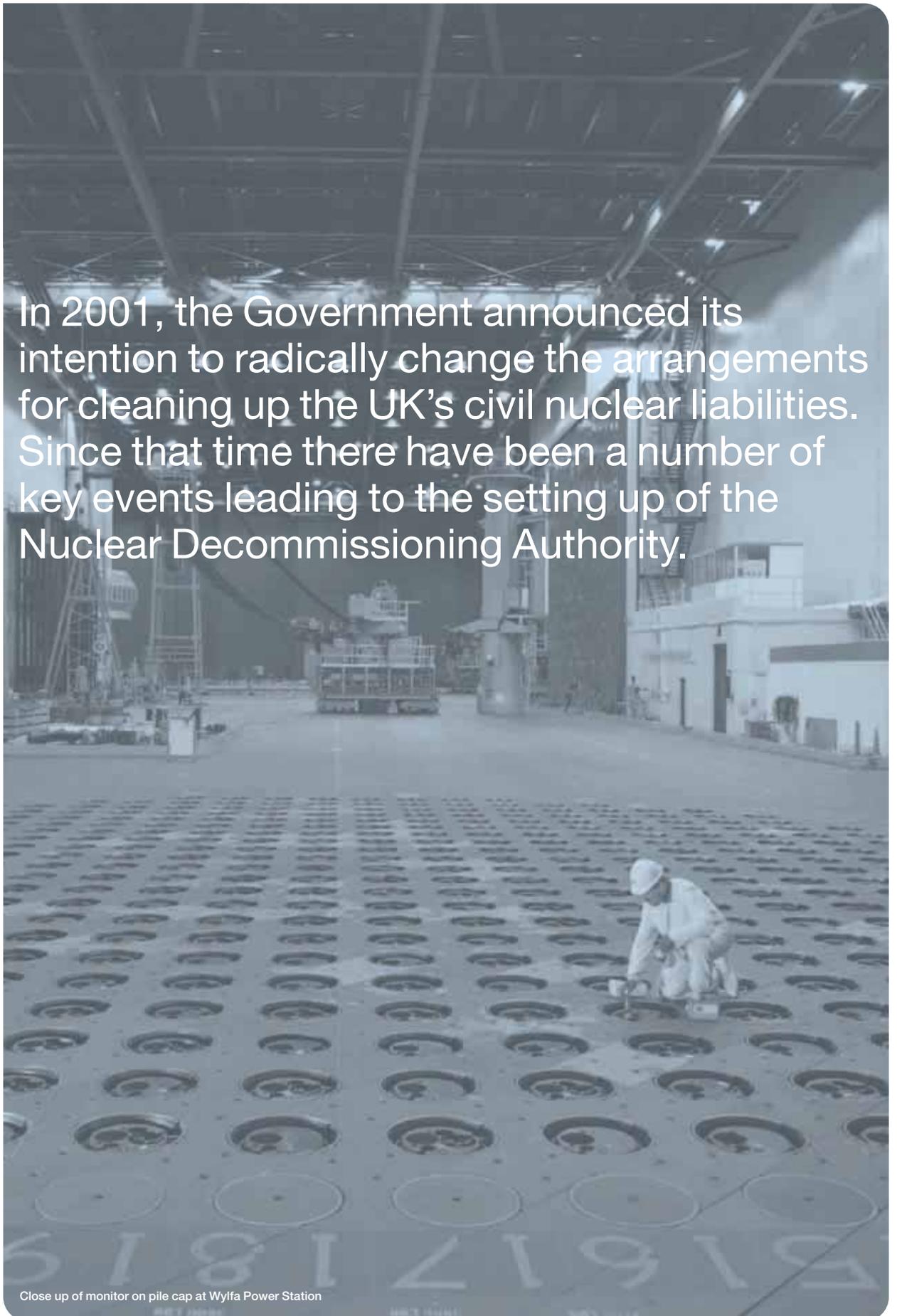
We are just at the beginning, but it is my belief that we are assembling a team with the necessary skills and capabilities to ensure the NDA is successful in its objectives. At the end of June, we had a 90+ strong team that will continue to grow to approximately 210.

The year ahead will also see us looking to complete our headquarters in West Cumbria and continuing to build the NDA through our Regional offices. We will launch our consultation on our Strategy which will set out our views on the tasks and issues we face, including the very important consideration of the socio-economic and skills agendas. We also intend to establish a National Stakeholder Group (NSG) and of course we have a considerable amount of work to do to understand all of the complex issues surrounding Thorp in order to inform the DTI's decision on the plant going forward.

We have much to do in our first full year of operations and we look forward to rising to the challenge.

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In 2001, the Government announced its intention to radically change the arrangements for cleaning up the UK's civil nuclear liabilities. Since that time there have been a number of key events leading to the setting up of the Nuclear Decommissioning Authority.



Close up of monitor on pile cap at Wylfa Power Station

The NDA

White Paper

In July 2002 the White Paper, 'Managing the Nuclear Legacy: A Strategy for Action', was published. It set out the Government's proposals and strategies for improving the way the clean-up of Britain's nuclear sites and facilities is managed. It provided the policy basis for draft legislation and enshrined a commitment to:

- Competition.
- Promoting research and development, skills, socio-economic development.
- Re-structuring of BNFL.
- Pensions and other workforce benefits.

In particular, the White Paper recommended that a new body be established to report to Government with a specific remit for ensuring the safe, responsible and cost effective clean-up of the UK's nuclear legacy.

Energy Act

The NDA came into existence as an executive non departmental public body in July 2004 when the Energy Act received Royal Assent and Sir Anthony Cleaver was appointed Chairman. The Act gave the NDA its legal status and the power to fulfil its responsibilities providing for designations and transfer schemes that would allow the transfer of assets and liabilities from the existing site owners to the NDA on 1 April 2005.

The NDA has a range of specific objectives and targets that are consistent with its functions and duties outlined in the Act. These will form the basis of the measurement and monitoring of the NDA's performance by the Secretary of State, and the Scottish Ministers, where appropriate, and will be in the following key areas:

- Safety, security and environmental performance.
- Progress towards site end points.
- Financial performance.

- Reducing uncertainty in liabilities estimates.
- Openness and transparency.
- Success in Stakeholder engagement.
- Progress in building supply chain capability.
- Performance of contractors.
- Development and maintenance of skills base.
- Maintenance of fit-for-purpose site licensee companies.
- Corporate social responsibilities, including support for local communities.

Under the Act, the NDA must publish documentation that reports on our strategic plans, achievements and financial position every year. Some of these documents will involve significant consultation with our Stakeholders. Policies for such key areas as the environment, employment, health & safety and community are currently being developed to meet today's standards. We would therefore expect to report on our progress in developing policies and strategies concerning these areas in the coming year.

Key documents to be produced are:

The Annual Plan

The first was published on 1 April 2005 and sets out what the NDA intends to do in its first year of operation, in line with our designated responsibilities to address the nuclear legacy. The plan outlines the work that we, through our contractors, aim to take forward on each of our sites. In many cases this will focus exclusively on decommissioning and clean-up.

The Strategy

The Strategy will form the agreed basis for the NDA's detailed planning and provides a framework for monitoring progress against longer term objectives and targets. The first strategy document

will be published in April 2006 and will be revisited **at least** every five years.

The Annual Report and Accounts

The Annual Report details our activities together with the audited accounts for the four month period, which you see here.

Lifecycle Baseline (LCBL)

The LCBL describes the total scope of the activities to be performed in discharging our remit. It also details the scope, schedule and cost to be undertaken on each of the UK civil nuclear sites to bring the site to its defined end state. LCBLs are developed at site level and then rolled up to form the national LCBL. They are developed using the NDA procedures and guidance and around the national work breakdown structure. This allows similar work at all sites to be summarised, thereby allowing analysis of issues on a national basis. The LCBL gives us the ability to perform studies that evaluate the effect of certain changes in assumptions and schedules, providing a powerful tool for analysing options to accelerate work and reduce cost. LCBL 2005/06 is due to be submitted to the NDA at the end of September 2005.

Near Term Work Plan (NTWP)

The NTWP is the first three years of the LCBL, and is developed in greater detail. With a site focus, it serves as the basis for the contracts with the site operators, underpinning the Performance Based Incentives (PBI) by providing the scope, schedule and cost against which they are measured. The NTWP is used by the contractors to track and report progress. This progress is monitored using an earned value system, which quickly allows the contractors to see where performance is behind schedule or over cost. They can then recover from the problem, or else adjust scope where the delays cannot be recovered. All changes to the NTWP are controlled through a

The Legacy

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The UK's current nuclear legacy comprises:

The nuclear sites and facilities operated by UKAEA and BNFL which were developed in the 1940s, 50s and 60s; as well as the wastes, materials and spent fuels they produced.

The Magnox fleet of nuclear power stations designed and built in the 1960s and 70s and operated on the Government's behalf by BNFL; plant and facilities at Sellafield used for the reprocessing of Magnox fuel; and all associated wastes and materials.

Government policy dictates that many of the sites be run down as they are nearing the end of their active lives. The nature of the decommissioning process means these facilities cannot simply be switched off and knocked down. Consequently, tackling this nuclear legacy will be one of the most demanding issues facing the UK over the next century. It will be the NDA's role to help ensure that relevant decommissioning jobs are created in order to complete successful clean-up of these sites.

The technical, environmental and managerial challenges are considerable. Many sites and facilities were not designed with eventual decommissioning in mind. They were built and used at a time when regulatory requirements and operational priorities were very different from those of today.

One of the biggest issues we face is the limited information we have for a number of legacy facilities. The challenge is often not **how** to tackle a particular task but rather deciding **what** exactly has to be done. For instance, some facilities have neither detailed inventories of waste nor records of how the site was used. Some do not have reliable design drawings that can guide the decommissioning process.

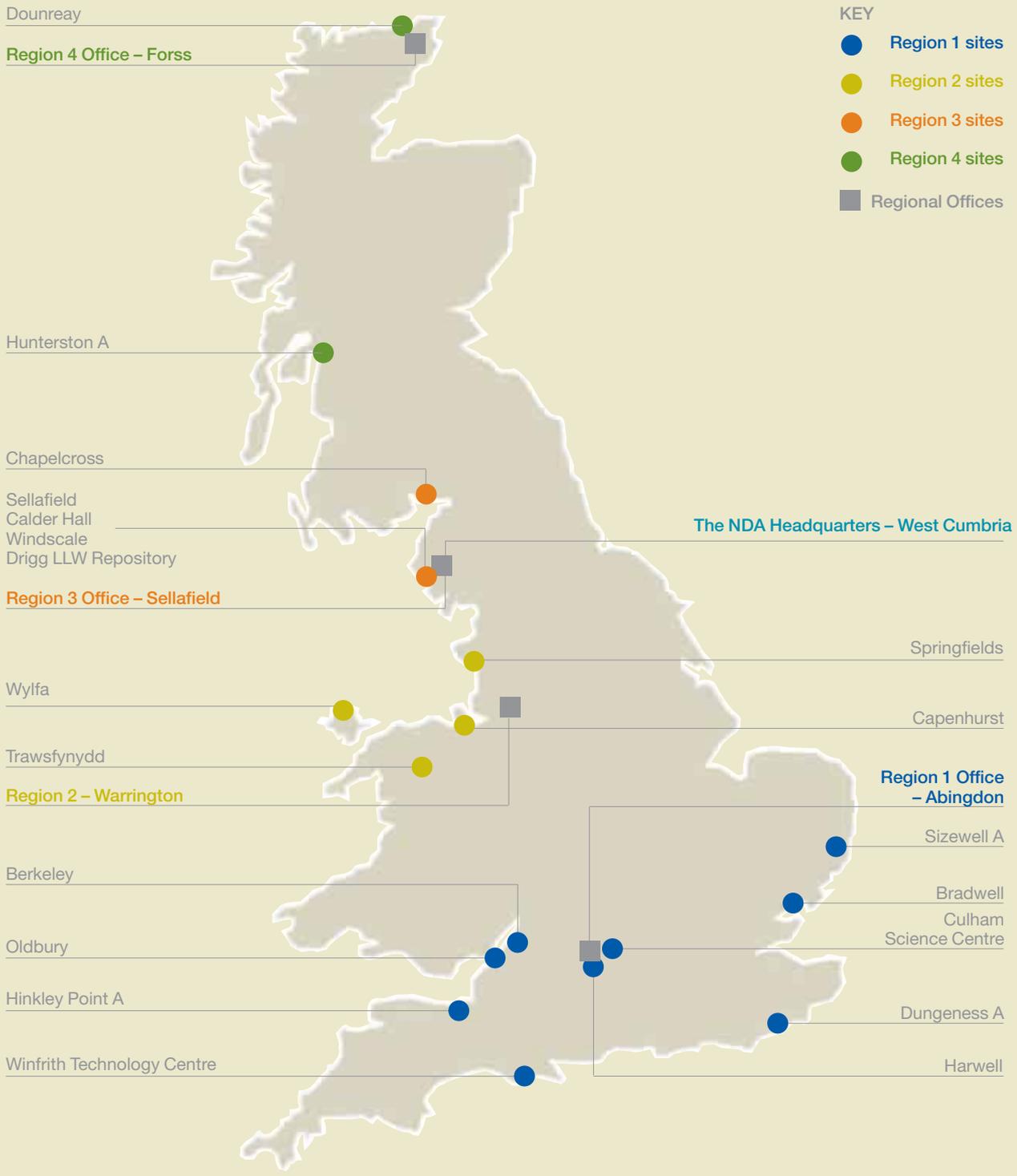
The situation is made even more complex by the variety of plants and facilities involved. Many were one-off projects, built as experiments to test new approaches and ideas.

