

**MINUTES OF THE NUCLEAR DECOMMISSIONING AUTHORITY BOARD BUSINESS
MEETING, WEDNESDAY 11 NOVEMBER 2015, 09.00 – 10:45, WYLFA SITE, CEMAES, YNYS
MON, LL67 0DH**

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
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
Alison Kay	Observer, Women on Board
Kenna Kintrea	Assurance Director

Item 1 Apologies, Introductions and Conflicts of Interest

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

Item 2 Sanction

2.0 Box Encapsulation Plant

- 2.1 The NDA Board were presented with the Box Encapsulation Plant (BEP) project business case. The Board were asked to endorse the submission to DECC of the request to complete the project [Minute redacted – s.43 Commercial] On receiving approval from DECC for the request to complete the project the Board is asked to sanction the completion of detail design and placement of the majority of contracts to manufacture plant and equipment. [Minute redacted – s.43 Commercial]. A final business case to complete the project will be submitted to the NDA Board for approval in Q3 2016/17 and will only require DECC approval if the forecast cost to complete the project exceeds [Minute redacted – s.43 Commercial]. The Sellafield Programme Director provided a synopsis of the functionality of the plant stating this is now on the critical path for Magnox Swarf Storage Silo (MSSS) retrievals since the decision was taken to cancel Sellafield Direct Encapsulation Plant (SDP). BEP will also provide support to the remediation of other legacy programmes but the strategic / economic case is made solely on its importance to the MSSS programme.
- 2.2 The Chairman asked the Board to consider the project presented and question whether the business case contains a sufficient degree of maturity in order to endorse the sanction.
- 2.3 The Board raised their concerns in the following areas:
 - Questions arose on BEPs previous sanctions and how this correlated with PP14. BEP had received an appropriate level of assurance throughout PP14 and a view was taken at the time that both the cost and schedule were optimistic. The Sellafield Programme Director explained that a re-assessment of the project by the contractor had led to a significant impact on cost and schedule. The recent strategic decision taken to store the waste in raw

form had enabled the cancellation of SDP which in turn, led to a change in the functionality and technical requirements of BEP. It was noted that BEP would not be available until approximately two years after the earliest date for retrievals from the MSSS facility. Further detail was provided on the cost increases since the last sanction. The Board were informed that other routes to treat the waste from MSSS through encapsulation were being explored in order to relieve pressure in the programme. These would not provide a sustainable long term solution due to capacity constraints, but could allow an earlier start to retrievals.

- The Board questioned the type of contract between Sellafield Ltd and the Joint Venture (JV) partners. It was acknowledged that although the contract is to be cost reimbursable, the JV contractor will be incentivised to deliver against a target schedule of March 2020 and a percentage of fee is at risk against KPIs, and a discretionary fee (£12M) is at risk against the end date. A review of the contracting strategy will be undertaken to ensure sufficient competitive tension in the later phases of the contract. A key catalyst in ensuring that all parties achieve a faster and better outcome will be the management of key decisions through the Programme Board attended by NDA, SL and the JV. The Board wished to review this position at the May 2016 Board.

ACTION

A1: Sellafield Programme Director to present back to the Board progress on the work undertaken with regard to BEP & alternative delivery/contractual options

- 2.4 A lengthy discussion took place on how NDA should manage project sanctions through the Board and Government. Advice supplied by DECC is that all projects should be presented with a P80 value which aligns with Government green book standards. The Board took comfort from this approach noting that cost and schedule ranges should narrow as the project matures. It was accepted, however, that BEP does not fit cleanly within the current gated process due to its history with much of the civil construction already complete. It was clarified that this sanction will not result in seeking additional request of funding from Government within spending review as this has already been accounted for within NDA's submission. The Board asked NDA to consider whether sufficient clarity exists on where other major projects sit within the gated process and whether there are other projects which could give rise to large increases from PP14?

ACTION

A3: Provide to the Board a full major project update stating: where each project sits within the gated process; details of assurance applied; an assessment of where each project is against PP14 and an update on commercial arrangements

- 2.5 The Board:

- Endorsed the submission to DECC of the request to complete the Box Encapsulation Plant (BEP) project [Minute redacted – s.43 Commercial].
- Subject to receiving approval from DECC, the Board approved the release of [Minute redacted – s.43 Commercial] (P80) to complete the detail design and place the majority of contracts to manufacture plant and equipment.
- Noted that a final business case to complete the project will be submitted to the NDA Board for approval in Q3 2016/17, which will include the outcome and any benefits derived from any alternative options to bring more competitive tension into the remaining construction, installation and commissioning phases of the project

3.0 SSEP Technology Cluster Business Case

- 3.1 The Assurance Director presented the Technology Cluster Business Case to the Board for endorsement of the sanction request to DECC. The Technology Cluster is the last of a suite of projects for sanction and is made up of two projects within the SSEP programme – the Main Site Command Facility (MSCF) and the Site System Architecture Upgrade (SSAU). [Minute redacted – s.43 Commercial].

- 3.2 This business case was last presented to the Board in December 2014 before the DECC Investment Committee considered the project unaffordable and commissioned a task force to look at the scope requirements within the project. This piece of work had completed in August 2015 resulting in a lower cost design which is proposed in the current business case. The Board were satisfied that with the agreement of the regulator, some relaxation of the original requirements had led to forecast cost savings. They fully recognised that completion of the project is a high priority and stressed the importance of proceeding with urgency and for no further changes of scope to occur.
- 3.3 Members observed that there was a high reliance on the Infrastructure Services Alliance (ISA) contract and asked what was being done by Sellafield Ltd to ensure that this would deliver the appropriate performance. They heard that Sellafield Ltd was taking steps to strengthen the contract management of the ISA contract on the back of an assurance review recently carried out by the NDA. They also recognised that work packages to be let to the ISA would be incentivised via target cost and schedule Key Performance Indicators
- 3.4 The Board recognised the challenge of managing the risks associated with integration of various activities across the site questioning whether there was capability within SL to drive this forward. It was also recognised that the forecast completion date of five years was not aligned with the urgent need for the project. The Assurance Director recognised these concerns and assured the Board that early integration of the supply chain would strengthen SL's capability whilst achieving the security outcomes in a cost efficient manner.
- 3.5 The Board:
- Endorsed the Technology Cluster Outline Business Case at Gate 4 (Project Approval).
 - Recommended that the DECC Investment Committee:
 - Approves the SSEP Technology Cluster Outline Business Case and recommends that HMT authorises expenditure [Minute redacted – s.43 Commercial].
 - Delegated authority to the NDA Board to approve and sanction MSCF and SSAU project design and construction at future NDA stage gates, subject to the overall cluster cost remaining within the approved P80 range.
 - Approved, subject to HMG approval of the Business Case, a further tranche of expenditure [Minute redacted – s.43 Commercial].
- 3.6 The Assurance Director informed the Board that the Sellafield Resilience programme discussed at the November 2014 Board had seen a reduction in forecast costs from £262m to £94m and schedule from Dec 2022 to Jul 2018. This had been approved outside of the Board as it now fell within the CEO's delegated authority.

4 AOB

- 4.1 The Chairman informed the Board that since the last Board meeting a formal offer had been made in the appointment of a new Chair for Sellafield Ltd. The Board formally approved the appointment of Tony Fountain as the Chairman of Sellafield Ltd.
- 4.2 There being no other business the meeting closed at 10:45

Stephen Henwood
Chairman

Date