

**MINUTES OF THE NUCLEAR DECOMMISSIONING AUTHORITY BOARD MEETING,
WEDNESDAY 23rd MARCH 2016, 13.00 – 18.30, TORTWORTH COURT FOUR PILLARS,
TORTWORTH, WOTTON-UNDER EDGE, GLOUCESTERSHIRE, GL12 8HH**

Present

Stephen Henwood	Chairman
Ken McCallum	NED
Tom Smith	NED
Evelyn Dickey	NED, Remuneration Committee Chairman
Volker Beckers	NED, Audit & Risk Assurance Committee Chairman
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
Alison Kay	Women On Board

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.
- 1.3 The Chairman thanked the directors for travelling to Gloucestershire to allow the Board to visit the Berkeley site the following day.

Item 2 Minutes, Decisions, Actions and Matters Arising

- 2.1 The minutes from the 10th February were distributed at the meeting. These will be taken for approval at the meeting in May.
- 2.2 The action record was reviewed. Matters arising:
 - (i) Action 554 – Asset Failure within the Estate. Members were in receipt of a paper which concluded that there are no critical assets within the estate which are running to failure; however the age of some assets are a concern. Members were content that this will be monitored more closely at Executive level; therefore the action could be closed.
 - (ii) Action 638 – Gated Process. (See section 6.3)
 - (iii) Action 639 – Escalation & Intervention. (See section 6.2)
 - (iv) Action 643 – R&D Spend. A paper had been provided to address the cost breakdown of projects to identify allocation of funds to R&D. Whilst members were thankful for the report and agreed that the action could be closed, it was felt that this was not conclusive enough. The Board would like to see at an appropriate point in the future clarity of areas within the estate which have the potential for a big return on breakthrough technology. This has been added onto the forward agenda.
 - (iv) Action 681 – Provision of Steam Supplies at Sellafield. A paper had been provided to members providing validation that the assurance carried out by the NDA Financial Planning Team supports the 'Boilers Only' option delivered by 2019. NDA continue to work with the SL Programme and Project Teams to ensure the new construction project does not prematurely foreclose commercial delivery options as the project matures. It was agreed, therefore, that this action could be closed.
 - (v) Action 684 – Full Major Project Update. (See section 6.1)

(vi) Action 705 – Succession Planning. This has been added onto the forward agenda for September. Action closed.

All other actions are ongoing.

- 2.3 The Decision Record was approved with a note that since the last Board meeting, Treasury has approved the Evaporator D sanction. Members were informed of a joint review being led by the Sellafield Programme Director and Sellafield Managing Director to review the close out of the project as they are dissatisfied with performance during this final phase.

Item 3 Chairmans Report

- 3.1 The Chairman reported that:

- He had held his routine meeting with the Minister who had just met with the Trade Unions and a substantive item of discussion had been on the pension position at Sellafield Ltd. The Chairman felt that the Minister continues to be engaged and supportive.
- The Chairman along with the CEO had been to the DECC Board to updated them on progress across the estate and priorities for the year ahead.
- A senior official's visit had been arranged for the 10th & 11th May at Sellafield.
- The Chairmans letter was progressing well and should be finalised very soon.
- The quarterly meeting between the NEDs and ShEx/DECC had been held with a broad range of topics covered.

- 3.2 The Board noted the report.

Item 4 Chief Executives Report

- 4.1 The CEO report had previously been distributed and was taken as read. The CEO brought the following to the attention of the Board:

- 70% of radioactive inventory has been removed from the Pile Fuel Storage Pond which should allow the facility to be de-classified from the high hazard portfolio. This success was noted at the DECC Board.
- The Assurance Director continues to lead on the work with government in clarifying the different requirements for Business Cases recognising the roles of all the parties. This work will be presented to Katrina Williams when completed.
- An improvement notice which has been issued to Sellafield by ONR had prompted the Minister to write to the Sellafield Managing Director. She has asked for a response to outline actions in order to address the findings.
- CFP have informed NDA that all change controls will be submitted by the end of the calendar month. There are early indications of increased costs resulting from increased scope due to two main factors, difference in actual performance compared to plan and more scope from items such as waste and asbestos which would have arisen under any contract. A thorough investigation will be undertaken. NDA Executive has met with senior members of the CFP PBO team to re-iterate the various options available to NDA in not accepting the CFP revised plan. Members wished to understand the new contract.