The decommissioning process is complex, and presents a range of unpredictable challenges. Some of the technical issues will need advances in science and technology. The NDA will also look to approaches that have been

successfully applied in the nuclear industries of other countries. Wherever hazardous materials are involved, there can be no compromise in meeting safety, security and environmental standards. The NDA will work within the strict regulatory framework, ensuring that the nuclear legacy is managed in a way that fully protects workers, the public and the environment.

The UK's civil nuclear liability is distributed around 20 sites in England, Scotland and Wales, ranging from research facilities to power reactors. In total the NDA is responsible for:

- 39 reactors (gas, water and liquid metal cooled)
- 5 fuel reprocessing plants
- 3 fuel fabrication plants
- 1 redundant enrichment plant
- 5 nuclear laboratory complexes



The Legacy

The Sites

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Below is a brief description of each of the sites the NDA is responsible for from 1 April 2005:

Region 1 sites

1. Berkeley Power Station and Laboratories

Location: Gloucestershire (17.4 hectares)

Age: Operated from 1962 – 1989

Licensed to: Being relicensed from BNFL to Magnox Electric plc

Site Details: One of the UK's first nuclear power stations, it also houses laboratory and head office facilities.

Status: *Decommissioning:* Due to enter Care and Maintenance in 2009.

2. Bradwell Power Station

Location: Essex (30 hectares)

Age: Operated from 1962 – 2002

Licensed to: Magnox Electric plc

Status: *Defuelling:* Expected to be completed by end of 2005.

Decommissioning: Bradwell has had its environmental impact assessment for decommissioning (EIAD) approved by the Health and Safety Executive's (HSE) Nuclear Installations Inspectorate (NII) to enable decommissioning to proceed. Some decommissioning work has already started.

3. Culham JET

Location: Oxfordshire (73 hectares)

Age: Operated since 1960

Licensed to: Not applicable

Site Details: The Joint European Torus (JET) is the world's largest fusion research machine. JET is operated by UKAEA under contract to the European Fusion Development Agreement (EFDA) who cover the costs of the operational programme.

Status: *Operating:* Current contract is to the end of 2005. The NDA will take responsibility for the decommissioning programme which is expected to be completed by 2022.

4. Dungeness A

Location: Kent (91 hectares)

Age: Operating since 1965

Licensed to: Magnox Electric plc

Status: *Operating:* Operations will cease at the end of 2006. Defuelling will then take place over the next three years. An EIAD will be produced for approval.

5. Harwell

Location: Oxfordshire (110 hectares)

Age: Operated from 1946-1990

Licensed to: UKAEA

Site Details: Britain's first Atomic Energy Research Establishment with 5 research reactors plus other facilities.

Status: *Decommissioning:* Three reactors have been removed. Two reactors have been defuelled and are being decommissioned. It is expected that decommissioning will be completed by 2025.

6. Hinkley Point A Power Station

Location: Somerset (26 hectares)

Age: Operated from 1965 – 2000

Licensed to: Magnox Electric plc

Status: *Defuelling:* Preparations for care and maintenance. The station has produced an approved EIAD. Preparatory projects have started to enable decommissioning to get underway.

7. Oldbury

Location: Gloucestershire (71 hectares)

Age: Operating since 1967

Licensed to: Magnox Electric plc

Status: *Operating:* Operations will cease at the end of 2008. Defuelling will then take place over the next three years. An approved EIAD will be needed.

8. Sizewell A Power Station

Location: Suffolk (10 hectares)

Age: Operating since 1966

Licensed to: Magnox Electric plc

Status: *Operating:* Operations will cease at the end of 2006. Defuelling will then take place over the next three years. An approved EIAD will be needed.

9. Winfrith

Location: Dorset (88 hectares)

Age: Operating from 1958-1985

Licensed to: UKAEA

Site Details: An experimental reactor research and development site with eight research reactors plus other facilities.

Status: *Decommissioning:* Five reactors have been removed. Three reactors have been defuelled and are in decommissioning. Remaining decommissioning is expected to be completed by 2020.



5. Harwell



8. Sizewell A Power Station



1. Berkeley Power Station and Laboratories



2. Bradwell Power Station



6. Hinkley Point A Power Station



3. Culham JET



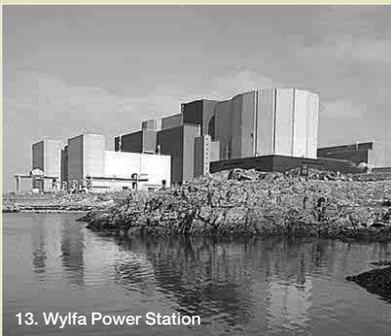
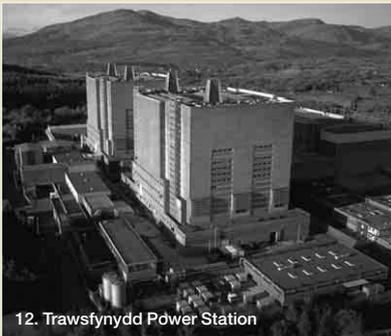
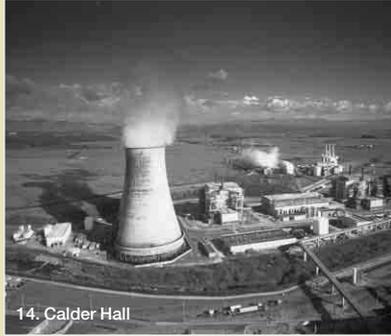
7. Oldbury



9. Winfrith



4. Dungeness A



Region 2 sites

10. Capenhurst

Location: Cheshire (40 hectares)

Age: Operated from 1953 – 1982

Licensed to: BNFL plc

Site details: A uranium enrichment plant and associated facilities

Status: *Decommissioning:* Expected to be completed in 2013. The site will store part of the UK's stock of uranium materials up to 2120.

11. Springfields

Location: Lancashire (60 hectares)

Age: Operated since 1946

Licensed to: Being relicensed from BNFL plc to Springfields Fuels Ltd

Site Details: Manufactures nuclear fuel products for the UK's nuclear power stations and for international customers.

Status: *Commercial operations:* Fuel manufacture to continue until 2023.

Decommissioning: To date, 87 buildings have been fully demolished.

12. Trawsfynydd Power Station

Location: Snowdonia, North Wales (65 hectares)

Age: Operated from 1965 – 1991

Licensed to: Being relicensed from BNFL plc to Magnox Electric plc

Site Details: The only station to be built inland, adjacent to a lake.

Status: *Decommissioning:* All fuel has been removed from the reactors.

13. Wylfa Power Station

Location: Anglesey, North Wales (50 hectares)

Age: Operated since 1971

Licensed to: Magnox Electric plc

Site Details: The last and largest power station of its type to be built in the UK.

Status: *Operating:* Operations will cease in 2010 and defuelling will then take place. An approved EIAD will be needed.

Region 3 sites

14. Calder Hall

Location: Sellafield site, Cumbria (30 hectares)

Age: Operated from 1956 – 2003

Licensed to: BNFL plc

Site Details: The world's first nuclear power station supplying strategic materials to the Ministry of Defence (MoD) and steam to Sellafield.

Status: *Defuelling:* An EIAD is being prepared for approval.

15. Chapelcross

Location: Dumfries, Scotland (92 hectares)

Age: Operated from 1959 – 2004

Licensed to: Being relicensed to Magnox Electric plc from BNFL plc

Site Details: The first nuclear power station in Scotland supplying strategic materials to the MoD and used to test fuel assemblies for later nuclear power stations.

Status: *Entering defuelling stage:* An EIAD will be produced for approval.

16. Low Level Waste Repository at Drigg

Location: Cumbria

Age: Operating since 1959

Licensed to: BNFL plc

Site Details: A national LLW disposal facility.

Status: *Operating:* All LLW is disposed of in containers and placed within engineered concrete vaults. Plutonium contaminated materials are being removed from the site for long-term storage at nearby Sellafield.

17. Sellafield

Location: Cumbria (232 hectares)

Age: Operated since 1947

Licensed to: BNFL plc

Site Details: A large, complex nuclear chemical facility which has supported the nuclear power programme since the 1940s, and has undertaken work for a number of organisations including UKAEA and MoD.

Status: *Commercial operations:* Operations include treatment of fuels removed from

nuclear power stations; Mixed Oxide (MOX) fuel fabrication; and storage of nuclear materials and radioactive wastes.

Decommissioning: There will be particular focus on legacy plants (B30, etc). The recent Thorp incident only serves to highlight the complexity and scale of the challenge the NDA faces as we seek to form a comprehensive and accurate picture of the assets and liabilities we inherited on 1 April and to plan our programme of decommissioning.

18. Windscale

Location: Sellafield site, Cumbria (14 hectares)

Age: Opened in 1947

Licensed to: UKAEA

Site Details: Comprises three reactors, two of which were shutdown in 1957 and the third in 1981.

Status: *Decommissioning:* Expected to continue until 2015 when the two remaining reactors will be placed under Care and Maintenance and conditioned ILW stored on the site in a purpose-built facility.

Region 4 sites

19. Dounreay

Location: Caithness, Scotland (55 hectares)

Age: Operated from 1950s – 1994

Licensed to: UKAEA

Site Details: A research reactor site with three reactors and fuel treatment facilities. Dounreay is our second largest site after Sellafield.

Status: *Defuelling and Decommissioning:*

Focus is on the removal of redundant facilities and treatment of waste for long-term storage, working to put the site into a passively safe condition by 2036.

20. Hunterston A

Location: Ayrshire, Scotland (65 hectares)

Age: Operated from 1964 – 1989

Licensed to: Being relicensed from BNFL plc to Magnox Electric plc.

Status: *Decommissioning:*

All fuel has been removed from the reactors

The Structure of the NDA

Directorates

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The NDA consists of a number of directorates and offices, which cover all the authority's objectives in its remit to clean-up the nuclear legacy.

The structure was being put in place during the four month reporting period and has since continued to develop.

Strategy, Operations, Environment and Human Resources

Director: David Hayes

As described on page 5, the NDA is required by the Energy Act to produce an annual plan on its proposed activities for publication on 1 April every year, together with a longer term strategy at least every five years. The Strategy Directorate is responsible for producing these and consulting publicly on them. The plans and strategy require the government's agreement. The Directorate is also responsible for implementing the NDA's environmental policies (described on page 18), and for carrying out an environmental assessment of its proposed strategy. The NDA's success depends on the quality and motivation of its people. The Human Resources team supports the NDA's strategic plan by providing the structures and training our people need to perform at their best.

Key functions of the department

- Recruiting talented people with appropriate skills and experience and motivating them to achieve their potential through effective performance management, reward strategies and succession planning
- Supporting the creation of an organisational culture in which colleagues can operate with confidence and achieve their full potential
- Developing and managing organisation-wide performance management processes that develop, encourage

- and make excellence possible
- Providing managers with the appropriate skills, tools and processes to be able to manage effectively.

Nuclear Safety and Security

Director: Laurence Williams FR Eng

The NDA is not directly responsible for safety and security at its nuclear sites. This is the responsibility of the Site Licensee Companies under UK Law. However, securing high standards of nuclear safety, industrial health and safety and security is of paramount importance to us. We work closely with the safety and security regulators, and with our contractors to ensure the maintenance of the high standards of nuclear safety and security at our sites.

Key functions of the department

- The Nuclear Safety and Security Directorate is responsible for setting the NDA's health, safety and security requirements to meet its statutory responsibilities and to monitor compliance with these requirements. It is also responsible for the development of policy and strategies in relation to safety and security at the NDA nuclear sites. The key functions of the Directorate are:
- Development and implementation of the NDA's Health, Safety and Security Policy
 - Development of health, safety and security performance indicators
 - Monitoring and reporting on the NDA's contractors' health, safety and security performances
 - Supporting the Programme, Engineering, Commercial and Strategy Directorate on health, safety and security matters
 - Representing the NDA both nationally and internationally on matters relating to safety and security.

