

# The Nuclear Decommissioning Authority

## Annual Report and Accounts 2005/6

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Annual Report and Accounts 2005/6

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The Nuclear Decommissioning Authority is a new organisation set up under the Energy Act 2004. We are a Non-Departmental Public Body. This means that operationally we are independent of Government although we report to the Secretary of State for Trade and Industry and to the Scottish Ministers.

Our remit is to ensure that the UK's civil, public sector nuclear sites are decommissioned and cleaned up safely, securely, cost-effectively and in ways that protect the environment for this and future generations. We are also required to ensure that the existing commercial plant is operated effectively and efficiently until current contracts and commitments have been met and to generate income to offset the cost to taxpayers of decommissioning and clean-up.

## Chairman's Statement

The NDA is a new organisation, which began operation on 1 April 2005, with a remit to provide the first ever strategic approach to decommissioning and cleaning up the UK's civil public sector nuclear sites. Our business, therefore, is environmental restoration.

I am pleased to present this Annual Report on our first full year of operations.



**Sir Anthony Cleaver**  
Chairman

**The NDA is tasked with bringing about a new approach to nuclear decommissioning. Very good progress has been made. Among our achievements we have:**

- Established a clear set of values that underpin our remit. *Safety, security and protection of the environment* are paramount to the way in which we and our contractors operate;
- Developed a *wide-ranging and robust Strategy* to deliver our remit. In accordance with the requirements of the Energy Act 2004, our Strategy describes how we will work with the Regulators, private sector suppliers and public sector bodies to bring about accelerated decommissioning and clean-up; our approach to maximising revenue from commercial assets; and how we intend to provide value to taxpayers. For the first time, the UK now has an agreed strategic approach to decommissioning and clean-up which has attracted broad support. I was pleased to launch this Strategy, approved by the Secretary of State for Trade and Industry and the Scottish Ministers, in London on 30 March 2006;
- Put in place a programme both to *reduce uncertainties about, and to improve our understanding of, the full costs* of delivering our remit. Through this programme we aim to develop, by 2008, a mature, robust baseline, against which we can seek to drive down decommissioning and clean-up costs while maintaining or improving high standards of safety, security, and environmental protection;
- *Incentivised our contractors to out-perform against plan* – safely, securely and with proper regard to the environment. Our contractors have delivered on this – with the result that in excess of £75 million worth of additional work has been delivered against the plan for the year. Our contractors and their workforces have also achieved efficiency savings of around 7% before payment of fee (i.e. a net saving of 2%) a year earlier than the Government's Public Service Agreement (PSA) target required.

In his review Dr Ian Roxburgh, the NDA's Chief Executive, discusses these points in more detail.

#### **We have responded to a number of major events during our first year**

Our Strategy, approved by the UK Government and the Scottish Ministers, sets out the actions we propose to take to introduce competition and attract innovation into the market. In March 2006, British Nuclear Fuels Limited (BNFL) announced its preferred option that British Nuclear Group (BNG) should be sold through a competitive process. We have continued to work with BNFL and the Government on agreeing the best way forward.

#### **We have made progress in building a broad and engaged stakeholder community**

Our approach is to be open, honest and transparent in our engagement with stakeholders. Good progress has been made by the newly-established Site Stakeholder Groups (SSG) and the UK National Stakeholder Group (NSG). We have received a substantial number of Freedom of Information (FoI) requests and have sought to respond constructively.

We have provided advice on request to the UK Government and to the Scottish Ministers, as well as giving written and oral evidence to two inquiries by the Trade and Industry Select Committee. We have developed a good working relationship with Ministers in the UK Government and in the Scottish Executive and have also engaged with the Welsh Assembly, where appropriate.

#### **We have built important international networks both to learn from and to influence international best-practice**

We have been active on an international basis to learn from best practice in other countries (for example, the US, France, Spain and Japan). We have signed a co-operation agreement with Électricité de France (EDF) to share technical know-how and other good practice, and it is particularly pleasing that we are increasingly being seen as a player from whom other countries can learn.

#### **However, there remain ongoing developments in Government policy that are important to the delivery of our remit**

The Government has launched reviews on radioactive wastes – the Committee on Radioactive Waste Management (CoRWM) review of higher level radioactive wastes and the Low Level Waste (LLW)

policy review. The outcomes of these reviews and subsequent decisions by Government will have significant implications for the NDA. We have provided input and advice, as appropriate, to these policy reviews and recognise that we will need to review our Strategy in the light of developments.

#### **We have built a highly experienced team drawn from both private and public sectors**

Last year, I introduced our new Board to you. We have now completed all our appointments to the Board and Executive team and I am very pleased with the broad range of experience that is available to us. Between them, the Directors have held senior positions in a range of sectors including energy, contracting, services, engineering, academia, trade unions and Government service. As important as our individual experiences are, how we work together as a team is crucial to our success as a business. I am pleased to report that the Board is working as a competent and effective unit.