ACTION

A1: Provide a briefing for all NED's on the Magnox contract under CFP.

- 4.2 Members queried the decision made to increase the remit of the role undertaken by the current Head of Programme for Dounreay to include that of Magnox given the difficulties associated with the two PBOs. The Board would like to invite him and his lead team to set out an overview of how this will work going forward.

ACTION

A2: Secretary to arrange for the Head of Programme for Magnox and Dounreay and his lead team to attend and update the Board on how the two programmes will be managed going forward.

4.3 The Board noted the report.

Item 5 Performance across the Estate

5.1 The P10 and P11 reports had been distributed prior to the meeting with specific attention to the following:

- Financial Summary - the forecast net expenditure will be £26m lower than anticipated due to small reductions in forecast across some SLCs and an increase in income arising from fuel delivered under the EdFE contract. There is an underlying assumption of a dividend to be paid by INS and the request for this to take place has been made to HMT who have indicated that they are flexible to this approach; however it should be noted that this had been agreed outside of due process.
- Safety – It was noted that safety at Sellafield had declined in P11, and continues to decline at Magnox. This could be attributed to the change of management across both SLC's which may have impacted on the management observations undertaken at the site.
- Sellafield Model Change – All arrangements are in place for the transition of Sellafield to NDA on the 31 March which also includes Licence Condition 36 from ONR. Progress is being made in testing the market for the strategic partner(s). The process is looking at three strategic partners which are made up of; Thinking Partner, to look at the strategic mission options for the site over the next 5-10 years; Implementation Partner, for back office support; and a Project and Programme Partner. Once the proposals are at a sufficient maturity members requested a briefing to provide assurances that they are the right three partners along with the sequencing of events leading up to engaging with the supply chain and appointment.

ACTION

A3: Present to the Board the proposals for the three strategic partners with a timeline of events leading up to full market engagement and appointment.

5.2 The Board noted and thanked the Programme Directors for the review of the estate.

Item 6 Programmes and Projects

6.1 Project Approvals related to Sellafield (Action 684)

6.1.1 A paper had been provided which set out all upcoming approvals related to Sellafield and the status of previously approved sanctions. The Sellafield Programme Director set out the following summary:

- The most important hazard reduction programmes at Sellafield are the four priority legacy ponds and silos programmes, which are currently rated green at a programme level. Work is in line with the cost and schedules of the extant Sellafield Performance Plan (PP14). Within these programmes, the expectation is that two projects may require re-sanctioning: Pile Fuel Cladding Silo retrievals and Silo Maintenance Facility. The Pile Fuel Cladding Silo retrievals project will show an increase from the last sanction but will be below the costs indicated in PP14. The Silo Maintenance Facility may require re-sanction but this is not yet confirmed.
- Most of the remaining Sellafield programmes (not including operations) requiring approval are to replace or restore ageing infrastructure and resources to support the mission. Sellafield Ltd is currently undertaking options analysis to optimise delivery schedules so that these remain within the PP14 levels and the spending review profile. The expectation is that there will be a number of sanction requests at a project level

once this work is completed. Whilst it is not possible to make definitive assurances at this stage, the NDA and SL are very clear about the overall affordability constraints under which they are operating.

- It should be noted that the security programme has been approved by Government and is tracking within programme tolerances, however further work has been initiated to define cyber security requirements and this may challenge the overall programme.