Finance and Resources

Director: William Roberts

The Finance and Resources Directorate's role is to support the NDA core values – Value for Money, Transparency and Best Practice.

The Finance and Resources Directorate provides much of the supporting infrastructure of the NDA: the buildings; facilities management; IT infrastructure; Information systems; financial reporting and control; risk management; pensions management; insurance; assurance and performance reporting. The Finance Directorate enables the NDA Board to govern effectively by ensuring the NDA has a robust control framework including best practice finance systems and controls.

The following Best Practice elements are required for effective corporate governance and management of value for money decommissioning:

- Fit for purpose information systems and controls
- Risk management framework
- Stewardship of assets, liabilities, and pensions
- Assurance, including internal audit
- Performance measurement and reporting
- Financial reporting
- Budgeting and forecasting.

The management of substantial public funds imposes a responsibility to have the best possible controls to ensure effective stewardship and value for money. Finance has a vital role to play in supporting the NDA board in discharging that obligation. In particular, monitoring performance against the expenditure limits set by the DTI will be key to the relationship with government.

Part of the NDA income will be derived from commercial activities at sites under our remit while they remain operational. These activities include electricity generation, fuel manufacture, and the

reprocessing and transporting of nuclear materials. Finance will be vital to understanding the performance and financial impact of these businesses and to provide the basis for decision-making. Finance will also be concerned to ensure that the financial implications of contracts are fully understood.

The team are charged with setting up an Industry Wide Pension Scheme to safeguard the pension rights of the thousands of workers in the civil nuclear sector, and with shaping the development of reporting, control and assurance arrangements in the Site Licencee Companies.

Based at Pelham House, the Finance and Resources team includes a Financial Control team, Management Accounting teams for Programme and Commercial, an Internal Audit function, Risk Manager, Pensions Manager, IT team and Facilities team.

Programme

Director: Jim Morse

The largest directorate within the NDA, the Programme directorate manages cost-plus-incentives contracts with BNFL and UKAEA totalling £2.2 billion per year.

Key functions of the department

As the NDA's main contact point with contractors, the department is responsible for managing the contracts (but not the contractors) to achieve safe, compliant operations at all sites. The department will ensure that contracts are efficiently and expediently managed and adhere to the NDA's strategic objectives by:

- Monitoring the progress of contracts against agreed targets
- Providing a clear formal communication channel
- Reviewing and approving change control
- Developing, implementing and tracking Performance Based

Incentives

- Reviewing Life Cycle Base Lines and Near Term Work Plans
- Ensuring NDAs approval of SLC expenditures.

Structure of the department

The Programmes team has a regional structure to ensure that all sites are adequately monitored:

- Four Regional Directors report to the Programme Director
- A Site Programme Manager at each site reports to Regional Directors
- Deployed functional staff (Project Controls, Contracts, Nuclear Safety, Health and Security, and Technical) report to site programme managers.

Engineering

Director: Richard Waite

The Engineering Directorate comprises four units that support the NDA's strategic objectives and serve as the functional home for regional activities conducted under the NDA's matrix management arrangement for project control and engineering.

Key functions of the department

Project Controls Unit

- Providing processes and procedures for NDA project and programme controls
- Developing and maintaining the systems to manage Life Cycle Baselines, Near Term Work Plans and Performance Monitoring at the NDA sites
- Performing 'roll-up' activities at a national level to provide information on the current status of activities on the NDA sites and estimates of liability costs to the NDA management and stakeholders.

Technical and Skills Development Unit

- Identifying technical and strategic issues confronting the NDA and the

sites under its remit, and developing programmes to address these needs

- Co-ordinating the NDA's generic research and development programmes, including collaborating with other government departments and foreign agencies
- Identifying critical skills and capabilities needed by the NDA and working with appropriate bodies to avoid future skills shortages
- Seek to improve decommissioning methods and timescales through the application of novel techniques and technologies.

Waste and Nuclear Materials Strategy Unit

- Developing strategic options to manage the disposal of waste and nuclear materials
- Working with other government departments and regulators to identify strategies for dealing with current and future stocks of these materials
- Engaging with stakeholders to determine the acceptability of the various disposal options under consideration.

Engineering Validation Unit

- Underpinning sanctioning and formal change control processes
- Evaluating contractor proposals for modifications to currently authorised work programmes to ensure they are:
 - robust
 - achievable
 - value for money
 - consistent with the NDA's strategic objectives.

Commercial

Interim Director: David Hayes as of 1 July 2005

The NDA's Commercial Directorate is made up of the Contract and Procurement functions that are responsible for the tender, award and management of the

The Structure of the NDA

Directorates

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procurement of goods and services. These range from Tier 1 Site Management and Operation Contracts (M&O) to placement of purchase orders for internal supplies.

Key functions of the department

The Directorate is divided into three functional groups:

Tier 1 Contract Formation and Internal Procurement

Reporting to the Tier 1 Contract Formation Manager, this group consists of:

- Contract Procurement Teams who are responsible for the development of tender packages for the competition of Tier 1 Contracts and the subsequent formation of ensuing contracts
- Internal Procurement who is responsible for the procurement of supplies and services for NDA internal use.

Tier 1 Contract Management

- The Tier 1 Manager of Contracts is the functional manager for all Site Contract Managers, and, as such, is functionally responsible for hiring, training and coordination of annual performance reviews
- The Site Contract Managers:
 - report operationally to their respective Site Programme Managers
 - are responsible for the commercial management of the Tier 1 Site Management and Operations (M&O) Contracts.

Commercial Revenue Risk Management

- Led by the Commercial Manager, this group consists of commercial contract, commercial risk, and commercial finance managers
- This group oversees commercial revenue generation, upon which the NDA is dependent for a portion of its funding.

Communications

Director: Jon Phillips

The Communications Directorate provides a communications strategy that supports, explains and promotes what we do. This work started long before 1 April 2005. Historically, the nuclear industry has a reputation for secrecy, which is why the NDA is charged with being open and transparent. But it will take more than a policy statement to inspire the trust and confidence of our stakeholders. We must work on the premise that all information we hold can be shared, unless it is specifically prevented under the Freedom of Information Act due to commercial confidentiality or security restrictions. But these exclusions cannot be used as an excuse: reasons for non-disclosure must be given and must be defensible.

The watchwords for the NDA are:

- Trust
- Professionalism
- Authority
- Approachability
- Openness

Key functions of the department

Embedded in the NDA's remit is the need to engage in dialogue with all stakeholders, no matter where they are based or whether they are individuals, interest groups or organisations.

Being an open and transparent organisation means that, in effect, every employee is an ambassador for the NDA. For such an open approach to be successful, communications cannot be viewed as an add-on function to the organisation. Our communications strategy is designed to ensure that stakeholders are aware of our policies and activities and then have the opportunity to influence them. The communications mix includes:

- Media
- Internal communications
- Public affairs
- Stakeholder engagement
- E-communications

Legal

Director: Fiona Hammond

The role of the Legal Directorate is to provide in-house legal services to all NDA functions and act as a liaison with HM Government legal services and external legal advisors as required. The Legal Director also acts as Company Secretary to the NDA.

We act as an intelligent resource and provide direction on corporate governance matters, the requirements of the Energy Act and the activities and responsibilities of an NDPB.

Key functions of the department

- Provide legal support to the commercial directorate regarding procurement procedures, contract formation and contract interpretation and dispute resolution
- Manage all the NDA leases, including new leases and any issues relating to the termination of old leases
- Deal with legal issues pertaining to facilities and portfolio management in co-operation with the Finance and Resources Director
- Work closely with the Programme Director to facilitate management of all contracts on sites around the nation
- Advise the Board of Directors with respect to their obligations, duties and responsibilities as Directors of the NDA
- Analyse and review all intellectual property issues related to the NDA and site licensee operations
- Advise the NDA senior management colleagues on issues surrounding EU directives and regulations with particular emphasis on competitive



Our headquarters are based in Cumbria,
close to the largest single concentration of
nuclear facilities at Sellafield.

Operators remove a redundant uranium storage flask
from the Storage Pond withdrawal bay at Sellafield

The Structure of the NDA

Directorates
Regional Offices

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Decommissioning of Hunterston A

Legacy nuclear sites, facilities and power stations are spread across the length and breadth of the UK. To ensure an even distribution of resources, the NDA has created four geographical regions with an administrative office located in each. Our headquarters are based in Cumbria, close to the largest single concentration of nuclear facilities at Sellafield. In addition, each operator is required to provide the NDA with an office on site that is solely for our use.

The regional teams are the public face of the NDA, as they interface with contractors and sites on a day-to-day basis. They are part of the Programmes directorate, with a manager in each region reporting directly to the

Programmes Director.

Their specific remit includes:

- Ensuring safety, health and environment performance (in full deference to the regulator's role)
- To manage the contract, (looking at scope, schedule and cost) which ultimately means being involved with the following areas:
 - NTWPs, LCBLs, NDA Annual and Strategic Plans.
 - Performance Based Incentives (PBI) – development, negotiation, agreement, oversight, validation and fee payment.
 - Performance against plans and budgets.
 - Contractual matters.
 - Participate in developing strategies.
 - Regulatory relations, site

communications and engagement with stakeholders.

With Lifecycle Baseline 2005 preparations under way, set for delivery at the end of September, Region 1 will have a busy summer supporting and reviewing all the M&O contractors' work, as well as keeping up to speed with general day-to-day matters'.

Region 2 Director, Brian Burnett says:
'With its head office located in Warrington, Region 2 has responsibility for four very diverse sites in terms of location, activities and their position within the lifecycle. As such, this provides a varied number of challenges and presents considerable opportunities for the team, in terms of looking to the future and learning from best practice.

At Capenhurst the site is actively carrying out deplanting and decommissioning, with two distinct critical paths: the completion of the diffusion plant decommissioning and delivery of storage operations to the end of the lifecycle. Together with Springfields the sites share many common issues with respect to the uranic materials and wastes they handle, process, store and dispose of. This presents us with an opportunity to consider a joined up, effective and efficient approach.

At Trawsfynydd the site is currently undertaking preparations for Care & Maintenance (scheduled for 2012) to reduce the remaining on site hazards, process legacy wastes and decommission the site's remaining facilities, leaving only three buildings on site.

Wylfa provides significant opportunities for transition into the defuelling and decommissioning phases as there will be considerable learning, innovations and best practice available from other sites that are ahead of Wylfa in

the lifecycle'.

Region 3 Director, Mark Dixon says:
'The Region 3 team, located at Sellafield, have experienced a positive team-building process and cross-pollination of experience and skill sets in the early phase of regional development. There is much for them to do within a region that has a huge number of diverse tasks.

At the Low Level Waste Repository at Drigg we are formulating a strategy both for sustaining receipt of Low Level waste until the new Vault 9 can be brought into service and for longer-term LLW storage options.

Within Windscale, we are managing the cultural change to complete the transition of the site from a research and development facility to becoming effective at decommissioning and remediation.

Chapelcross and Calder Hall are the only pair which have commonality in both issues and programme. The preparation for fuel removal dominates the workstream for each site, along with demolition of cooling towers and asbestos removal.

Sellafield is a very large and complex site which will employ more than half the Region 3 team. Current pinch points are recovery from the Thorp event, re-aligning Legacy Ponds and Silos strategy, efficiently taking new tasks through the sanctioning process, dealing with change controls and getting into a marching stride with the monthly monitoring cycle'.

Region 4 Director, John Farquhar says:
'Within Region 4's sites – Dounreay and Hunterston – we have some interesting, and stimulating, challenges: Dounreay is a large and complex site (a mini-Sellafield) with some unique challenges, such as fuel particles in the surrounding environment. Hunterston is technically less complex but has taken an innovative approach to the task of achieving safe decommissioning within the next 20 years or so.

The two sites are geographically widely separated and, given the distance between them and their different histories, it should be no surprise that they are also very different in terms of culture. This poses us with both a challenge and an opportunity: we need to apply a tailored approach to the sites that reflects their disparate cultures but we can also see some exciting synergies between them in terms of their approach to technical problems. The key factor is of course, to take advantage of the inter-site synergies without acting as a 'controlling mind'.

Located at Forss, the Region 4 team is still in the process of bedding-in, with three main tasks confronting us:

- The need to familiarise ourselves with the sites and build straightforward and open working relationships with site staff
- The need to design, build and operate our internal systems and processes
- The need to build the NDA team, not only in terms of recruitment but – more importantly – in terms of getting to know, trust and respect each other, as well as understanding our roles and how these fit in with the team, directorate and business objectives'.

