

MINUTES OF THE NUCLEAR DECOMMISSIONING AUTHORITY BOARD BUSINESS MEETING, WEDNESDAY 29 JULY, 09.00 – 15.30, 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
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
Alison Kay	Observer, Women on Board

Item 1 Apologies, Introductions and Conflicts of Interest

- 1.1 Apologies were received from Rob Holden and Janet Ashdown.
- 1.2 No conflicts of interest were declared in relation to any items on the agenda.

Item 2 Minutes, Decisions, Actions and Matters Arising

- 2.1 The minutes from the 25th March, 13th May and 24th June Board meetings were approved.
- 2.2 The action record was reviewed. Matters arising:
 - (i) BRD240615/008 – Dounreay Target Cost. A paper had previously been distributed to outline the fee structure of the Dounreay target cost contract, the fee achieved to date and changes in scope, sanction and available fee since contract commencement. The board welcomed the update. The Major Projects Authority (MPA) has sufficient confidence following their most recent review to remove reporting of this programme from the Government Major Projects Portfolio (GMPP) list.
 - (ii) BRD240615/009 – Magnox Consolidation – The Strategy and Technology Director informed the Board that consolidation was generally progressing well, however completion of change controls is a concern. Cavendish Fluor Partnership has reported the full consolidation exercise will not be complete within the 12 month contractual timescale. Although NDA are prepared to allow this to take until at least the end of the Financial Year, the Board were concerned that time taken to consolidate and produce quality plans (i.e. PP14) is often underestimated. Agreement was made to undertake a lessons learned exercise to understand the reasons behind this. Negotiations continue with CFP on the final target cost which currently is in excess of the business case.
- 2.3 Dounreay Disallowable Costs – An additional paper on Dounreay Disallowable Costs had been provided to the Board for information. The Board were informed that subsequent to the recent regulatory actions at the site NDA could claim ‘disallowable costs’. The Executive had recently endorsed a recommendation not to pursue the claim on this occasion; however any future regulatory actions would be classed as disallowable and would result in retrospective disallowance of costs associated with this event. Formal correspondence will be sent to Cavendish to clarify NDA’s position.

Item 3 Chairman's Report

- 3.1 The Chairman reported that both himself and the CEO had recently met with key MP's, Ministers and Government stakeholders following the recent election to inform them of the work undertaken by the NDA. The Chairman reported that these initial meetings had been positive with good engagement.
- 3.2 The Chairman continues to support the work ongoing in the recruitment of a Chair for Sellafield Ltd.
- 3.3 It was noted that the SoS and Minister are due to visit Cumbria on the 2nd and 3rd September which the Chairman would be involved in hosting.
- 3.4 The Board noted the report.

Item 4 CEO Report

- 4.1 The CEO had submitted a written report which was taken as read. The CEO went on to update the Board on the following:
 - a) Industrial Relations – The Health Physics Monitors' strike at Sellafield had taken place on Tuesday 28th July with no major disruptions reported. NDA continue to support SL Management in reaching a resolution with the Union. The Industrial action proposed by NAECI Engineering Construction workers does not directly involve Sellafield Ltd or NDA and it is not known at this time how this issue will be resolved.
 - b) The Sellafield Model Change programme had recently been reviewed by the Major Projects Authority with the Sellafield Programme Director reporting the outcome as a Green for the achievement of share transfer and Amber for the achievement of the full objectives set in the OBC.
 - c) Shipment 17 of High Level Waste had been despatched back to Japan.