6.1.2 Members welcomed the overview and requested to understand which of the amber rated projects cause the most concern for the NDA. This was hard to determine as all projects have very different issues and it is difficult to get a consistent application of scrutiny at project level to challenge delivery methods. SRP and SIXEP are forecasting increased costs and schedule and these are being challenged by the Site Facing Team. Members recognised this causes concern for the NDA and that it is likely to lead to a re-submission of papers for the stated projects.

6.1.3 It was acknowledged that many of the projects are tracking under budget and ahead of schedule which members were pleased with.

6.1.4 The Board noted the update and agreed that Action 681 could be closed.

6.2 Escalation and Intervention (Action 639)

6.2.1 Following on from an action placed at a previous Board the Assurance Director had reviewed and formalised the escalation and intervention triggers in relation to programmes and projects at Sellafield Ltd. It should be noted that through this work the NDA intend to apply the same principles to the rest of the NDA estate, recognising that some of the actions/interventions available to the NDA may be different depending on the contracts in force.

6.2.2 Data on programme and project health is gathered through a number of sources and it was observed that there is a huge dependency on the information received from reporting from Sellafield Ltd and a recognition that it is unclear how good and accurate this data is. To provide further assurance to NDA the Owners Rep (OR) gathers further intelligence in analysis of the data and also attend the SL internal project reviews.

6.2.3 Members were informed that the previous PBO model had inadvertently discouraged openness due to impact on fee and relatively short tenure of directors. NDA feel that changing the model will change these behavioural issues. To ensure this is the case an internal review is ongoing to ensure the behaviours are monitored. Incentivisation occurs through the achievement of operating plan targets; corporate targets and success criteria leading to motivation by both a sense of achievement and senior management incentives.

6.2.4 The Board endorsed the approach and agreed that the action could be closed.

6.3 Gated Process (Action 638)

6.3.1 Given the complexity and significant expenditure during the design phase of projects at Sellafield, the Board had questioned whether an additional approval gate between sanction gates 4 and 5 should be introduced to match that of Sellafield Ltd which does require formal design reviews at that point.

6.3.2 As projects typically consist of a number of sub-elements at differing stages of maturity, the design reviews may not coincide with a common stage of maturity for all elements. In addition, depending on the procurement approach, key decision/approval points for the project may be at the end of Concept, Preliminary of Detailed Design.

6.3.3 It was recommended that a flexible approach to assurance and approvals is applied, with a specific approvals plan agreed for each project within its Integrated Assurance and Approval Plan (IAAP) as it comes forward for Project Approval (Gate 4). It was also recommended to monitor this over the next 12 months with some progress reporting to the board on the status of programmes and projects recognising that in some circumstances they will be asked to note the way forward.

6.3.4 The Board endorsed the recommendation not to require a formal additional NDA gate to be incorporated into the project lifecycle approval process. The key decision/sanction points for approvals will be agreed as part of the Project Approval. It was agreed that the action could be closed.

6.4 Risk Management Framework

6.4.1 The Risk Management Framework was presented for approval following comments received from a previous Board meeting.

6.4.2 Members were content that risk management and the framework were now complementary and it was clear which Executive member owned the risk. Members valued the risk bow-ties which were now a regular feature of the agenda item to aid discussion.

6.4.3 The Board approved the NDA Risk Management Framework.

6.5 Cyber Update

6.5.1 There have been developments in many of the areas relating to the NDA's cyber-response. DECC has developed its strategy setting out its vision for the civil nuclear sector in the area of cyber-resilience along with their four key strategic objectives. A further and more comprehensive update will be provided to the Board in May 2016.

6.5.2 The NDA has obtained the appropriate level of security clearance for a number of key staff to receive threat information and briefings that were previously unavailable. These briefings will help form the NDA Estate's understanding of the current level of cyber-threat and shape its responses accordingly. The CEO stated that the briefing session was very useful and he felt he was in a better position to provide assurances, advice and recommendations to other Board members.