Over the year we have made excellent progress in building the NDA team and I would like to take this opportunity to thank all our people for their commitment and dedication over this, our start-up year.

#### **Looking forward, we have a number of important milestones**

There are a number of key milestones in 2006/7. Among these, I would highlight our first competition – for the LLW Repository near Drigg; assisting in the restructuring of BNFL; and beginning the restructuring of Magnox and UKAEA to prepare for competition. We are also establishing a Combined Nuclear Pension Plan (CNPP) and consulting on our socio-economic policy, as well as reviewing site end states with local stakeholders.

We expect these initiatives to bring new approaches and ideas into the industry and to our local site communities.

We look forward to building on our early success over the coming year.



Sir Anthony Cleaver  
Chairman

## Chief Executive's Review

Taking stock after our first full year of operation, I am struck by how far we have come in such a short period of time. I am equally well aware of how much more there is to do. My review looks forward, therefore, to the challenges ahead as well as back over the progress we have made to date.



**Dr Ian Roxburgh**  
Chief Executive

**We started the year with around 75 permanent staff located mainly in temporary accommodation, both at our headquarters and in the regions**

I am pleased to say that our recruitment has gone very well. By the end of the year, we had moved into our permanent headquarters in Cumbria and secured good quality accommodation for our regional offices. We now have over 200 permanent staff in post.

**One of the biggest challenges in our first year was to develop the first ever UK-wide Strategy for decommissioning and cleaning up the UK's historical, public sector nuclear sites**

We published our draft Strategy on 11 August 2005, consulted on it for three months, revised it in the light of comments received and secured approval from the Secretary of State for Trade and Industry and the Scottish Ministers on 30 March 2006, as required by the Energy Act 2004. During the consultation period, more than six thousand copies of the draft Strategy were issued, over 40 presentations were given to a variety of stakeholders and we received 275 sets of comments, all of which were considered carefully.

We also consulted on our second Annual Plan for 2006/7 and received approval from the Secretary of State and the Scottish Ministers to implement it.

**I am also delighted to say that we made net efficiency gains of 2% a year earlier than the Public Service Agreement (PSA) target required**

The 2% was in addition to our contractors funding their fee through efficiencies. A great deal of credit for this achievement rightly belongs to our contractors: British Nuclear Group Sellafield Limited, Magnox Electric Limited, UKAEA and Springfields Fuels Limited. We are pleased that our contractors were able to reward their staff with a bonus in recognition of this achievement.

**We have made good progress in engaging with our stakeholders**

Independently-chaired Site Stakeholder Groups (SSGs) have been established for all our sites and they are now working very well. We have also established a UK National Stakeholder Group (NSG), which has now met twice. The UK NSG has set up two Issues Groups looking respectively at nuclear materials and waste management. Further meetings of both the UK NSG and its Issues Groups are planned during the coming year.

We recognise, of course, that much still needs to be done on reducing higher hazards on our sites, particularly by immobilising the large quantities of Intermediate Level Waste (ILW) that are stored, thereby making it passively safe. There are also challenges for us, our contractors and the Regulators to address in implementing our competition schedule. I now turn to address, in some detail, both our achievements to date and our key challenges looking ahead.

**We have delivered the first UK Strategy for the decommissioning and clean-up of the UK's nuclear legacy, underpinned by a clear set of core values**

We have established and communicated a clear set of *core values*. Paramount to the way we operate and the way we expect our contractors to operate is health, safety, security and protection of the environment for this and future generations. In delivering our remit we need to secure better value for taxpayers; earn the trust and respect of our stakeholders; and, at the same time, remain sensitive to the impact of our activities on local communities.

Working within these values, our *overriding objective* is hazard reduction. This involves characterising and packaging radioactive wastes so that they are passively safe and can be put in interim storage pending the availability of long term management arrangements. The facilities that house these wastes can then be decommissioned. Our priority is to deal with higher hazards to people and the environment, particularly those at Sellafield and Dounreay.

In order to bring innovation and new ways of working into the nuclear decommissioning industry, our strategy is to establish and maintain a strong competitive market. This will move the industry from a predominantly public sector culture, based on 'cost plus' contracts, to one where leadership and delivery is provided by private sector contractors, competing for commercial contracts with appropriate risks and rewards. Our contractors will be incentivised to safely reduce costs and this will be achieved within the existing legislative framework which has at its heart robust, independent regulation. These changes will bring about a substantial culture change throughout the civil nuclear industry.