Stakeholder Engagement

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The Energy Act 2004 established the NDA as an open and transparent organisation with a duty to engage and consult with stakeholders on all aspects of its work. The NDA definition of stakeholders is 'any individual or organisation that has an interest in the activities of the NDA'. This requires the development of comprehensive arrangements for engagement that would satisfy the diverse requirements of a large number of potential stakeholder groups.

The past year has seen the consolidation of the Department of Trade and Industry's programme of consultation. This formed a key part of the project to set up the NDA. A number of events were held to inform stakeholders of progress and to involve them in a number of areas, including the detailed design of arrangements for the NDA stakeholder engagement. This programme culminated in a series of regional workshops held in autumn 2004 which resulted in the formal publication of a Stakeholder Charter and the detailed arrangements for stakeholder engagement at national and local (near site) level. These events were also used to launch the pre-consultation draft of the first NDA annual plan, and gave participants the opportunity to make preliminary comments on its style and content.

The Charter sets out the high level commitment of the NDA to all stakeholders and defines the nature of the relationship it wishes to cultivate. The Arrangements document defines how site contractors should engage with local stakeholders and sets out the NDA's intentions in respect of the National Stakeholder Group. This will meet for the first time in late 2005. Both these documents have been published on the NDA website.



A reception to mark the launch of the NDA in Cumbria held at Pelham House on 5 April 2005

In November the project team hosted a workshop for representatives of all Local Liaison Committees (LLC) to finalise the arrangements for the NDA Site Stakeholder Groups (SSG) that have now been set up at all sites. These new bodies are independently chaired, meet in public places, have a wider membership and a broader remit to engage stakeholders on local issues concerning the programme for decommissioning the NDA sites. The guidance note issued after that event has similarly been published on the NDA website.

During the last year, a number of workshops have been held with the supply chain to make sure they understand the implications of competition of the sites and are fully prepared to participate in the opportunities arising.

In its first full year of operation, the NDA will further develop relationships with stakeholders throughout the UK and beyond. We appreciate the need to make sure that the new SSG arrangements comply with the issued

guidance and the need for local views to be expressed without restriction. Similarly, the National Stakeholder Group will engage national and international stakeholders in the discussion of issues relating to the NDA's work, including visits to customers as necessary.

Health, Safety, Security and Environment

Excellent performance in health, safety, security and environmental matters, especially the health, safety and security of everyone who works for us, is not only paramount but also a fundamental requirement for the success of the NDA.

Health and Safety Policy Overview

Our goals are simple – no accidents, no harm to people and no damage to the environment.

The NDA's Health, Safety, Security and Environment Policy seeks, by a process of continuous improvement, to achieve and maintain excellence in health, safety, security and environmental performance.

The health and safety of the NDA's employees, contractors and the public, and the protection of the environment is paramount in all that we do. The delivery of excellence in these areas is critical to the delivery of our goal of safe and efficient decommissioning of the UK's nuclear legacy sites and in the success of our commercial activities.

The NDA is committed not only to compliance with the letter of the law relating to health, safety, security and environmental protection, but also to delivery of the spirit of the law, especially in relation to meeting the Government's targets set in respect of HSE's "Revitalising Health and Safety" and the cross-Government initiative "Securing Health Together".

Policy Expectations

In relation to our health, safety, security and environmental protection (HSSE) activities, we will:

- comply fully with all legal requirements and meet or exceed our HSSE Expectations and we will expect all our contractors to do likewise



- provide a secure working environment by protecting ourselves, our assets and our operations against risk of injury, loss or damage resulting from criminal or hostile acts
- ensure that all of the NDA employees, contractors and others are well-informed, well-trained and committed to the HSSE improvement process
- promote a positive HSSE culture within the NDA and its contractors that recognises that no activity is so important that it cannot be done safely, securely and with due regard to the protection of the environment
- regularly review our HSSE policies and procedures to ensure that the processes in place are working effectively
- ensure that line management is accountable for understanding and managing HSSE risks, recognising that all staff have a responsibility for their own safety and that of their colleagues
- participate fully in HSSE hazard identification and risk assessments of all activities that affect our staff
- carry out regular assessments of our HSSE management systems
- regularly report to staff on our own HSSE results
- maintain public confidence in the integrity of our activities that contribute to the delivery of our HSSE policy
- consult widely to improve our understanding of external and internal HSSE issues associated with our activities
- expect all parties working on behalf of the NDA to commit to the NDA's HSSE performance expectations.

Non-Executive Directors

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Sir Anthony Cleaver
Chairman



Nick Baldwin



Professor Roger Scott



Tony Cooper



Dr Lyndon Stanton



David Illingworth



Primrose Stark

Chairman

Sir Anthony Cleaver

Sir Anthony Cleaver became the first Chairman of the NDA in July 2004. He has an extensive knowledge of the UK nuclear sector, having been Chairman of UKAEA from 1993 – 1996. During that time he led the formation and flotation of AEA technology which he chaired from 1996 to 2001. Sir Anthony's other Ministerial appointment is as Chairman of the Medical Research Council, an appointment which he has held since 1998.

Currently President of Business Commitment to the Environment, Sir Anthony has a long-term interest in the environment. For many years he was Chairman of Business in the Environment, a member of the Advisory Panel of the Environmental Change Unit (Oxford), Vice-Chairman of Business in the Community and a member of the British Government Panel on Sustainable Development.

Sir Anthony joined IBM in 1962 and became its Chairman and Chief Executive before retiring in 1994. Sir Anthony has also been Chairman of the Government's Industrial Development Advisory Board and is currently a non executive director of Lockheed Martin (UK), and chairman of several other companies.

Nick Baldwin

Nick Baldwin is a former Chief Executive of Powergen plc, having joined the company in 1989. Since leaving Powergen, he now holds Chairmanships of: Advisory Board, Climate Change Projects Office (DEFRA/DTI) and Worcester Community Housing Board. Nick is also a Non Executive Director of the Forensic Science Service, a member of the DTI Energy Group Advisory Board and an advisor on private equity ventures

in the energy sector.

Nick's early career was with Thames Water and the Central Electricity Generating Board.

Tony Cooper

Tony Cooper is a former senior Trades Union Official with nuclear industry connections and has held a number of public sector non executive roles, including the Forestry Commission and the Postal Services Commission. He is Chairman of the Nuclear Industry Association but will step down from that role in December 2005. He is also a former non executive member of the DTI Strategy Board and the DTI Investment Committee.

David Illingworth

David Illingworth was President of the Institute of Chartered Accountants in England and Wales (ICAEW) from 2003 to 2004, having previously been its Vice President and Deputy President. He qualified with KPMG (formerly Thomson McLintock) becoming a partner in 1975 and leaving in September 2004. In conjunction with his Presidency, he served as Chairman of the CCAB (Consultative Committee of Accounting Bodies), and as Director and Deputy Chair of the FRC (Financial Reporting Council). He was a member of the Takeover Panel from 2003 to 2004.

Professor Roger Scott

Professor Scott has led an academic career, working at the Scottish Universities Research and Reactor Centre which culminated in his being appointed Director and Professor of Nuclear Science. He is a Fellow of the Institute of Physics and of the Royal Society of Edinburgh. His academic research in both pure and applied

nuclear physics and his close involvement with all aspects of the decommissioning of a research reactor have led to in-depth knowledge of the relevant technical, regulatory and waste disposal issues.

He is presently engaged part-time to produce and submit to HSE a case for delicensing the former reactor site at the Scottish Universities Research and Reactor Centre. He has undertaken occasional consultancy work for BAe Systems and Halcrow.

Dr Lyndon Stanton

Dr Stanton's current public appointments include Non Executive Director of the Environment Agency (DEFRA), and Deputy Chairman of the Churches Conservation Trust (DCMS). He spent a number of years with Arco Chemical Europe, where he held various business development and business management roles. He was Arco's President & Chief Executive from 1994 to 1998 and, when the company merged with fellow American firm, Lyondell, he continued as its President & Chief Executive. His early career was with ICI.

Primrose Stark

Primrose Stark served as the Human Resources Director of First Engineering Ltd for eight years, having been part of the successful management Employee Buy Out from British Rail. She also represented Engineering Contractors as a Board Member on the Railway Industry Training Council from 1997 to 2003. She began her career with the Health Service and British Rail, where she held a number of Human Resources and Change Management roles.

Executive Team

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Dr Ian Roxburgh*
Chief Executive

Dr Ian Roxburgh *
Chief Executive

Dr Roxburgh joined the NDA as CEO in September 2004. Coming directly from leading the Coal Authority as CEO, Dr Roxburgh brings to the NDA knowledge and experience both of the energy sector and in safely dealing with its historic legacy.

Prior to working for the Coal Authority, Dr Roxburgh was Managing Director of George Wimpey Strategic Land Management Ltd, a

private sector consortium that specialised in the build of housing developments on former brown field sites. Dr Roxburgh has also worked as a Senior Inspector with The Planning Inspectorate and as a Course Director & Senior Lecturer in Environmental Science at Plymouth Polytechnic.

Dr Roxburgh has written a text book entitled 'Geology of High Level Nuclear Waste Disposal' and has also contributed to the Hydro-geological entries for the New Oxford University Press 'Concise Oxford Dictionary of



Fiona Hammond
Company Secretary and
Director of Legal



David Hayes
Director of Strategy,
Operations, Environment
and Human Resources



Jim Morse*
Programme Director



Jon Philips
Director of
Communications



William Roberts*
Finance and Resources
Director



Richard Waite*
Engineering Director



Laurence Williams
Director of Nuclear Safety
and Security

* indicates Board member.

Fiona Hammond**Company Secretary and Director of Legal**

Fiona Hammond joined the NDA from BAA plc where she was the company's only construction lawyer handling complex, high-risk projects of up to £4 billion in value within what is a highly complex, regulated environment. She played a key role in developing a unique, integrated project management, contracting and underwriting framework for BAA's Heathrow Airport Terminal 5 project which is currently under construction. Fiona is a qualified barrister with 18 years' experience working in commercial and contracting environments. Prior to joining BAA in 1994, she worked as a Senior Legal Advisor with Taylor Woodrow Construction for six years.

David Hayes ****Director of Strategy, Operations, Environment and Human Resources**

David Hayes joined the NDA from the Department of Trade and Industry where he had been at the forefront of the work to establish the NDA and to ensure its readiness for full operation from 1 April 2005. David played a key role in formulating the Government's energy strategy, set out in its 2003 White Paper. He has also been closely involved in nuclear issues, including reviews of BNFL corporate strategy and the privatisation of British Energy. David has wide experience of working in and across government departments, both in London and overseas (Geneva, Washington), as well as in the private sector.

Jim Morse ***Programme Director**

Jim Morse joined the NDA having previously worked for Bechtel on a variety of project management and project director roles. Latterly leading an Alliance Team of 1,200 staff working on the West Coast Mainline for NWRS Modernisation programme. Jim brings to the NDA 25 years' experience in programme and project management having previously worked for Exxon Chemical,

Foster Wheeler Energy and Costain Engineering in a variety of project engineer and project management roles. He has gained significant project and management experience both in the UK and internationally.

Jon Phillips**Director of Communications**

Jon Phillips joined the NDA from airport operator, BAA plc, where he had worked since 1992 in a number of roles, including Community Relations, Media Relations and Public Affairs. In his most recent role as Communications Director at Heathrow, Jon had been involved in building awareness and support for the sustainable growth and physical transformation of the airport, including the flagship Terminal 5 project. Jon spent five years working in consultancy PR before joining BAA.

William Roberts ***Finance and Resources Director**

Bill Roberts joined the NDA from CDC Group plc where he was Director of Finance for their power subsidiary, with responsibility for developing the finance and administration functions to control and administer a multinational power business. Prior to CDC, he spent five years with Eastern Electricity plc in various finance and business development positions, including Vice President of Finance with TXU Europe where he served on the Board of their Continental European business, based in Geneva. From beginning his career working for the privatisation team for British Railways, Bill has 12 years' experience shaping large heavy infrastructure enterprises in both the public and private sectors.

Richard Waite ***Engineering Director**

Richard Waite joined the NDA from BAE systems where he was the Land Systems Business Improvement Director having responsibility for Project Management and

Engineering across a diverse range of defence business areas. He was also Programmes Director in the company's RO Defence business, responsible for the delivery of a large land weapons systems order book to time, cost and specification targets. Richard joined the defence industry in 1998 as Prime Contracts Director for GEC Marine and prior to his defence career, spent 18 years in the nuclear industry.