Item 5 Programmes and Projects – MSSS Alternative Options

- 5.1 The Strategy and Technology Director opened the discussion, updating the Board of the agreement reached in October 2014 to press ahead with SDP as the only viable strategy available at that time to address the risk associated with the MSSS facility. This strategy was endorsed with awareness that exploration would continue in the consideration of Raw Waste Storage (RWS) as a viable option.
- 5.2 An update on the progress to date on alternative options was discussed with the Strategy & Technology Director advising the Board that the RWS work had progressed at considerable pace. A proposal to change the strategy for MSSS is due to be tabled at a Senior Strategy Committee meeting on Thursday 6th August and if the change to strategy is approved then Sellafield Ltd will submit to NDA its formal request to implement the change, including contractual steps to cease work on SDP. The NDA had secured the services of Dr Mike Weightman to conduct a technical review of the work done to underpin this decision. It was noted that a change to the strategy would be made to accelerate hazard reduction in MSSS, adhering to the ALARP methodology.
- 5.3 The Board discussed the issues extensively and set out some key aspects to be addressed in order for consideration at the subsequent decision point. Agreement was reached that:
 - a) Two papers should be presented:
 - (i) A resubmission of the Programme Level Business Case for the MSSS programme for approval which would present the revised strategy and provide a reference for future sanctions
 - (ii) A paper to seek endorsement for the change to include the 'Termination for Convenience' of the SDP contract and describing how NDA will implement the change to the strategy and the rationale for the change.

- b) Approach to Governance – the Board was supportive of the sequence of events and agreed that documentation could be circulated to approve the change either by correspondence, telecom or convene a special Board meeting dependent on the extent of questions and concerns.
- 5.4 The Chairman concluded the discussion by thanking the Strategy & Technology Director for the good discussion and affording the Board the opportunity to consider the progress made on the MSSS Strategy Review, prior to formal endorsement.
- 5.5 The Board noted:
- Progress to date on the alternative options
 - The updated SDP Period 3 report

Item 6 Spending Review Update (Corporate Strategic Risk 1)

- 6.1 NDA continues to participate fully in the Options Evaluation Panel in conjunction with ShEx, DECC and HMT. An overall funding envelope for the forthcoming Spending Review was announced in the recent budget but no detail for individual departments or whether it will be a four or five year period. The addition of the MOD into protected status will put extra pressure on non-protected departments including DECC and therefore NDA. NDA are working with Sellafield Ltd on options and workforce reform but, at this stage, are not seeking significant input from Magnox, DSRL or LLWR. A paper has been produced in dialogue with key stakeholders to aid discussions on the work of the NDA to help maintain the momentum. The Board expressed their wish to see this paper.

ACTION:

A1: Communications Director to share the paper titled 'Nuclear Decommissioning in the UK: Continuing the Momentum' with Board members.

- 6.2 [Minute redacted – s.36 Policy]
- 6.3 The CFO described the savings following previous Spending Reviews:
- Magnox – plan costs have reduced by c£1.5bn through MODP and a further £1bn through Competition
 - Dounreay – in excess of £1bn has been reduced from the cost base which also includes Exotics
 - Sellafield - £600m saved through PP14
 - 25% of costs removed through the Support and Overhead Cost Reduction programme at all sites
 - NDA reduced their total headcount by 30% in 2010
- 6.4 The timeline for submissions was discussed clarifying that an initial submission to the SoS is due on Wednesday 5th August, all final completed submissions to the SoS by the end August and the final decision will be provided by HMT in November.
- 6.5 The Board:
- Noted the update and commended work carried out to date, [Minute redacted – s.36 Policy]

Item 7 Strategy III

- 7.1 A copy of the Draft Strategy III had been circulated seeking approval for public consultation which is due to start on 08 September 2015 and will run for 12 weeks. The final document will be presented to the Board in March for formal approval. The Strategy and Technology Director described how the strategy is derived highlighting that content is very high level. Strategy III is an update to Strategy II.
- 7.2 The Board commented positively on the content and its readability noting that the Critical Enablers had been enhanced and developed with particular reference to the Skills and People Strategy. Further work was required in ensuring coherence and alignment between

critical enablers and expected outcomes. The Board were informed that further work had been incorporated on; institutional controls to better clarify 'how clean is clean?' at the end of site activities; reactor decommissioning, moving from the current phased approach to a more continual programme and more specificity on the end of reprocessing.