**More effective nuclear decommissioning and clean-up in the UK will come about only through changes in behaviour and culture throughout the industry**

We have already begun to see some early and encouraging signs of culture change that will underpin the new approach we are seeking and which will bring about improvements in contractor performance over the medium and long term.

*For example:*

- the new management team at Bradwell has achieved defuelling of the station's two reactors well ahead of the scheduled programme. This has been achieved by building a strong team, working across disciplines and, in particular, implementing a highly improved maintenance and repair regime. This effort was subsequently recognised as 'best in class', with Bradwell winning the international Nuclear Maintenance Experience Exchange (NUMEX) award in 2006;
- incumbent contractors are adopting a more open and transparent approach to the public. We were pleased to see that the internal investigation reports into the incidents at THORP (Sellafield) and the Cementation Plant (Dounreay) were published;
- a move away from a functional structure to a more project-based approach, with clear accountability for both performance and costs. We particularly welcome the significant restructuring by the Dounreay management team;
- a new spirit of consulting and engaging with stakeholders. We were delighted to receive more than 270 responses to the consultation on our draft Strategy, having undertaken over 40 presentations around the country and experimented with a live 'web chat'. This ensured that stakeholders' views were actively sought and acted upon.

We see one of the main roles of the NDA as encouraging and rewarding cultural change. We take very seriously avoidable or preventable incidents or events that occur on our sites, such as those at THORP and at the Dounreay Cementation Plant. We have reminded our contractors that we will not tolerate such incidents and, to underline that point, have advised BNG Sellafield Limited and UKAEA that we are making a fee deduction from them of £2 million each.

I now turn to our main achievements over the past year and also to areas where insufficient progress has been made.

**Achieving high levels of output from our operational plant**

The Energy Act 2004 requires us to operate our commercial assets effectively and efficiently to offset the cost of decommissioning and clean-up.

Our operational plant includes: four working Magnox power stations, two of which are scheduled to cease generating this year; the Thermal Oxide Reprocessing Plant (THORP), Magnox reprocessing operations and the Sellafield Mixed Oxide Plant (SMP); and nuclear fuel manufacture at Springfields.

The Magnox fleet generated 15.37 TWh of electricity, up 12% on last year (2004/5). With our support, the operational stations invested more in preventative maintenance, which reduced unplanned 'outages' (plant shutdowns), assisting in the higher output achieved. Together with the strength in the wholesale electricity market, this generated 17% more revenue than anticipated from electricity generation.

The vitrification lines at Sellafield, which convert liquid High Level Waste (HLW) from Magnox and THORP reprocessing operations into glass blocks, performed very well and achieved a new plant record by processing 482 canisters into storage. BNG Sellafield Limited is well within the volume reduction programme agreed with the Nuclear Installations Inspectorate (NII).

However, in April 2005 THORP was shut down following identification of a pipework leak and has remained closed throughout 2005/6. While the Magnox reprocessing continued to operate, overall reprocessing of spent fuel was less than expected and this led to reduced income. The current indications are that THORP may not restart until 2007.

The commissioning of the SMP also remains behind target, although some encouraging progress on improving throughput was made during the year. However, it still remains substantially behind requirements and our priority is to work with our contractor to improve operational efficiency.

We are fully committed to operating commercial assets effectively and efficiently. We aim to maximise revenue to offset the cost of decommissioning and clean-up to the taxpayer. To that end, we are exploring with the Government and our contractors whether Wylfa Power Station can be operated to the final date allowed within its safety case of 31 December 2010, rather than it closing earlier in 2010. We were pleased when Springfields Fuels Limited achieved a new long-term contract for toll conversion with the Canadian firm Cameco.



### **We have made good progress in creating foundations for a competitive market in decommissioning and clean-up**

As a preparatory step we have established 12 management and operations (M&O) contracts with four site licence holders: BNG Sellafield Limited, Magnox Electric Limited, UKAEA and Springfields Fuels Limited.

We are planning an ambitious set of competitions for these contracts and, following approval of our Strategy, have published our proposed competition schedule. The first of our competitions – for management of the UK's Low Level Waste is already underway.

We are working towards making the necessary legal arrangements to transfer relevant UKAEA assets and liabilities to the NDA by 31 March 2007 and to establish new SLCs that mirror the site bundles in our competition schedule. Decommissioning and clean-up of these sites can then be competed as envisaged in the Energy Act 2004.

We have published the criteria that will be used in selecting bidders for our contracts and I am very grateful for their constructive suggestions. We have also set up a Combined Nuclear Pension Plan (CNPP) to maintain pension cover during and after transfer of SLC personnel to new contractors.