Laurence Williams FR Eng**Directory of Nuclear Safety and Security**

Laurence Williams joined the NDA as Nuclear Safety and Security Director after seven years as Her Majesty's Chief Inspector of Nuclear Installations and Director of the Health and Safety Executive's Nuclear Safety Directorate. Prior to this role, Laurence led a review into HSE's regulation of safety in nuclear and offshore oil industries and was subsequently appointed Head of a new Nuclear and Hazardous industry Policy Division at the Executive. He is an advisor to the European Bank for Reconstruction and Development on nuclear safety matters in Eastern Europe. He is a member of the Bank's Safety Review Group, and the Chernobyl Sarcophagus International Advisory Group. He chairs a committee on the cleanup of nuclear submarines in North West Russia. Laurence has nearly 35 years of experience relating to the design and operation of nuclear power stations and the regulation of the nuclear industry. Laurence also has considerable international nuclear safety experience.

* indicates Board member.

** currently also serving as Interim Commercial Director

Regional Directors

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Peter Brazier
Director of Region 1



Brian Burnett
Director of Region 2



Mark Dixon
Director of Region 3



John Farquhar
Director of Region 4

Peter Brazier**Director of Region 1**

Peter joined the NDA having led the management of the decommissioning department at WS Atkins, followed by a similar position at Advantage Business Group working with UKAEA, Fluor Inc, and the Ministry of Defence on a variety of decommissioning and waste management projects. Peter has 25 years of experience in the nuclear industry, both nuclear and civilian. From qualifying on Pressurised Water Reactors as a submariner in the Royal Navy he moved to Canada to work for General Electric and Atomic Energy of Canada (AECL) in a variety of roles from reactor design fuel channel design to new and spent fuel handling systems for the CANDU3 reactor. From this he became Manager of Decommissioning at Chalk River Nuclear Research site.

Brian Burnett**Director of Region 2**

Brian Burnett joined the NDA after spending six months on secondment in Canada engaged in business development in the nuclear sector. Over the past 25 years, Brian has held a variety of project management, project controls and business/commercial management positions, both in the civil nuclear and defence Industries which has meant him becoming familiar with many UK sites. He has been responsible for a wide range of business and business development roles in the UK decommissioning market. Brian joined the nuclear industry in a technical role, before moving into project management work on the new AGR build programme for Heysham 2 and Torness.

Mark Dixon**Director of Region 3**

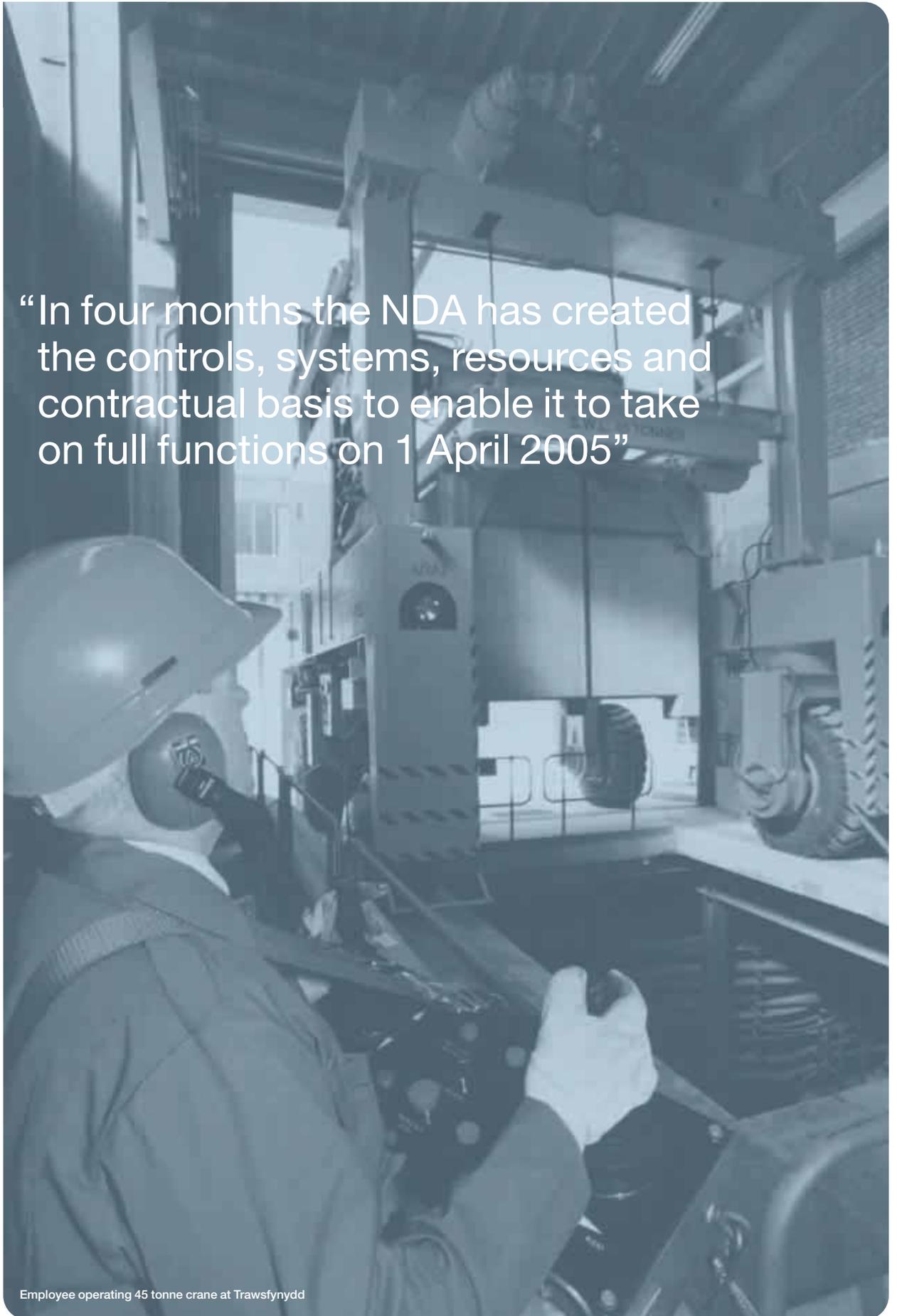
Mark Dixon joined the NDA having previously worked in various roles within the shipbuilding industry including commissioning, production management, design strategy, product development, reactor building and engineering. These roles were carried out on frigates, offshore patrol vessels, oil tankers, landing force platforms and landing craft for the Ministry of Defence as well as conventional and nuclear submarines. Mark also worked for the UKAEA and the adjacent Submarine Test Establishment to commission the PWR2 Reactor Plant, after serving an apprenticeship with BNFL plc at Sellafield.

John Farquhar**Director of Region 4**

John Farquhar joined the NDA from RWE Nukem Ltd where he managed Southern Sites Health Physics teams. John began his career with Ferranti Defence Systems Ltd in Edinburgh, where work included running a test facility for flight electronics and satellite equipment such as inertial guidance systems. In 1990 John joined UKAEA in Dounreay where he began as an operations supervisor. Two years later he became the project engineer for all the sodium test rigs at the site and went on to manage decommissioning projects at Dounreay, transferring to Harwell in 1994. His roles during 10 years at Harwell included project manager, proposal manager, and consultant in alkali metal disposal.

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“In four months the NDA has created the controls, systems, resources and contractual basis to enable it to take on full functions on 1 April 2005”



Employee operating 45 tonne crane at Trawsfynydd

Operating and Financial Review

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From 1 December 2004 the NDA started to operate in 'shadow' form and began to manage its own operations as a separate entity distinct from the DTI. I was appointed Accounting Officer from 1 December 2004 and the DTI made funding available of £14 million for the four months to 31 March 2005.

In this four month period, the NDA concentrated on its institutional development: establishing the Annual Plan, financial reporting and control systems, including IT systems, offices and other facilities; implementing corporate governance arrangements, planning the transition to new contractual arrangements for site management; recruiting the NDA Executives and staff; and developing key policies and procedures.

On 1 April 2005 the NDA was ready to take on full functions, having achieved the following objectives by end March 2005

1. to have put in place a financial control system, and to have agreed a corporate governance framework with the DTI – sufficiently robust to allow the NDA to 'go-live' on 1 April 2005.
2. to have negotiated and made ready for signing contracts with British Nuclear Group, Westinghouse and UKAEA which:
 - Establish clarity about the clean-up programme
 - Ensure appropriate arrangements are in place for managing commercial income.
3. to have recruited sufficient numbers of appropriately qualified staff, including key director posts, to permit the NDA to 'go-live' on 1 April 2005.

During the four month period, the NDA spent £11.4 million of the available funding on creating the necessary processes and infrastructure. The NDA did not use the whole of the £14 million of funding available in 2004/5, but will incur the remaining £2.6 million in 2005/6.

During the period the NDA established a headquarters office at Pelham House in Calderbridge in Cumbria, for up to 142 staff, and with catering and IT facilities to support its operations. In addition, four regional offices have been established, at Warrington, Forss, Abingdon and Sellafield, and twenty site offices. All of these are connected to the NDA's IT and communications infrastructure and were opened in April 2005.

By the end of March 2005, the NDA had 75 permanent employees and 37 contract staff. In particular the NDA has successfully staffed the site teams in each region and we now have staff engaged at each of the sites. All of the non executive director and key director posts had been filled, and the NDA had established a Board, supported by Audit and Remuneration Committees, with sufficient policy and procedure in place to meet the corporate governance objective. A keystone of the governance arrangements is the agreement of the Management Statement and Financial Memorandum with the DTI, which sets out our duties and responsibilities as well as levels of delegated authorities of the NDA.

The NDA has established a financial reporting and control framework for its own income and costs, and has also created a framework for reporting and controlling the estimated £2.2 billion per annum expenditure. One of the challenges was adapting the financial reporting processes in the SLCs to provide resource based financial data;

data that is strictly necessary for the disbursement process to operate effectively. Working closely with British Nuclear Group, Westinghouse and UKAEA, the NDA has made significant efforts in progressing the reporting and disbursement systems. Both British Nuclear Group and UKAEA have undergone a significant restructuring of their systems base.

Whilst providing the systems infrastructure represents a number of significant achievements, the key element to ensure that the NDA was able to take on full functions after 1 April 2005 was the negotiation and agreement with British Nuclear Group, Westinghouse and UKAEA on the contractual basis for funding the nuclear clean-up programme and the contractual basis for the operation of commercial activities of fuel manufacture, reprocessing and power generation.

The negotiations with British Nuclear Group, Westinghouse, and UKAEA for the Tier 1 M&O Contracts were brought to a close during this period.

During these negotiations, the Regulatory Community were kept apprised of progress, including the contract terms and conditions as finally developed and negotiated. Prior to signature of the Tier 1 M&O contracts, the Regulators reviewed the contracts on a line by line basis. As a condition to the NDA's signing the Tier 1 Contracts, there was also significant interface with the Nuclear Installations Inspectorate (NII) regarding Nuclear Site License Condition 3 (LC-3) for the British Nuclear Group sites. LC-3 requires NII approval for any leases to third parties resident on a nuclear installation, e.g. Nexia Solutions. It was agreed that the NDA would enter into these leases; the leases were reviewed and approved by NII, with signature of these leases on 31 March 2005.

Operating and Financial Review

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On 31 March 2005, the following documents were signed by the NDA:

Tier 1 M&O Contracts with British Nuclear Group Sellafield Ltd for Sellafield and Calder Hall, Drigg, and Capenhurst. The Sellafield and Calder Hall contracts were combined into one contract due to the configuration of the nuclear site license for Sellafield, although each site will be managed separately.

Parent Company Agreements with British Nuclear Group and British Nuclear Group Sellafield Ltd. for Sellafield and Calder Hall, Drigg, and Capenhurst.

Contract with Springfields Fuels Limited for the Springfields site.

Parent Company Agreement for Springfields with Westinghouse UK Ltd.

Contracts with Magnox Electric Ltd for Chapelcross, Bradwell, Berkeley, Hinkley Point A, Hunterston A.

Parent Company Agreements with British Nuclear Group and Magnox Electric Ltd for Chapelcross, Bradwell, Berkeley, Hinkley Point A, and Hunterston A.

Contract with Magnox Electric Ltd and ESTL for the Magnox Operating Sites (Oldbury, Wylfa, Dungeness A, and Sizewell A), including the "notional" site of Electricity Sales and Trading Limited (ESTL).

Parent Company Agreement with British Nuclear Group and Magnox Electric Ltd for Oldbury, Wylfa, Dungeness A, and Sizewell A.

Contract with UKAEA for their sites (Dounreay, Harwell, Winfrith, Windscale, and the JET Fusion Decommissioning Studies at Culham), with each site being managed separately.

Contract with Nexia Solutions for certain research and development activities.

Contract with Nirex for advisory services on waste packaging.

Contract with BNFL for provision of Security and Non-Proliferation Services to other UK government entities. This is a one year contract only.

