

MINUTES OF THE NUCLEAR DECOMMISSIONING AUTHORITY BOARD BUSINESS MEETING, WEDNESDAY 24 JUNE, 09.00 – 16.00, NDA LONDON OFFICE, SANCTUARY BUILDING, GREAT SMITH STREET, LONDON, SW1P 3BT

Present

Stephen Henwood	Chairman
Patrick Dixon	Senior NED, Safety and Security Committee Chairman
Janette Brown	NED, Audit Committee Chairman
Ken McCallum	NED
Tom Smith	NED
Evelyn Dickey	NED, Remuneration Committee Chairman
Volker Beckers	NED
Janet Ashdown	NED
Rob Holden	NED
John Clarke	Chief Executive Officer
Pete Lutwyche	Sellafield Programme Director
David Batters	CFO
Adrian Simper	Strategy and Technology Director

In Attendance

Michelle Rooney	Board Secretary
Jon Phillips	Communications Director

Item 1 Apologies, Introductions and Conflicts of Interest

- 1.1 Apologies were received from Alison Kay. The Chairman welcomed Janet Ashdown and Rob Holden to their first meeting following appointment to the Board in June 2015.
- 1.2 No conflicts of interest were declared in relation to any items on the agenda. The Chairman informed the Board that his son is employed by Deloitte's but is not part of the team supporting the Sellafield Model Change Programme.

Item 2 Minutes, Decisions, Actions and Matters Arising

- 2.1 The minutes from the 4th March were approved subject to appropriate redaction. Comments on the minutes from the 25th March Board meeting were provided and these will be re-submitted to the Board in July for approval.
- 2.2 The action record was reviewed. Matters arising:
 - (i) 310714/001 – Commercial Liability Insurance. It was agreed to remove this action as this was not a matter for the Board but HMG. Action closed.
 - (ii) Plutonium advice to HMG – at Government's request the plutonium advice has not yet been submitted in order that officials can ensure the new ministers are sufficiently briefed on the issue to allow the advice to be appropriately received.

Item 3 Chairmans Report

- 3.1 The recent DECC Internal Audit Report had been published and presented to the Chairman. He has tasked the CEO and his team with taking forward the actions with particular attention to clarifying the role of the NDA Board and the DECC Investment Committee in relation to sanction requests and further develop the work on clarification of roles in relation to risk.
- 3.3 The Chairman had recently held a series of meetings with government officials and industry stakeholders. These had all been positive meetings with good dialogue.
- 3.4 The Board noted the report.

The Assurance Director joined the meeting.

Item 4 Programmes and Projects (Corporate Risk 13)

- 4.1 The CEO opened the discussion and introduced the Assurance Director who had led much of the work in addressing Board and Audit Committee concerns and actions relating to poor project delivery and how NDA intervenes to address escalating issues. Poor programme and project performance has been identified as Corporate Risk 13 which is attributed mainly to a lack of capability and capacity within the NDA and the estate.

The Assurance Director presented on the following areas:

- The state of health of programme and project delivery at Sellafield
- The effectiveness of improvement plans on delivery capability
- An update on the health of SL and NDA's governance and assurance of programmes and projects

4.2 Health of Programme and Project Delivery at Sellafield

The major projects reviewed are projects which are reported quarterly to the Board and monitored monthly at ExCo. Early indications from project data suggest that there may have been some improvement in delivery performance since the introduction of the new gated process at Sellafield but its not possible to draw firm conclusions at this time. The Board were encouraged by the reduction in resubmissions for scope and estimating changes and took comfort that data continues to be tracked.

4.3 Effectiveness of improvement plans on delivery capability

A discussion on capability improvements was followed by questions regarding whether the need for culture change was recognised strongly enough within the Excellence Programme (and by extension the SMC programme). Concerns were expressed that the current improvement metrics, e.g. P3M3 assessment do not include measures to assess changes in culture. The Sellafield Programme Director responded that culture is changing, however recognises that work is still required to further embed accountability and leadership and move away from the 'compliance' nature of the organisation. It was felt that the new Board at Sellafield should provide an opportunity to reset the overall organisational culture.