*The industry is already responding to the developing competitive environment:*

- British Nuclear Group has recognised that it needs new skills and capabilities to compete effectively. In March 2006, the Government endorsed BNFL's preferred option to sell BNG. We have continued to work closely with the Government and BNFL on agreeing a way forward. In the meantime, the company is working with two major US-based management and operations contractors – Fluor at Sellafield and Jacobs at Magnox Electric Limited;
- UKAEA has formed a strategic alliance with two other companies (AMEC and CH2M Hill) in order to supplement its existing skill sets with additional competencies and experience.

### **Understanding and reducing the nuclear legacy**

One of the priorities I highlighted earlier is to understand better the full extent of the nuclear legacy and the cost of dealing with it. Only when we have a robust, mature baseline can we properly programme future work, measure our performance against this baseline and seek to gain year-on-year efficiency savings. To this end we have put in place the Life Cycle Baseline (LCBL) Improvement Project. This will develop a more reliable and effective mechanism to identify the liabilities on each site and the estimated cost of dealing with them. Good progress is being made, and we aim to complete this work in 2008.

Our programme concentrates on the most hazardous wastes. There are substantial quantities of intermediate and high level wastes that need to be recovered from existing and often ageing facilities – particularly at Sellafield – and put into a passively safe form, protecting people and the environment. We are pleased that BNG Sellafield Limited has undertaken investigations to survey the extent of the materials in one of the ponds, which has resulted in around 20% more material being identified than previously thought. This demonstrates that we are improving our understanding of the extent and nature of the nuclear legacy.

Confusion sometimes arises from the different ways in which liabilities estimates are reported. These accounts report the nuclear liability, based on agreed accounting conventions. Other methodologies report undiscounted engineering costs: for example, the LCBL uses a particular methodology and reports a 'headline money' value at current prices. The Management Commentary in this Annual Report and Accounts explains the differences in these approaches and describes the uncertainties around the nuclear provisions we have accounted for.

### **Encouraging our contractors to perform more work for less money**

Having set the baseline, we need to encourage and incentivise our contractors to continue to deliver more work for the same amount of money, while ensuring high standards of health, safety, security and environmental performance.

*Over the past year we have put in place a number of mechanisms to help achieve this, for example:*

- We have developed our approach to managing our contracts in which we have clarified our role as the 'intelligent owner' for managing and operating sites; and
- We have reallocated funds between contractors and between sites through portfolio management. This means that we have taken money away from sites where it was clear that it would not be spent effectively, and given additional funds to the sites that were able to accelerate work programmes or bring forward projects, especially to achieve hazard reduction.

The net result is that our contractors have delivered more work than expected for less expenditure than budgeted. We want to congratulate our contractors and their suppliers for responding positively to the opportunities to deliver more work and in achieving this improvement in performance.

### **This has resulted in a good financial performance**

At the start of the year, we planned to do £2,069 million of work. The actual value of the work performed was £2,146 million against an actual cost of £2,022 million, giving a positive cost variance of £124 million, a cost performance index of 1.06 and a schedule performance index of 1.04 demonstrating that more work was performed for less money. This places us in the fortunate position of having been able fully to apply our allocated funds and we have also maintained an £89 million reserve.

### **Supporting local communities**

We take seriously our statutory duty to provide support to activities that benefit the social and economic lives of communities near our sites. Given the nature of our business and its inevitable consequences, we consider that we and our contractors require a 'social licence' to operate within the communities affected by our activities.

*During the year, we have:*

- started to develop our socio-economic policy, on which we will consult in 2006/7;
- launched a series of initiatives in our local communities, partially funded by the efficiency savings we have achieved with our contractors. Areas where we have supported initiatives include:
  - *Caithness Horizons, where we are jointly investing in local community infrastructure;*
  - *Anglesey, where we have funded an assessment of the economic impact when Wylfa finishes generating electricity; and*
  - *West Cumbria, where we are co-funding the strategic 'master-plan' and providing gap funding to support cottage hospitals that were threatened by closure.*

### **Building the NDA as a world class performing organisation**

I have reported on the impact we have had on the nuclear industry but, of course, the NDA is also about our people and how we operate as an organisation. 2005/6 was our first full year of operations in which most of our people were recruited, and many of the business processes we need to function effectively were put in place. We moved to our new headquarters in West Cumbria and populated our four regional offices. Since the year-end we have applied for ISO 9001 and Investors in People (IIP) accreditation – one year earlier than planned. Importantly, we have put in place a robust risk management system which is working effectively and is overseen by the Executive team and the Board. We have a strong, independent internal audit function, which is encouraged to intervene early.

Our intention is that the NDA should remain a tight, focused organisation and we have now largely completed our recruitment programme. I am delighted by the quality, motivation and wide experience of the workforce we have attracted, and I would like to take this opportunity to thank them and our interim staff and consultants for their energy, enthusiasm and achievements over the past twelve months.