Having the contractual relationships in place for the NDA to deliver its primary objective of decommissioning and clean-up of the designated UK nuclear sites was a most significant milestone achievement.

The NDA, following substantial consultation between November 2004 and February 2005, produced its first Annual Plan. The Annual Plan outlines the work the NDA aims to take forward in 2005/6 through its contractors – British Nuclear Group, Westinghouse and UKAEA. It focuses on decommissioning and clean-up and operational activities at the 20 civil public sector nuclear sites that the NDA became responsible for on 1 April 2005. The Annual Plan sets out how the NDA intends to spend the £2.2 billion budget it will receive during 2005/6 as a result of the Government's 2004 Comprehensive Spending Review process.

On 20 April 2005, British Nuclear Group reported to the NDA that a pipe had failed in one of the heavily shielded cells, known as the feed clarification cell in the Thorp Head End plant at Sellafield. This incident resulted in a quantity of dissolved nuclear fuel being released into a sealed, contained area and consequently the temporary closure of the Thorp facility.

The NDA took immediate steps to seek reassurance that there was no safety risk to staff or the environment. By mid-June the escaped liquor had been safely recovered, and the NDA is now evaluating British Nuclear Group proposals for recovery of the plant, and the associated safety, operational and financial implications of the incident. Further work is needed to gain a detailed understanding of the financial implications both of any repairs work and also any lost income.

Financial results

The total expenditure in the four months comprised £5.5 million staff costs, including interim staff, £3.8 million of other administrative costs, these comprised bought in goods and services, consultancy, depreciation, rental, leases and other administrative costs; and fixed assets of £2.1 million, a total of £11.4 million. The grants received in cash during the period were £5.0 million resource and £1.2 million capital, a total of £6.2 million. There is a difference between the total expenditure and the total grant, as grant cannot be claimed in advance of need. The NDA ends the four month period with debtors of £1.2 million, creditors of £6.7 million, cash at bank of £0.7 million and a net liability of £1.7 million.

This net liability arises as a consequence of the NDA being wholly grant funded for the four month period, and, due to parliamentary control over expenditure, such grant may not be issued in advance of need. Grant for expenditure incurred in 2004/5 has been claimed in 2005/6. The DTI, though the Energy Directorate has provided an assurance of their financial support for the deficit.

The NDA owes its establishment to a wide range of individuals and advisors, all of whom have worked with remarkable dedication and professionalism, over many years in some cases, to ensure its successful launch on 1 April 2005. My grateful thanks are due to them all and I very much look forward to repaying their commitment by working effectively with all of my staff, our contractors and other stakeholders to deliver safe, effective, value for money decommissioning in an open and transparent manner as envisaged in the White Paper of July 2002 'Managing the Nuclear Legacy'.

Dr Ian Roxburgh

Foreword to the Accounts

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These accounts have been prepared in a form directed by the Secretary of State for Trade and Industry with the approval of the Treasury in accordance with section 26 of the Energy Act 2004. These accounts, for the period 1 December 2004 to 31 March 2005, are the first statutory accounts to be produced by the NDA.

Brief history of the Nuclear Decommissioning Authority

The NDA is classified as an Executive Non-Departmental Public Body (NDPB). It is also designated under Section 88 of the Scotland Act 1998 as a Cross Border Public Authority. For national accounts purposes the NDA is classified to the central government sector.

From 1 December 2004 the NDA started to operate in 'shadow' form and began to manage its own operations as a separate entity distinct from the DTI. An Accounting Officer was appointed from 1 December 2004 and the DTI made £14 million of grant-in-aid funding available for the four months to 31 March 2005. Prior to 1 December 2004, costs associated with the creation of the NDA were the responsibility of the DTI.

The NDA was created with the prime objective of overseeing and monitoring the decommissioning and clean-up of the UK's civil nuclear legacy. During the four month period, the NDA was managing its operations in preparation for taking on the full functions assigned to it under the Energy Act as from 1 April 2005.

Accounting Officer

Dr Ian Roxburgh was appointed Accounting Officer from 1 December 2004.

Board of Directors

The following directors served during the four months ended 31 March 2005, and their responsibilities were:-

		Appointed
Sir Anthony Cleaver	Non executive Chairman	27/07/04
Dr Ian Roxburgh	Chief Executive	10/09/04
Primrose Stark	Non executive director	29/10/04
Dr Lyndon Stanton	Non executive director	29/10/04
Tony Cooper	Non executive director	29/10/04
David Illingworth	Non executive director	29/10/04
Nick Baldwin	Non executive director	29/10/04
Professor Roger Scott	Non executive director	29/10/04
William Roberts	Finance Director	17/01/05
Peter Graham	Commercial Director	31/01/05
James Morse	Programme Director	21/03/05

Richard Waite joined the Board during April 2005 as Engineering Director.

Peter Graham resigned 30 June 2005.

Directors' Interests

No directors have an interest which conflicts with their duty as a Director of the NDA.

Directors of the NDA must declare any personal, private or commercial interests. A register of such declared interests is maintained by the NDA.

Locations

The NDA's headquarters is located at Calderbridge in Cumbria. Regional staff operate from offices in Sellafield, Warrington, Forss, Abingdon, and a Chairman's office is maintained in London.

External Auditors

The NDA's accounts are audited by the Comptroller and Auditor General (C&AG), who was appointed under the Energy Act 2004. The services provided by the C&AG's staff of the National Audit Office related only to statutory audit work, and the audit fee was £47,000.

Equal Opportunities

The NDA aims to promote and implement equality of opportunity through its policy and practices.

This policy covers all aspects of employment and training to conditions of service.

Regular reviews and monitoring of equal opportunities data will be undertaken to ensure compliance with current policy.

Foreword to the Accounts

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Learning and development

A comprehensive learning and development programme continues to be rolled out at individual, team and organisational level to meet the needs of the business.

Staff Consultation Group

Employee involvement is critical to the success of the business and to this end a Staff Consultation Group will be set up to discuss management and policy matters between staff and management.

The number of full time equivalent employees during the four months ended 31 March 2005 averaged 37, and as at that date totalled 75.

Summary of results for the period

The NDA was allocated by DTI grant-in-aid funding of up to £14.0 million for the four months ended March 2005, and only £6.2 million was drawn down, although the total spend was £11.4 million. The savings resulted from slower than expected recruitment of staff and occupation of regional premises, and delayed implementation of IT systems. The deficit for the period amounted to £4.2 million.

Transfers to and from Reserves are detailed in note 13 to the accounts on page 46.

Changes in fixed assets during the period

The changes in fixed assets are reported in notes 8 and 9 to the accounts on page 45.

Future Developments

The NDA will continue to develop its policies and procedures to ensure that it is able to fulfil its objectives under the Energy Act 2004 in a cost effective and efficient manner.

One of the primary objectives of the NDA is to encourage a competitive market to ensure value for money in the management of the UK civil nuclear clean up. In order to meet this objective the NDA will develop processes and systems for the effective tendering of clean up contracts.

ISO 9001 and Investors in People

We plan to be in a position to apply for ISO 9001 accreditation by 31 March 2006. The NDA recognises the benefits of operating a quality management system which provides far more than recognised accreditation. The NDA management system will deliver effective management and control of business performance; it will deliver business objectives via the integration of people and processes with a focus on the needs of customers and

stakeholders. This challenge in the first year of the NDA will not be an easy one, but with the input of every member of the organisation a successful outcome will bring substantial benefits for both the NDA and for its stakeholders.

The NDA recognises that its people are its key asset and with the right support and development it will maximise the benefits to be gained from a capable and effective team. With this in mind we plan to be in a position to apply for Investors in People (IIP) accreditation by 31 March 2006. IIP will ensure the NDA focuses on its people and provides the right environment to drive the business forward.

Post Balance Sheet events

With effect from 1 April 2005 the NDA became fully engaged with its core objective of overseeing and monitoring the decommissioning and clean-up of the UK's civil nuclear legacy, in accordance with the requirements of the Energy Act 2004. Refer to note 20 on page 47 for fuller details.

Better payment practice

The NDA is working towards compliance with the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. 52% by value, and 42% by volume, of suppliers' invoices in the period were paid within 30 days of the invoice date.

Charitable and political donations

No charitable or political donations were made during the period.

Research and development

There was no research and development during the period.

Going concern

The accounts show net liabilities of £1.7 million as at 31 March 2005. This arises from creditors funding one month's bought in cost while grant- in-aid is credited to income on a cash basis. Payment of the creditors outstanding at 31 March 2005 has been funded from grant-in-aid from DTI.

A full explanation of the adoption of a going concern basis appears in the Accounting Policies.

Dr Ian Roxburgh
Accounting Officer
12 July 2005

Corporate Governance

Best Practice

The NDA, as a Non Departmental Public Body, operates in accordance with the provisions of the Energy Act 2004 and Cabinet Office guidelines for NDPBs. It also seeks to apply, where appropriate, best practice in corporate governance as represented by the revised Combined Code on Corporate Governance.

The Board

Responsibility for ensuring that high standards of corporate governance are observed at all times within the NDA rests with the Board of Directors. In particular, they are responsible for ensuring the maintenance of a control framework in which they can obtain assurance that risk is properly assessed and managed, appropriate internal controls are in force and complied with and business performance is properly monitored.

The Board sets out the strategic framework and direction within which the NDA operates. The Secretary of State for the Department of Trade and Industry in consultation with the Scottish Ministers appoints the Chairman of the Board.

Matters reserved to the Board include:

- Establishing committees of the Board, reviewing their activities, and where appropriate ratifying their decisions.
- Reviewing and approving the NDA Annual Report and Financial Statements following review by the Audit Committee.
- Receiving and considering reports from the Audit Committee on the control and risk management framework.
- Approval and maintenance of the NDA policies.
- Approval and operation of delegated authorities.
- Ratification of the NDA strategy and plans.
- Ratification of all significant matters relating to the NDA, such as material acquisitions and disposals of assets, major litigation or significant matters related to the public interest or of interest at a ministerial level in government.

The Board has five executive directors and seven non-executive directors, including the non-executive Chairman and meets monthly.

The day-to-day, business management of the NDA, is delegated by the Board to the Chief Executive and the other executive directors.

The Chairman

The Secretary of State for Trade and Industry and Scottish Ministers set the NDA Chairman objectives for the NDA Board. The Chairman is responsible for the leadership of the Board, ensuring that it effectively discharges its responsibilities and managing its agenda. Sir Anthony Cleaver has been Chairman since the establishment of the NDA.

The Chief Executive and Accounting Officer

The Chief Executive, Dr Ian Roxburgh, is also the Accounting Officer, assuming the latter responsibility from 1 December 2004.

The responsibilities of the Accounting Officer are set out in a letter from the Permanent Secretary to the DTI, the Accounting Officer Memorandum and the Management Statement and Financial Memorandum.

The Accounting Officer is accountable to Parliament through the Public Accounts Committee, and to other stakeholders, for the activities of the NDA, the stewardship of public funds entrusted to the NDA and the extent to which key performance targets and objectives are met.

He is personally responsible for:

- The propriety and regularity of the public finances for which he is answerable.
- The keeping of proper accounts.
- Prudent and economical administration.
- The avoidance of waste and extravagance and the effective and efficient use of all available resources.
- The maintenance of public service values within the NDA, and for the transparency and openness of its proceedings.

He is also responsible for taking appropriate action if the NDA Board should consider taking a course that would not comply with these requirements.

The Audit Committee

The NDA Audit Committee is comprised wholly of non-executive directors.

The roles and responsibilities of the Audit Committee, which met first in February 2005, are set out in terms of reference approved by the Board and include:

- Reviewing the NDA Annual Report and Financial Statements prior to submission to the Board and reporting on them appropriately.
- Reviewing the effectiveness of the NDA system of internal control and its Internal Audit function and reporting to the board.

- Reviewing the risk management framework and process and reporting to the Board
- Monitoring the external auditors independence and objectivity

The members of the Audit Committee are:

David Illingworth (Chairman)
Professor Roger Scott
Dr Lyndon Stanton

Remuneration Report

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Procedures for setting remuneration

The NDA was established under the Energy Act 2004, which provides that the NDA shall consist of not less than seven or more than thirteen directors comprising both non-executive and executive directors. The number of executive directors must, as far as is practical, be less than the number of non-executive directors.

The remuneration of the Chairman, Chief Executive and non executive directors is determined by the Secretary of State for Trade and Industry and the Scottish Ministers. A Remuneration Committee makes recommendations to the DTI on the overall package for executive directors. Non executive directors are not involved in decisions relating to their own remuneration.

Members of the Remuneration Committee are:

Nick Baldwin (Chairman)
Sir Anthony Cleaver
Primrose Stark
Tony Cooper

The Committee has met once during the four months ended 31 March 2005, attendance was 100% at the meeting. The Chief Executive and other non executive directors are entitled to attend.