ACTION:

A1: Sellafield Programme Director to provide a one-page analysis on transition towards the Sellafield Model Change.

- 4.4 Dialogue progressed to the findings from the Pile Fuel Cladding Silo (PFCS) review. These findings have been incorporated into a specific focus area of the Excellence Plan with appropriate initiatives taken forward into other projects.

4.5 Health of SL and NDA's governance and assurance of programmes and projects

The Assurance Director presented the current project lifecycle which contained the additional insertion of NDA review points. Members wished to consider whether or not a formal NDA involvement at the end of Preliminary Design Review (PDR) will be instigated as it was felt that intervention and/or formal gate review at this stage would be of greater value. Members were content to learn that once the next project was taken through PDR by Sellafield it was the intention to provide an assessment and a brief of the preferred intended course of action.

ACTION:

A2: Assurance Director to provide feedback to the Board on outputs which may result in a change of gated process following the next project to be taken through PDR.

- 4.6 A formal review of NDA's Assurance recently carried out by MPA resulted in an Amber/Green rating. The Assurance Director continues to implement changes with particular attention to developing improvements in reviewing major projects on a monthly cycle. It should be noted that internal capability is an area of concern with a continued requirement for additional external resource. Escalation and Intervention routes currently

exist within the organisation, however improvements to increase the strategic tolerance triggers require improved clarity.

ACTION:

A3: Escalation and intervention triggers to be formalised and presented at a future Board for consideration.

- 4.7 The Chairman summarised the discussion noting a very comprehensive discussion on project and programme deliverability. The Board were supportive of the work carried out to date and were reassured that real positive progress was being made.

4.8 **SDP Progress**

The CEO opened the discussion clarifying that in October 2014 the Board released £100m against Phase 1 with a caveat to return to the Board for a further review when either the money was spent; 12 months had passed or the strategy for MSSS changed. It was recognised then and still now that SDP is a significant project. The current forecast suggests that money will not be spent until Period 10 and will therefore not require further Board approval before considering other options. Significant progress continues with the end of mobilisation phase completed and detailed design commenced. The options work for MSSS is progressing well with an expectation to review future options and SDP in September.

- 4.9 Members noted the progress with the project, however, continued to express their concerns regarding a lack of independent assurance to the Board. The CEO and Chair agreed to discuss concerns and revert back to the Board.

ACTION:

A4: CEO and Chairman to consider concerns raised and discuss whether the Board require further assurance for a project on the scale of SDP.

Item 5 Risk

- 5.1 Subsequent to the Board Workshop on the 13th May a summary paper was provided to describe the outputs and recommendations for Board and Committee governance, structure and roles. The Assurance Director highlighted the potential agenda items for each of the Committees and Board with a general consensus from members that this seemed a sensible approach; however timing on the agendas would require careful consideration. The Chair of the S&SC requested a specific proposal for his Committee.

ACTION:

A5: Assurance Director to provide a proposal to the Chair of the S&SC for risks to be considered at his Committee.

- 5.2 A detailed discussion took place on the NDA's risk management process, expectations and interfaces with the department in managing risks both within the NDA and across the estate. The Chairman felt that a separate session akin to an induction style programme to provide further clarification to Board members would be of benefit. The Assurance Director agreed.

ACTION:

A6: Secretary and Assurance Director to organise a risk induction for NEDs to present the NDA's risk management approach, expectations and how NDA interface with the Department and vice versa.

- 5.2 The Chairman thanked the Assurance Director for the work undertaken in moving the risk topic forward. Members welcomed the first draft of risk appetite statements, recognising that further work is required in this area.

- 5.3 The Board:

- Noted the key points raised from the Board workshop on Risk Management;
- Noted the latest assessment of Corporate Strategic Risks.