As we move to our second year of operation, our focus will continue to shift from programme management to contracting and competition. This requires a different approach, with matrix working at its core, and we will review the skills and experience we need to make sure that our organisation is equipped to deliver. We also need to institutionalise the various processes that we have put in place and successfully achieve ISO 9001 accreditation.

We work closely with UK Government Ministers and the Scottish Ministers and with all the industry Regulators, including the Environment Agency (EA), the Scottish Environment Protection Agency (SEPA), the Health and Safety Executive's Nuclear Installations Inspectorate (NII) and the Office of Civil Nuclear Security (OCNS). These relationships are all very constructive and we thank them for their support over the past year.

### **Our Plans for Next Year**

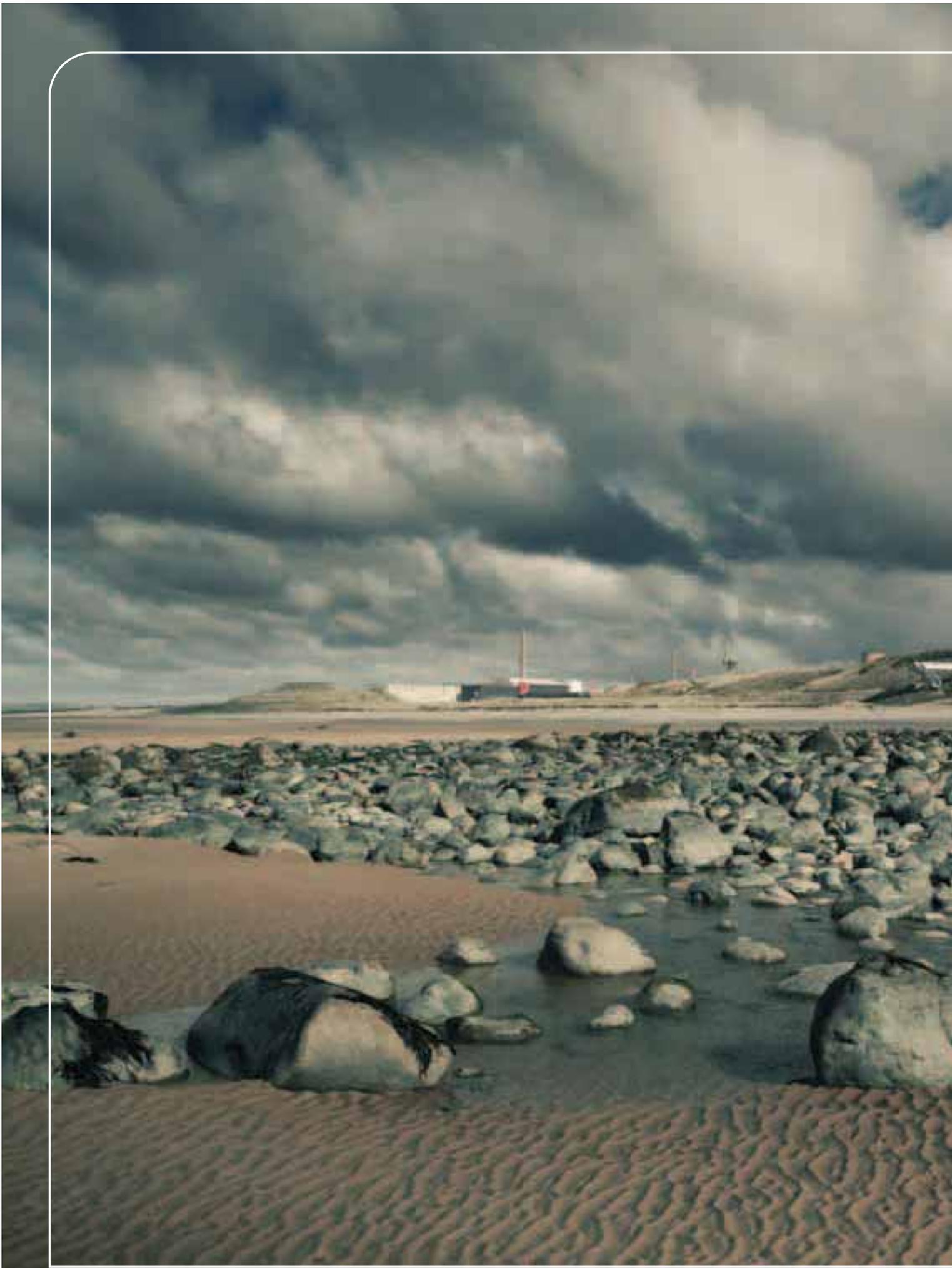
In March 2006, we published our approved Annual Plan for 2006/7, which described in detail our work programme for the financial year from 1 April 2006.