Statement of remuneration policy and details of remuneration

The individual components of the remuneration packages are:

Salaries and allowances

Salaries and allowances are reviewed annually and in the first instance have been benchmarked against industry. They represent a rate deemed applicable to attract the calibre of employee with the appropriate level of experience required to undertake the role and responsibility of the NDA.

Performance-related bonuses

These are calculated in accordance with fixed formulae that are agreed each year with the DTI on the basis of recommendations from the remuneration committee.

Pensions

Employees are entitled to become members of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded and non contributory defined benefit scheme. The NDA recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for

payment of future benefits is a charge on the PCSPS and is not the responsibility of the NDA.

Fees

Non executive directors are entitled to fees that are determined by the Secretary of State for Trade and Industry in consultation with the Scottish Ministers. They do not receive performance-related bonuses or pension entitlements but are reimbursed for reasonable expenses incurred in the performance of their duties as directors.

Directors' Emoluments - the information contained in the following section has been audited
four month period to 31 March 2005

Executive directors	Appointed	Salaries	Pension	Benefits in kind ***	Relocation expenses	Total Emoluments
		£	£	£	£	£
Dr Ian Roxburgh (Chief Executive)	10/09/04	105,000 *	6,290	6,561	588	118,439
William Roberts	17/01/05	31,462	3,906	-	2,406	37,774
Peter Graham****	31/01/05	27,435	3,196	-	5,708	36,339
James Morse	21/03/05	4,495	507	-	-	5,002
Non executive directors **						
Sir Anthony Cleaver (Chairman)	27/07/04	26,667				26,667
David Illingworth	29/10/04	8,333				8,333
Primrose Stark	29/10/04	8,333				8,333
Dr Lyndon Stanton	29/10/04	8,333				8,333
Nick Baldwin	29/10/04	8,333				8,333
Tony Cooper	29/10/04	8,333				8,333
Professor Roger Scott	29/10/04	8,333				8,333

*The Chief Executive's salary includes a bonus element, not paid until 2005/6

**Non executive directors have been appointed for a period of three years, but the contracts can be renewed for a further period

***The benefit in kind relates to the provision of a motor car

****Peter Graham resigned from the Board with effect from 30 June 2005

Directors' emoluments arising prior to 1 December 2004 were paid by the DTI

As PCSPS reporting arrangements are not yet fully in place for the NDA it is not possible to disclose all pension related details including the expected benefits at age 60.

Relocation expenses comprise amounts paid in the four month period.

Statement of the Board and Accounting Officer Responsibilities

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Under Section 26 of the Energy Act 2004 the Secretary of State for Trade and Industry (with the approval of HM Treasury) has directed the NDA to prepare a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NDA and of its income and expenditure, recognised gains and losses and cash flows for the accounting period.

In preparing the accounts the NDA is required to:

- observe the Accounts Direction issued by the Secretary of State for Trade and Industry (with approval of HM Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department of Trade and Industry has designated the Chief Executive as Accounting Officer for the NDA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper accounting records and for safeguarding the NDA's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury.

Statement on the System of Internal Control

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Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Nuclear Decommissioning Authority's (the NDA's) policies, aims and objectives. I have personal responsibility for safeguarding the public funds and departmental assets for which I am answerable, in accordance with the Government Accounting.

A process of accountability is being established with the Department of Trade & Industry (the Department) through the Management Statement and Financial Memorandum that involves:

- The accountability to Parliament of the Secretary of State for Trade and Industry and the Scottish Ministers to the Scottish Parliament for the activities and performance of the NDA
- The funding and allocation of grants to the NDA by the Secretary of State for Trade and Industry in accordance with the relevant sections of the Energy Act 2004
- Establishment and agreement of corporate and business plans with appropriate objectives and performance targets along with the identification of risks that may prevent delivery of the plan including contingent liabilities
- Regular progress reports and monitoring information on performance and finance which are reviewed at quarterly accountability meetings together with any other issues or significant problems, whether financial or otherwise
- Half yearly reports to the Board on progress against the high level objectives, which are provided to the Department
- Copies of all internal audit reports, the corporate risk register and risk action programmes, which are provided to the Department.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the NDA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control that I take responsibility for has been developing in the NDA for the period from 1 December 2004 to 31 March 2005 and continues to do so up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The NDA has concentrated on establishing the key control elements in the accounting period, whilst seeking to develop robust systems and procedures that will support the challenges placed upon it going forward. To ensure proper controls over expenditure, since 1 December 2004 transactions have been authorised at senior level, a policy that will be reviewed as the permanent staff complement is established.

Capacity to handle risk

The NDA's risk management strategy has been determined and endorsed by the Audit Committee and Board, all of whom are actively involved in the risk management process and have been instrumental in the development and endorsement of both the Risk and Internal Audit Policy and Strategy documentation.

This statement covers the period from my appointment as Accounting officer on 1 December 2004. Until 31 March 2005 the risk profile was focused on the ability to 'go live' with full functions on 1 April 2005.

Although the NDA is in its formative stages as an entity, the concept of management by risk assessment is at the forefront of the management style being promulgated by myself and my management team.

The NDA's approach to risk management is supported by the policy and strategy documents held on its computer network and is accessible to all staff. These documents have been migrating to the Electronic Document and Records Management System since June 2005.

The policy sets out the NDA's attitude to risk and defines roles and responsibilities throughout the organisation. Overall responsibility for risk management lies with myself as Chief Executive and this responsibility is discharged by the management team and NDA staff taking 'ownership' of any risks that lie within their domain. I appointed a Risk Coordinator on 14 March 2005 to facilitate the effective management of risk and develop the infrastructure to support and embed risk management at every level of the business.

Statement on the System of Internal Control

The risk and control framework

The risk strategy for the period concerned was predominantly focused on the ability to take full functions from 1 April 2005.

The Board and management of the NDA recognise and understand the requirement that for the successful implementation and progress of the NDA, the inherent and emerging risks need to be understood and managed. The key elements of the strategy include:

- Establishment of a 'go live' risk register setting out the risks in each work stream with a ranking based on the probability of those risks occurring and an assessment of their potential impact. The control strategies/risk mitigation are recorded against each risk
- To ensure ownership, the risks are allocated to permit clear responsibility for controls and action plans
- All matters referred to the Board for approval included a risk assessment and associated mitigation actions
- The establishment of an Executive Risk Management Committee from April 2005 chaired by a Board member with the objective of embedding a comprehensive risk management process throughout the NDA including the monitoring of compliance against internal control measures
- Stakeholder engagement is a crucial aspect of the operation of the NDA. Risk assessments include any considerations emerging from any relevant stakeholder.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NDA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee.

An Executive Risk Management Committee has been established and a plan to address any weaknesses and ensure continuous improvement of the system will be developed taking into account initial Financial Control and Operational Reviews, which took place in early 2005.

The following reviews and assurance mechanisms are planned:

- The NDA is in the process of establishing an internal audit unit, which will operate to the standards defined in the Government Internal Audit Manual. A Head of Internal Audit

was appointed 6 April 2005. The internal audit policy states that internal audit will look across management systems as a whole

- The NDA is adopting a set of eight high level objectives which are to be cascaded to departmental and individual objectives
- The NDA is establishing a policy of assessing/adopting 'best practice' when undertaking system reviews
- Pending the formulation of a comprehensive risk register, the risk coordinator will undertake regular reviews to ensure that the risk process is being adhered to
- A comprehensive review of the risk register by the Executive Risk Management Committee will be undertaken on a regular basis
- The Executive Risk Management Committee will report on a quarterly basis to the Accounting Officer and the Board of the NDA via the Audit Committee (which consists of independent non executives)
- Internal audits of financial controls and operational processes have been undertaken during this period.

Control mechanisms were developing in the period from 1 December 2004 but no significant internal control problems have been identified. The NDA is in its formative stages and as such several risk priorities have been raised and are being addressed. These include inter alia:

- The recruitment of permanent staff of appropriate calibre to replace the high level of interim staff utilised for the initial formation and deployment of the NDA
- The development of a Quality Management System to provide an effective framework for the recording and control of the business policies, processes and procedures
- The development of a robust internal audit plan to assess the effectiveness of the internal controls both within the NDA and its contracted Site Licensee Companies.

Dr Ian Roxburgh
Accounting Officer
12 July 2005

Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

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I certify that I have audited the financial statements on pages 40 to 47 under the Energy Act 2004. These financial statements comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and related Notes, and the tables of emoluments and entitlements and related Notes in the Remuneration Report. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 43 to 44. I have also audited the information in the Remuneration Report that is described as having been audited on page 34.

Respective responsibilities of the Nuclear Decommissioning Authority, the Accounting Officer and Auditor

As described on page 35, the Nuclear Decommissioning Authority and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Energy Act 2004 and directions made thereunder and for ensuring the regularity of financial transactions. The Nuclear Decommissioning Authority and Accounting Officer are also responsible for the other contents of the Annual Report and the Remuneration Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Energy Act 2004 and directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Nuclear Decommissioning Authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 36 to 37 reflects the Nuclear Decommissioning Authority's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Nuclear Decommissioning Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Nuclear Decommissioning Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Nuclear Decommissioning Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Nuclear Decommissioning Authority at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the period then ended; and the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Energy Act 2004 and directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

14 July 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Nuclear Decommissioning Authority Income and Expenditure Account

for the four months to 31 March 2005

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	Notes	2004/05 £000's
Income		
Grant-in-aid	2	5,019
Administration expenses		
Staff costs	3	(5,502)
Other administrative costs	4	(3,822)
		(9,324)
Deficit on ordinary activities		(4,305)
Tax on deficit	6	–
		(4,305)
Notional cost of capital	7	42
Operating deficit		(4,263)
Reversal of notional cost of capital	7	(42)
Reversal of notional internal audit fee	7	60
Deficit transferred to reserves	13	(4,245)

There were no other recognised Gains or Losses for the four months ended 31 March 2005.

All operations are continuing.

The notes on pages 43 to 47 form part of these accounts.

Nuclear Decommissioning Authority Balance Sheet

at 31 March 2005

	Notes	2005 £000's
Fixed assets		
Intangible assets	8	97
Tangible assets	9	3,000
		3,097
Current assets		
Debtors due within 1 year	10	1,220
Cash at Bank and in Hand	11	740
		1,960
Current liabilities		
Creditors due within 1 year	12	(6,737)
		(6,737)
Net current assets/(liabilities)		(4,777)
Total assets less current liabilities		(1,680)
Capital and Reserves		
Income and Expenditure account	13	(2,830)
Government grant reserve	13	1,150
Government Funds		(1,680)

The notes on pages 43 to 47 form part of these accounts.

Dr Ian Roxburgh
Chief Executive
12 July 2005

Nuclear Decommissioning Authority

Cash Flow Statement

for the four months ended 31 March 2005

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	Notes	2004/05 £000's	2004/05 £000's
Net cash flow from operating activities			362
Capital expenditure			
Payments to acquire tangible fixed assets		(765)	
Payments to acquire intangible fixed assets		(7)	(772)
Capital grant-in-aid received	2		1,150
Increase in Cash	16		740

Note: of the £2,050,000 fixed asset additions during the year, £1,278,000 represented creditors at the period end. These have been excluded from the above figures, since there was no cash payment made. They have similarly been excluded from the movement in creditors and debtors (for the VAT recoverable) shown below as they do not relate to operating activities.

Reconciliation of operating deficit to operating cash flow		
Operating deficit		(4,263)
Reversal of notional costs		18
Depreciation charges	8/9	158
Revaluation	8/9	210
Increase in debtors		(1,072)
Increase in creditors		5,311
Net cash flow from operating activities		362

Notes to the Accounts

for the period ended 31 March 2005

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1. Principal accounting policies

Basis of Accounting

The financial statements have been prepared in accordance with the accounts direction issued by the Secretary of State for Trade and Industry in accordance with section 26 of the Energy Act 2004. The accounts direction requires compliance with HM Treasury's NDPB guidance and any other guidance which HM Treasury may issue. The financial statements also comply with generally accepted accounting practices in the United Kingdom (UK GAAP) to the extent that it is meaningful and appropriate in the public sector context.

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the business by reference to their current costs.

Income

The cash needs of the NDA are financed by grant-in-aid from the DTI. The revenue element of the grant-in-aid is credited to income in the year in which it is received. The element receivable for capital expenditure is credited to the Government Grant Reserve and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

Intangible Fixed Assets

Intangible fixed assets are valued at historic cost, adjusted to current cost using appropriate indices, and amortised over three years.

Tangible Fixed Assets

Fixed Assets are valued at historic cost, adjusted to current cost using appropriate indices.