The Assurance Director left the meeting

Item 6 Planning Update

- 6.1 The CFO opened the discussion providing a summary overview of each of the various plans for the purposes of clarification for the new NEDs. The board were asked to note progress to date on the Spending Review and the final Operating Plan.
- 6.2 The Operating Plan has been updated with the agreed Sellafield targets and approved corporate targets. The budget envelope for 2015/16 has been reduced by £20m as a result of HMTs reduction in grant funding. EDF has reduced forecast deliveries for Future Contract fuel which will impact the NDA income by circa ~£50m. The overall financial position is still balanced but it should be noted that the NDA forecast income is now below the trigger for special access to the HMT reserve as outlined within the SR13 settlement. The Operating Plan was ready for circulation and is on a restricted distribution.
- 6.3 The Annual Report and Accounts had been signed earlier on that day and had been delivered to the NAO Office for the Comptroller & Auditor General (C&AG) to sign.
- 6.4 NDA continues to participate fully in the DECC led Options Evidence Programme preparing for the anticipated July Budget launch of the next Spending Review. The fifth Senior Review Panel (SRP) meeting was held on the 8th June with updates on the baseline forecast figures, individual options and the three outline scenarios (assuming decreasing levels of funding). [Minute redacted – s.43(2) Commercial]. A further SRP is being planned for July after the budget announcement on the 8th July.
- 6.5 The Board
 - Noted the final Operating Plan
 - Noted the Spending Review update

The Chairman of the NDA Research Board, Stan Gordelier joined the meeting.

Item 7 Annual Report from the NDA Research Board (NDARB)

- 7.1 The Chairman welcomed Mr Gordelier to the NDA Board. To frame the discussion the Chairman wished to understand from Mr Gordelier his opinion of the health and adequacy of research and development across the NDA estate.
- 7.2 Mr Gordelier thanked the Chairman for the opportunity to present to the NDA Board providing some background to the NDA Research Board (NDARB). NDARB plays a key governance and assurance role associated with nuclear decommissioning R&D within the UK and is an important part of NDA's R&D Strategy. It has members from a wide range of organisations including senior technical representatives from the NDA estate, industry, nuclear regulators, Government, academia and international organisations and chooses its own programme of work. The NDA Research Board operates in an open and transparent manner, publishing meeting minutes and reports on the NDA website. Each year the NDARB Chair prepares an Annual Report summarising the work of the NDARB during that financial year and any associated recommendations.
- 7.3 In answering the Board's request Mr Gordelier feels that the NDA does sufficiently address R&D with this view substantiated following a review of the Technical Baselines underpinning Research and Development (TBUrd) process. The NDARB have invited other companies to set out their approach to R&D in a similar way to TBUrd as this is viewed as a leader within the field. The NDARB wishes to understand how much spend on projects is allocated to R&D Innovation as this would help to formulate their views to advise on what types of innovation the estate should look into further.

ACTION:

A7: Strategy and Technology Director to issue a cost breakdown of projects to identify allocation of funds to R&D.

- 7.4 The Board:
 - Noted the important role the NDA Research Board plays in NDA strategy and beyond

- Approved the NDA's response to the NDARB Annual Report Recommendations

Mr Stan Gordelier left the meeting.

Item 8 Chief Executives Report

- 8.1 The CEO had submitted a written report which was taken as read. Since his report had been issued both Elaine Woodburn, former leader of Copeland Council and Debbie Keighley, a Sellafield Ltd employee had been awarded MBE's in the recent honours list. Other highlights were; the SL model change continues to make impact within Government, the First Generation Magnox Storage Pond has started to remove sludge and scope associated with Exotics has been incorporated into the Dounreay plan. The Board were keen to understand how the target cost for Dounreay has been impacted by the additional scope.
- ACTION:**
- A8:** Provide an update to the Board on the target cost for Dounreay with reference to the target cost when the bid was awarded.
- 8.2 Safety performance across the estate is generally good but Dounreay does pose a number of challenges which are being addressed by the site management.
- 8.3 Difficulties are being experienced at Magnox in the development of a consolidation plan. A proposal for the phased delivery of the sites' plans has been made and there are indications that consolidation may not be completed until April 2016. [Minutes redacted – s.43(2) Commercial]. The CFO continues to monitor and meet regularly with the PBO whilst keeping Treasury abreast of the situation.
- ACTION:**
- A9:** The Board requested a short paper to highlight progress against the Magnox Consolidation programme.
- 8.4 The CEO informed Members that regular meetings are taking place with SL on opportunities within the Evap D programme to enable early tie-ins to take place. This is dependent on the regulator consenting to commissioning with all parties working in parallel. Construction is due to complete at the end of August and this is in line with the current schedule.
- 8.5 It was clarified to Members that the procurement, process and appointment of a Strategic Partner (SP) for Sellafield Ltd will be carried out by SL. NDA are working closely with SL to specify criteria and requirements and arrangements are in place to keep stakeholders engaged on progress. Questions arose on the timing of the appointment and whether this would be a seamless transfer between NMP and the Strategic Partner (SP). Members were informed that in line with the schedule, the SP would commence in autumn 2016 to allow some clear blue water between the end of the PBO model and the new arrangements.
- 8.6 The Board noted the report.