*Our priorities include:*

- Competition for the Low Level Waste Repository (LLWR) near Drigg;
- Working with the DTI and British Nuclear Fuels Limited (BNFL) to enable the successful sale in 2007 of British Nuclear Group (BNG);
- Developing a robust business case to accelerate the decommissioning of reactor sites;
- Working with stakeholders to review and, where appropriate, revise site end states;
- Responding, as appropriate, to the various Government policy reviews;
- Determining our approach to the interim storage of Intermediate Level Waste (ILW);
- Setting the foundations for the National Nuclear Skills Academy and the Nuclear Institute;
- Establishing the Combined Nuclear Pension Plan (CNPP) in readiness to accept its first members;
- Achieving further value for taxpayers, including delivering on the Government efficiency targets.



*Dr Ian Roxburgh  
Chief Executive & Accounting Officer  
The NDA  
9 October 2006*



SELLAFIELD IS LOCATED IN CUMBRIA AND IS A LARGE, COMPLEX NUCLEAR CHEMICAL FACILITY THAT HAS SUPPORTED THE UK'S NUCLEAR POWER PROGRAMME SINCE THE 1940'S. IT ACCOUNTS FOR OVER 60% OF THE UK CIVIL NUCLEAR LEGACY FOR WHICH THE NDA IS NOW RESPONSIBLE.



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## Health, Safety, Security and the Environment [HSSE]

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Health, safety, security and the environment are of paramount importance to the way we and our contractors operate. We have made clear our absolute commitment to these fundamental principles in our Strategy and expect our contractors to deliver sustained excellence in HSSE performance. We are working in partnership with the Regulators to achieve our common goal of no accidents, no harm to people and no damage to the environment.



## Planned Activities 2005/6

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### Conduct a high level overview of safety and environmental performance on our sites

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**Status**      **Achieved**

**Progress**      We have reviewed the information provided to us by the four site licensees (British Nuclear Group Sellafield Limited, Springfields Fuels Limited, Magnox Electric Limited and UKAEA) that manage and operate our sites about safety and environmental performance in 2005/6 and in previous years.

Significant efforts have been made in recent years to reduce industrial accident rates and the number of nuclear safety events. In 2005/6 some sites exhibited improvements in industrial safety, others showed a decline. There was also a slight increase in nuclear safety related incidents, but overall the safety and environmental performance of our contractors was broadly similar to the previous year.

More detail of safety and environmental performance at individual sites is provided in the Site Reports section and in the NDA's Annual Health and Safety Report, which will be published separately.

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### Create a new directorate to support the NDA's priority of safety, security and protection of the environment

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**Status**      **Achieved**

**Progress**      We have created the Nuclear Safety, Security and Environment Directorate comprising 11 people to provide independent oversight of our contractors' performance and assurance to the NDA Board. The team has extensive experience of regulation in the nuclear industry and in other sectors.

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### Develop internal environmental, health, safety and security procedures

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**Status**      **Achieved**

**Progress**      We have developed the initial procedures that are required to support the NDA's progress towards ISO 9001 and Investors in People (IIP) accreditation. We are developing the NDA's Health and Safety Policy together with our procedures which will be in line with best practice.

All NDA staff have received appropriate security vetting and measures are in place to make NDA property and IT systems secure, in line with the Office of Civil Nuclear Security's requirements.

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### Establish effective monitoring and reporting on HSSE performance at sites

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**Status**      **Achieved**

**Progress**      We now have a Nuclear Safety Engineer based in each NDA region to monitor the nuclear safety and environmental performance at each site.

We have carried out a safety review at Direct Rail Services (DRS), the national rail freight operator wholly-owned by the NDA, and in the coming year will commence a programme of safety assurance audits at NDA sites.

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### Create a common set of metrics to measure safety and environmental performance

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**Status**      **On track**

**Progress**      Following consultation with our contractors we have jointly developed a set of metrics to measure safety and environmental performance in a consistent way from 2006/7 onwards.

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### Establish our role and method of working with the Regulators

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**Status**      **Achieved**

**Progress**      We have signed Memoranda of Understandings with each of the nuclear Regulators.

We established the NDA National Industry Regulator Forum (NNIRF), comprising the NDA, Regulators and the nuclear site operators. The NNIRF meets regularly.

See case study 1.

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*Planned Activities continued overleaf*

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## Define clear lines of responsibility and accountability between the NDA and its site management contractors

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**Status** **Achieved**

**Progress** We have drafted guidance on the respective roles of the NDA, the site management contractors and parent companies. We have held a workshop with the contractors, their parent companies and the relevant Regulators to discuss this issue and clarify the concept of the 'controlling mind' in relation to site management and operations.  
See case study 1.