Assets with a cost of less than £1000 are not capitalised.

Depreciation is calculated so as to write off the cost or valuation of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets. The expected useful lives for each class of assets are:

Fixtures and Fittings & Office

Equipment:	5 years
Leasehold Improvements:	Life of Lease or 1st break
Cars;	4 years
Computer hardware:	3 years
Computer software:	3 years

Assets under construction are not depreciated until they are brought into use.

Leases

Rentals payable under operating leases are charged on a straight line basis over the life of the lease in accordance with SSAP 21.

Pensions

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) that is a defined benefit scheme and is unfunded and non-contributory. The Authority recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not the responsibility of the NDA.

Tax

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Value Added Tax (VAT)

VAT is accounted for in the accounts, in that amounts are shown net of VAT except:

- Irrecoverable VAT is charged to the Income and Expenditure account, and included under the heading relevant to the type of expenditure
- Irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Revenue & Customs in respect of VAT is included within debtors or creditors within the Balance Sheet.

Notional Costs

Treasury guidance requires that NDPBs disclose the full cost of their activities, therefore the Income and Expenditure Account includes notional costs as well as those actually incurred. A notional charge is made for the cost of capital, which is calculated at 3.5% (the real rate set by HM Treasury) of the average capital employed.

Contingent Liabilities

Liabilities arising from past events which cannot be measured with sufficient reliability or whose existence will only be confirmed by the occurrence of uncertain future events are disclosed as contingent liabilities.

Notes to the Accounts

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5. Directors' emoluments

See Remuneration report page 34

6. Taxation

No deferred tax asset has been recognised in respect of tax losses carried forward, owing to uncertainty over the existence of future taxable profits against which the losses could be utilised.

7. Notional costs and benefits

	2004/5 £000s
The NDA has had the benefit of an internal audit charge paid for by its sponsoring body, the Department of Trade and Industry. This has been included as a notional charge in "other operating costs".	60
The notional cost of capital as shown on the face of the Income & Expenditure amounted to a notional benefit in the period of	(42)
	18

8. Intangible assets

	2005 £000s
Balance at 1 December 2004	–
Additions in period – Software licences	17
Transferred from DTI	126
Revaluation	(36)
Balance at 31 March 2005	107
Depreciation at 1 December 2004	–
Charge in the period	10
Balance at 31 March 2005	10
Net book value at 31 March 2005	97

9. Tangible assets

	Leasehold additions £000s	IT equipment £000s	Office equipment £000s	Motor vehicles £000s	Assets under construction £000s	Total £000s
Balance at 1 December 2004	–	–	–	–	–	–
Additions in period	1,047	792	73		121	2,033
Transferred from DTI		1,252		37		1,289
Revaluation		(174)				(174)
Cost at 31 March 2005	1,047	1,870	73	37	121	3,148
Depreciation at 1 December 2004	–	–	–	–	–	–
Depreciation in period		145		3		148
Depreciation at 31 March 2005	0	145	0	3		148
Net book value at 31 March 2005	1,047	1,725	73	34	121	3,000

Through the application of MHCA principles the NDA's fixed assets are expressed at their value to the NDA on an inflation-adjusted basis, i.e. at actual or estimated current values.

During the period before the appointment of the NDA's Accounting Officer on 1 December 2004, assets were bought by the DTI on behalf of NDA and transferred to the NDA ownership.

Notes to the Accounts

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10. Debtors due within 1 year

	2005
	£000s
VAT	1,137
Prepayments	83
	1,220

Debtors include the following intra Government balances:

Balance with other central government bodies	1,137
----------------------------------------------	-------

11. Cash at bank and in-hand

Cash at bank	740
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12. Creditors due within 1 year

	£000s
Trade creditors	2,941
Payroll and Social security	221
Pensions	69
Accruals	3,506
	6,737

Creditors include the following Intra Government balances:

Balance with other central government bodies	21
Balances with local authorities	62
Balances with public corporations and trading funds	103

13. Reserves

	Income & Expenditure £000s	Government Grant Reserve £000s
Opening balances as at 1 December 2004	-	-
Deficit transferred to reserves	(4,245)	-
Capital grant in aid for the period	-	1,150
Capital purchases made directly by DTI	1,415	-
Balance, as at 31 March 2005	(2,830)	1,150

As shown in Notes 8 and 9, fixed assets purchased in the year total £2,050,000. At the year end not all the related capital grant-in-aid had been drawn down and credited to the Government Grant Reserve, but the balance was received in the next financial year.

14. Capital expenditure commitments

At 31 March 2005 there was a capital commitment to acquire leasehold improvements totalling	£169,000
---------------------------------------------------------------------------------------------	----------

15. Operating lease commitments

At the 31 March 2005 the Authority was committed to make the following payments:	Land & Buildings £000s
----------------------------------------------------------------------------------	---------------------------------------

Annual commitments under non-cancellable leases were as follows:

- expiring between two and five years	80
- expiring in over five years	44

16. Net cash flow to movement in net debt

	£000s
Increase in cash in period	740
Movement in net cash in period	740
Opening net cash	–
Net cash 31 March 2005	740

17. Financial instruments

FRS13 'Derivatives and Other Financial Instruments' requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities in 2004/05 and the way in which it is financed, the NDA is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies.

The NDA has taken advantage of the exemption in FRS13 not to provide disclosures in respect of short term debtors and creditors.

There were no material differences between book and fair values of long term assets and liabilities.

Liquidity, interest rate and foreign currency risk

The NDA was financed by grant-in-aid from the DTI and is not therefore exposed to significant interest rate or liquidity risk.

During the period under review all material assets and liabilities were denominated in sterling so the NDA was not exposed to foreign currency risk.

18. Contingent liabilities

The NDA was created as a result of the Energy Act 2004 to secure the operation, decommissioning and clean up of designated nuclear sites. Under this Act NDA assumed, with effect from 1 April 2005, certain contingent liabilities as detailed in note 20 dealing with post balance sheet events.

19. Related parties

Government bodies

The NDA is an Executive Non Departmental Public Body sponsored by the DTI, which is regarded as a related party. During the period the NDA has had material transactions with the DTI and with other entities for which the DTI is regarded as the responsible department, mainly UKAEA and BNFL.

There were no other related party transactions during the period.

20. Post Balance Sheet events

The NDA was established as a result of the Energy Act 2004 to secure the operation, decommissioning and clean up of designated nuclear sites.

On 1 April 2005 specified BNFL assets and liabilities transferred to the NDA under the Act. BNFL now operates these sites under site management and operations contracts with the NDA.

The Energy Act 2004 intended that the NDA would take full responsibility for the decommissioning and clean up of BNFL's UK nuclear sites. However on 1 December 2004 the European Commission announced that they had instigated a State Aid Review. Transitional arrangements have been put in place until this review has been completed. These arrangements ensure no new funds are made available to the NDA and that no advantage be conferred to BNFL during the transitional period. Whilst the legal responsibility for the nuclear provisions lies with BNFL during the transitional period, the ultimate responsibility for clean up rests with the NDA and therefore, although the provisions will continue to be recognised by BNFL during this time, they also will need to be reflected in the NDA's financial statements.

Although the Energy Act did not prescribe any legal transfer of liabilities or assets from UKAEA, the NDA's purpose of securing the operation, decommissioning and cleaning up of designated nuclear sites also covers some of the UKAEA's civil nuclear legacy.

The directors believe that the purpose of the NDA therefore also creates a constructive obligation in respect of the liabilities to decommission and clean up UKAEA's nuclear sites. Consequently, the NDA's 2005/6 financial statements will also reflect these liabilities.

As the NDA has only recently taken responsibility for the assets and liabilities, at this stage it has not been practicable to make an estimate of the full financial impact on the NDA's 2005/6 financial statements. However taken together with the ex-BNFL liabilities the Directors believe that the estimated total of the undiscounted future cash flow expenditure may be upwards of £50 billion.

In accordance with NDPB guidelines the transfer will be accounted for as a group reconstruction in accordance with FRS6 Acquisition and Mergers, as it comprises a Transfer of Functions.

Glossary

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AGR Advanced Gas Cooled Reactor – A term used for the second generation of British Power Reactors, now operated by British Energy. The fuel used in the reactor is slightly enriched uranium oxide clad in stainless steel. The coolant is carbon dioxide and the moderator is graphite. The Fuel is Manufactured by Westinghouse ltd at Springfields and Reprocessed in THORP.

Annual Plan The Scope, cost and schedule information from the second year of the Near Term Work Plan (NTWP) are the basis for the Annual Plan.

BNFL British Nuclear Fuels Plc, the former site licensee company for Magnox Power Stations, Sellafield and waste facilities. The company has recently created British Nuclear Group to act as the parent company to Magnox Power Stations, Sellafield and waste facilities.

British Nuclear Group British Nuclear Group was created by BNFL in 2004 with a view of it managing it's Magnox power stations, Sellafield and Decommissioning work within the UK. British Nuclear Group is currently the Parent Company for Sellafield and all Magnox Power Stations in the UK.

Clean-up Clean-up is the term we use in conjunction with Decommissioning. Once a nuclear facility has been decommissioned the site needs to be cleaned-up to remove any possible contamination. The site is then returned to either a green or brown field site (this is done with consultation from the local communities).

EFDA European Fusion Development Agreement

EIAD Environmental Impact Assessment for Decommissioning.

HLW HLW is heat-generating waste that has accumulated since the early 1950's at Sellafield and Dounreay, primarily from the reprocessing of spent nuclear fuel. The temperature in HLW may rise significantly, this factor has to be taken into account when designing storage or disposal facilities.

HSE Health & Safety Executive. A statutory body whose role is the enforcement of work related health and safety law under the general direction of the Health and Safety Commission established by the Health and Safety at Work Act 1974. HSE is the licensing authority for nuclear installations. The Nuclear Safety Directorate of HSE exercises this delegated authority through the Nuclear Installations Inspectorate who are responsible for regulating the nuclear, radiological and industrial safety of nuclear installations UK wide.

ILW Intermediate Level Waste. Waste with radioactivity levels exceeding the upper boundaries for Low Level Waste (LLW), but which do not need heating to be taken into account in the design of storage or disposal facilities.

ILW arises mainly from the reprocessing of spent fuel, and from general operations and maintenance of radioactive plant. The major components of ILW are metals and organic materials, with smaller quantities of cement, graphite, glass and ceramics.

JET The Joint European Torus fusion research project based at Culham and operated by UKAEA on behalf of Euratom.

LCBL The Lifecycle Baseline is

the long-range plan that defines the scope, cost and schedule to clean up each site to its final end state.

Liabilities The costs involved in decommissioning; the processing, long term management, storage and final disposal of waste materials and spent fuel; and the environmental remediation of nuclear sites.

LLC Local Liaison Committee

LLW LLW includes metals, soil, building rubble and organic materials, which arise principally as lightly contaminated miscellaneous scrap. Metals are mostly in the form of redundant equipment. Organic materials are mainly in the form of paper towels, clothing and laboratory equipment that have been used in areas where radioactive materials are used – such as hospitals, research establishments and industry. The National Repository for LLW is at Drigg, Cumbria.

M&O Management and Operations. This term relates to the day-to-day running of the sites in accordance with the contract with the NDA.

Magnox A type of reactor, so called because of the magnesium alloy cladding used to contain uranium fuel rods.

MHCA Modified Historic Cost Accounting whereby fixed assets are revalued annually.

MOX Mixed Oxide fuel, made up of around 95% uranium and 5% plutonium.

NDA Nuclear Decommissioning Authority, the body created under the Energy Act 2004.

NDPB Non Departmental Public Body. A body which has a role in the process of national Government, but is not a

government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from Ministers. More simply, this means a national or regional public body, operating independently of Ministers, but for which Ministers are ultimately responsible.

NII Nuclear Installations Inspectorate

NIREX The Company established to manage the long-term disposal of ILW arising from nuclear waste management and decommissioning.

NSG National Stakeholder Group
NTWP Near Term Work Plan. The function of the NTWP is to provide a plan in sufficient detail for use by the sites to perform and manage the work and is a basis for the Annual Plan. As such the NTWP is the first three years of the LCBL.

PBI Performance Based Incentive.

POCO Post Operational Clean Out. The first stage in preparing plant for care and maintenance after operations have ceased.

Reprocessing The removal of the metal casing from around the fuel and dissolving the fuel in hot, concentrated nitric acid. The uranium, plutonium and waste, which are dissolved in this way, are the separated from each other using several chemical processes. In the UK this work is carried out at Sellafield.

SLC Site Licensee Company

SSG Site Stakeholder Group.

Thorp Thermal Oxide Reprocessing Plant.

UKAEA United Kingdom Atomic Energy Authority.

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID5460551 11/06

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ISBN 010294361-3



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