The Assurance Director joined the meeting

Item 9 Sanction

- 9.1 The Assurance Director presented the 12 month forward look of sanction approvals outside of CEO approval. It was noted that a large number of approvals are anticipated for the September Board and further work continues to try to manage this. The Board noted the report.
- 9.2 One sanction request was submitted for approval:
- (i) **Magnox Swarf Storage Silo (MSSS) Retrievals Project.** This sanction was the final request for the Retrievals Project and will take the project to commissioning and handover of operations. The NDA assess that this is a well-managed project and tightly controlled. The Board noted that completion of this project provides the potential for first retrievals to commence in 2017, which will be a highly significant milestone for the site. The Board sought and received assurances that in the event of the main contractor ANES becoming

insolvent that Sellafield Ltd owns all the Intellectual Property and equipment. [Minute redacted – s.43(2) Commercial]

- (ii) The Sellafield Programme Director informed members that the paper presented is reflective of the submission for the DECC Investment Committee (IC). The Investment Committee will also receive an assurance log confirming the Board's endorsement. The Board recommended clarification of the wording of the specific sanction request to DECC prior to submission.

The Board:

- Endorsed the business case to DECC IC.

Item 10 Committee Reports

Item 10.1 Audit and Risk Assurance Committee Report

- 10.1 The Committee had met on 02 June and 10 June and the Chairman had provided a written report to the Board which was taken as read. The Committee Chairman was pleased to note that the Annual Report and Accounts had been signed earlier that day and thanked the team for all their efforts. No further questions were raised.
- 10.2 The Board noted the report.

Item 10.2 Safety and Security Committee Report

- 10.3 The Committee had met on 11 June and the Committee Chairman had provided a written report to the Board. The Committee were encouraged by Dr Hall's description of the ONR's leadership philosophy, particularly regarding "Intolerable Risks". This philosophy appeared to be feeding very effectively through to the G6 and similar reviews of difficult issue.
- 10.4 Initial findings from the Safety Culture results had been discussed. A detailed discussion of the issue of safety culture at the SLC sites has been scheduled for the September Committee meeting.
- 10.5 The annual report on SSSE performance for the estate was tabled and noted.

Item 10.3 Remuneration Committee

- 10.6 The Committee had met on 02 June and 10 June and the Chairman had provided a written report to the Board. The report was taken as read with no further questions raised.
- 10.7 The Board noted the report.

Item 11 Annual Requirements

- 11.1 The Senior NED provided an oral update on the results from the recent Board Effectiveness Questionnaire. Some specific actions to focus on were:

- a) Risk Management
- b) Succession Planning
- c) Mechanics of Board papers – content and structure and deliverability.

It was proposed to spend more time on this at the Board meeting on the 29th July.

- 11.2 The Chairman thanked the Senior NED and Board Secretary for the work carried out to date and supported the suggestion to spend further time on analysis of the results at the next meeting.
- 11.3 The Terms of Reference were tabled. The Board Secretary had worked with the Chairman and ShEx in clarifying and amending the terms in line with the new Board structure. The Board agreed with the proposal.

The Board:

- Approved the Terms of Reference

Item 12 Forward Agenda

- 12.1 The Board reviewed the forward agenda. The Chairman indicated that the Sellafield site visit should concentrate on MSSS and downstream plants to provide some contextualisation on the recent sanctions and discussions held at the Board meetings.
- 12.2 The annual dinner with MP's in the House of Commons had been confirmed for Tuesday 2nd December. The Chairman reminded the Board that attendance was not mandatory.

Stephen Henwood
Chairman

Date