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## Develop a consistent risk management and monitoring process

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**Status** **Achieved**

**Progress** As part of the NDA's overall risk management process, we have created registers of all the risks the NDA is exposed to in the areas of nuclear safety, industrial health and safety, environment and security.

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## Conduct an Environmental Assessment to support the Strategy

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**Status** **Achieved**

**Progress** As described in our 2005/6 Annual Plan, we undertook an environmental assessment to inform our first Strategy and published an Environmental Report for consultation in parallel with our draft Strategy. The Strategy describes how the environmental issues identified by the assessment and comments from stakeholders have been taken into account in the approved Strategy.  
We have received initial waste strategy documents from our sites and are working with the Regulators, our contractors and others to refine our specification for integrated waste strategies. This will ensure that future site plans are based on optimised and integrated waste strategies informed by stakeholder engagement.

## Establishing relationships with the Regulators

Case Study 1

### Issue

With the advent of the NDA, it was important that we clarified our role in order to avoid the potential for any overlap between the responsibilities of the nuclear site operators under the Nuclear Installations Act 1965, the Health and Safety at Work Act 1974 and the Radioactive Substances Act 1993 and those of the NDA under the Energy Act 2004. We also needed to develop relationships with the Regulators so that we could work together without placing any unnecessary additional burden on the nuclear site operators.

### Approach

*Controlling Mind* – In order to clarify our responsibilities in relation to those of the site licensee, we have sought to understand and to clarify the concept of the ‘controlling mind’ in respect of site management and operations. We have held a workshop with the site licensees, their parent companies and the relevant Regulators. Following the useful discussions at this workshop, we will issue formal guidance on how the NDA will discharge its responsibilities as the ‘intelligent owner’ without becoming the controlling mind responsible for the direct management and operation of nuclear licensed sites and, therefore, health, safety, security and environmental protection on these sites.

We have also sought to clarify the ‘controlling mind’ issue in respect to the different responsibilities of the site licensee and the parent company. Our guidance on this issue will inform potential bidders when we introduce competition for the management and operation of our sites.

#### *Memoranda of Understanding* –

We have signed Memoranda of Understanding with each of the principal Regulators (NII, EA, SEPA and OCNS). These set out a framework for how the NDA and the Regulators will interact in constructive working relationships to ensure the safe and environmentally responsible delivery of work programmes, without placing unnecessary additional or conflicting demands on site operators.

*NNIRF* – We hold regular NDA National Industry Regulator Forum (NNIRF) meetings, involving the NDA, the Regulators and the site licensees as a forum for discussing matters of mutual interest and to enable the safe, secure and environmentally responsible delivery of our remit.

*This forum has been supported by a number of sub-groups to address specific issues of mutual interest to the NDA, the Regulators and the site licensees, including:*

- The Prioritisation Working Group, which is developing a consistent approach to the prioritisation of work activities to achieve the maximum progress towards safe, secure environmental restoration;
- The Integrated Waste Strategy Working Group, which is developing an approach to integrated and optimised waste strategies for nuclear sites;
- The Competition and Contracts Working Group, which discusses issues of mutual interest associated with the NDA’s contracts and competition strategy.