6.5.3 The NDA has established a NDA Estate Cyber-Resilience Programme (NCRP) to coordinate response to cyber-threat across the Estate. NCRP will be led by the NDA SIRO and will call upon key SMEs within NDA and across the Estate with the purpose of reducing the current and future risk exposure posed by cyber threats and vulnerabilities.

6.5.4 Members were assured and content that this topic is moving in the right direction, from a previous state of perceived passivity of issues. Members noted the following:

- the next key step is to formulate a set of plans which should conclude what NDA's response mechanisms would/should be
- how the board should challenge faster and better programme progress

6.5.5 Members questioned:

- what the risk appetite should be set to, to target the post mitigation, therefore allow challenge on where money is being spent

The Executive Directors left the meeting.

Item 7 Pension Position for Executive Board Members

7.1 The Executive Directors left the room whilst the Non-Executive Directors held a discussion on the pension position for Board Members.

The Executive Directors returned to the meeting.

Item 8 Business Planning, Finance & Pensions

8.1 Operating Plan

8.1.1 The latest draft of the NDA Operating Plan had been distributed prior to the meeting. The plan follows the structure of previous years and the removal of detailed fee information will allow the plan to be security marked 'Official' (thereby easing distribution). The inclusion of extracts from the SL Operating Plan and alignment of funding and targets will be used to confirm acceptance of the SL Plan in line with new Governance arrangements.

8.1.2 The Board:

- Endorsed the approach to the finalisation of the Operating Plan by delegating final amendments to the CEO & CFO

8.2 Corporate Targets

8.2.1 The latest draft of proposed Corporate Targets was distributed previously to the Board. These targets contain estate wide and HMG targets only. Finalisation discussions for the Sellafield Success Criteria (from which Sellafield Corporate Targets are selected) are ongoing. The Remuneration Committee reviewed the overall set of Corporate Targets on the 16th March and no material changes made. Members were assured that as per previous years a range had been applied which allows the Remuneration Committee to apply discretion at year end. Discussions are still ongoing with regard to the finalisation of the SL targets and a target associated with the appointment of the Strategic Partner.

8.2.2 The Board:

- Noted the status of the Corporate Targets

8.2.3 The Business Plan has been issued to DECC (alongside Strategy III) to obtain Ministerial approval for publication before 1st April. 14 responses were received on the consultation which did not result in any material changes to the document.

8.3 Pension Reform

8.3.1 A paper had been presented to the Board outlining the governance of NDA's pensions responsibilities, setting out the role of DECC; the overall responsibilities of the NDA Board; the CFO and the NDA Group Head of Pensions.

8.3.2 Due to changes in pension schemes within the estate, members felt that a more detailed update on the differing schemes was required in order to provide further assurances of their responsibilities. The annual report would be issued to the Board on an annual basis with the suggestion that the first report could be in September / October and include comments on triennial valuations, including potential assumptions and the results and mitigation activities to offset anticipated gilt yields.

8.3.3 Members were also in receipt of an information paper outlining the new composition of the Pensions Trustee Board. Changes will consist of moving from four employer and four member nominated trustees to three member, three employee and three independents. The current chairman David Illingworth is an independent member.

8.3.4 The Board:

- Approved the respective roles and responsibilities of the Board, CFO and Group Head of Pensions as stated within the report.
- Noted the arrangements for the management of pension scheme investments as set out within the report.

Item 9 Strategy III

9.1 Strategy III has been submitted to and has received ministerial approval following the public consultation. The Strategy III document will be delivered to the Board Members once it has been published post April 2016. A reading note had previously been provided to highlight the differences between the consultation draft of Strategy III and the current document and the major changes from the previous Strategy.

9.2 Members expressed their gratitude to the Strategy team and the increased focus from the department in finalising and adhering to the constrained timescales set due to the timing of Spending Review. It was noted that the document will be used by the Executive throughout 2016/17 as a focus for strategic decisions.