- 7.3 The Board were made aware that implementation of this Strategy is heavily dependent on the outcome of the Spending Review.
- 7.4 The Chairman concluded the discussion and requested that any further comments from Board Members should be provided to the Strategy & Technology Director, noting that limited time was available.
- 7.5 The Board:
- Approved consultation draft V3.0 of Strategy III to proceed to public consultation and delegated final editorial approval to Director of Strategy & Technology and Director of Communications & Stakeholder Relations.

Item 8 Sanction

- 8.1 The Sellafield Programme Director presented an interim sanction for the Box Encapsulation Plant (BEP) for approval. The discussion followed the following points:
- BEP is required to support a number of Legacy Ponds & Silos (LP&S) plants and becomes more important with Raw Waste Storage (RWS) development.
 - BEP costs and schedule were placeholders within PP14 when accepted in December 2014.
 - A full Business case will be presented in September 2015 which will include the changes from PP14, reference to RWS and describe ongoing scrutiny of cost and schedule.
 - The current sanction will run out in August 2015 before the full Business Case is presented noting this sanction is required to continue with more work on critical path items (not additional scope).
 - SL requires [Minute redacted – s.43 Commercial] added contingency [Minute redacted – s.43 Commercial] from NDA to take the project through to January 2016.
- 8.2 The Board raised concerns that interim sanctions on projects and programmes are a re-occurring problem at Sellafield and would like to understand if this is due to process issues, or a lack of sufficient contingency. It was recognised that there is a lack of programme management expertise at Sellafield and it is envisaged that this will be addressed through the Strategic Partner.
- 8.4 The Board:
- Approved the interim sanction for submission to HMG to approve the BEP project and sanction spends [Minute redacted – s.43 Commercial] (noting that this required additional approval [Minute redacted – s.43 Commercial] over that approved by the Board in June 2014).
 - Noted the Sanction Log.

Item 9 Board Effectiveness

- 9.1 Following a recent effectiveness review the Senior NED presented the results to the Board. It was noted that the approach adopted had deliberately focussed on areas for improvement and should be seen against a background of positive responses in most areas. Four actions are planned in response to the review to address Risk, The Right Leaders, Board Papers and this Board Workshop.
- 9.2 In further analysing the results discussions centred on the following findings from the review:

- Reduce the risk of surprises:
This issue generated a high percentage of 'concerned' responses. A detailed discussion concluded that; a) this is a systemic issue across the estate due to an insufficient line of sight on some projects and; b) NED's feel insufficiently sighted on potential issues. Although a Board performance report is provided, there are varying levels of understanding on issues with stories not always containing a clear thread. It was decided that earlier warning of issues should be brought to the attention of the NEDs through a more comprehensive CEO report based on the Success, Opportunities, Failures & Threats (SOFT) approach.
- Securing the right culture:
There was a substantial discussion on culture within the Board, within the NDA and within the estate. It was felt that the Board culture is generally positive, supportive and open. The Exec Directors confirmed that they had no concerns with bringing issues to the Board. The CEO felt that the culture in the NDA was generally positive (as evidenced by recent surveys) but that there were challenges around ensuring that the NDA was exhibiting the right approaches and behaviours to drive the right culture of delivery, consistency and reliability into the SLCs. There was clearly further work to be done in this area. The development of the new arrangements for the management of Sellafield will provide a vehicle to work on this issue.
- Strong Leadership Performance:
The results indicated that the Executive Directors felt that the Non-Executives are challenging, supportive and helpful. Discussions continued on how to strengthen leadership and the following points were raised:
 - a) Work to improve the alignment with our sponsoring department on risk profile
 - b) Further dialogue should take place on the reward system and build upon the work the Exec are undertaking on further developing leadership within the organisation
 - c) Look to address how a government owned company drives innovation within a private sector culture
- In concluding the session the Chairman noted the issues. The discussion had covered most of the areas identified in the review but there were some areas worthy of further discussion outside a formal Board meeting and the Chairman and CEO would take this forward.

Item 10 Forward Agenda

- 10.1 The Board reviewed the forward agenda. It was suggested that a visit to the old and new analytical services facilities would be a useful part of the site visit when the Board are in Cumbria in September.

Stephen Henwood
Chairman

Date