9.2 The Board:

- Noted the development of the Strategy III and the timeline to publication.

Item 10 Sanction

- 10.1 The Pile Fuel Cladding Silo Programme Level Business Case was presented by the Sellafield Programme Director. An overview of the facility and the material contained within the silo was provided. It was noted that a project pause had been introduced in 2013. The pause was to allow Sellafield to ensure that there was a fit-for-purpose engineering solution to retrieving material from the facility.
- 10.2 Since 2013, a comprehensive 'lessons learned' exercise has been undertaken and with support from G6 a more pragmatic and less complex solution has been formulated. The revised business case now reflects a 'lead and learn' approach along with the strategy of how the packages will be transported.
- 10.3 In discussion members made the following observations:
- They were encouraged by the approach taken to the 'lead and learn' concept utilised in the Pile Fuel Storage Pond.
 - They were content that the tranche approach to the facility will lead to parallel working.
 - They were confident that the simplicity of the solution will not result in a bow wave of risk at the end of the programme lifecycle.
 - They were aware that the main risk is that the retrievals solution does not work in a timely way.
- 10.4 The Board
- Approved the revised programme level business case.
- 10.5 In May 2016 the Board will be presented with the Pile Fuel Cladding Silo Retrievals Project Business Case. Members were asked to consider three options for sanctioning the next stage of the project.
- 10.6 Members discussed the options presented and elected option 'A' – the Board will sanction the entire remaining scope ahead of completion of the formal Preliminary Design Review (PDR) and NDA will control release of sanction to SL.
- 10.7 The forward sanction schedule was considered and reviewed. The Chair requested that due to the large amount of sanctions expected to be taken in May the CEO should consider whether a sub-committee of the Board should be convened.

Item 11 Committee Reports

11.1 Audit & Risk Assurance Committee Report

- 11.1.1 The new Chair of the Committee provided an oral report from the meeting held on 17 March 2016. The Chair informed the Board that the membership of the Committee had changed due to Janette Brown and Patrick Dixon leaving and that Janet Ashdown has been appointed as a new member. The Board were also informed that the Committee were looking to appoint a non-NDA member.
- 11.1.2 Discussions at the meeting consisted of:
- Nuclear Provision and material changes when considering how to account for Pu. NDA Finance is considering its position and will report back to the Chair.
 - Within the Internal Audit report concerns were raised on communication of the new HR processes with the committee looking for further assurances in this area.
 - The Committee approved the Internal Audit Plan for 2016/17 which had been very well informed through the risk process.

- An update had been provided on the EQA audit which described the process rather than the content. The overall conclusion was positive.
- The draft governance statement was discussed. The Committee was happy with the structure and aware that further finessing is required.
- The terms of reference for the committee have not yet been approved; the Chair has agreed to speak with the other members of the Committee to take a revised ToR to the NDA Board in May for approval.

11.1.3 The Board noted the report.

11.2 Safety and Security Committee

11.2.1 The Board were provided with an oral update from the S&SC held on 17 March 2016. The Committee received some feedback from EA and SEPA on estate wide issues; update on the Safety Culture survey results was presented and members raised their concerns about increasing trend of incidents across SLC's.

11.3 Remuneration Committee

11.3.1 The Board were provided with an oral update from the meeting held on 16 March 2016. The main discussion points were related to the Pension issue as described in section 7. Members also considered the new approach to the Annual Report and Accounts staffing report.

Item 12 Forward Agenda

12.1 The forward agenda was discussed with members expressing a particular interest in visiting the Pile Fuel Cladding Silo as part of the Sellafield tour. The chair requested that the Cyber update be a substantive item and was keen that members of the Board held detailed discussions with SL on the Strategic Partner proposal.

Item 13 AOB

12.1 There being no other business, the meeting was closed at 18.30.

Stephen Henwood
Chairman

Date