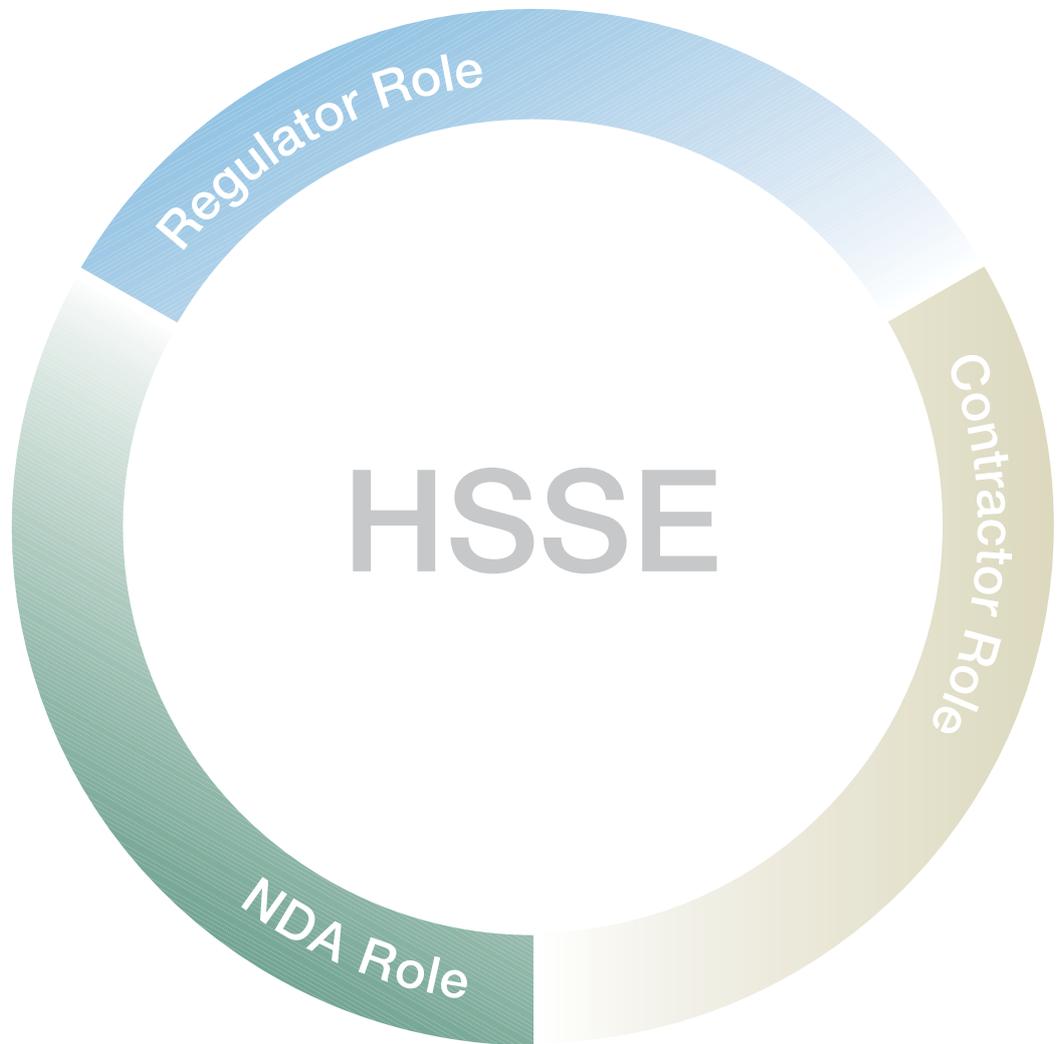
More information on the activities of the NNIRF and these sub-groups is available on the NDA’s website ([www.nda.gov.uk](http://www.nda.gov.uk)).

*The NDA has also responded formally to consultations on:*

- A Public Consultation on Policy for the Long-term Management of Solid Low Level Radioactive Waste in the United Kingdom;
- Amendments to the Nuclear Reactors (Environmental Impact Assessment for Decommissioning) Regulations 1999;
- Radioactively Contaminated Land Regulations for England, Wales and Scotland;
- Statutory Guidance on the UK Strategy from the Scottish Executive to SEPA for Radioactive Discharges; and
- Windscale and Drigg Radioactive Substance Authorisation Reviews.

### Output

We have clarified the NDA’s role in the areas of safety, security and environmental protection without altering the existing legal responsibilities of the site licensees or the existing regulatory framework.



#### Respecting Roles 'Controlling Mind' Concept

##### Role of the NDA

Under the Energy Act 2004, the NDA has a duty to have particular regard to the need to protect persons from risks to their health and safety, to the need to safeguard the environment and to the need to preserve nuclear security. The Energy Act 2004 also places a duty on the NDA to share good practice between its sites.

The NDA, acting as the 'intelligent owner', can set out what outcomes it requires its contractors to achieve but should not assume the legal responsibility to determine how operations will be undertaken, which is the responsibility of the site operator.

##### Role of the Regulators

The role of the nuclear industry Regulators was not changed by the introduction of the NDA. Accordingly, the Health and Safety Executive's Nuclear Installations Inspectorate (NII) continues to regulate nuclear safety, the Environment Agency (EA) in England and Wales and the Scottish Environment Protection Agency (SEPA) in Scotland remain the regulatory bodies for environmental protection. The Office for Civil Nuclear Security (OCNS) continues to regulate security matters and the Department for Transport (DfT) continues to regulate the movement of radioactive materials.

##### Role of the site licensee

The Energy Act 2004 and the introduction of the NDA did not fundamentally modify other legislation such as the Nuclear Installations Act, the Health and Safety at Work Act or the Radioactive Substances Act. The law clearly requires the site licensee to be the 'controlling mind' that determines how operations will be undertaken on nuclear licensed sites and to remain responsible for health, safety, security and environmental protection.



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## Delivering Our Programmes

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The NDA is committed to delivering its work programmes safely, securely, cost effectively and in ways that protect the environment for this and future generations. As the strategic body responsible for the UK's civil public sector nuclear sites, we are able to establish a common basis for measuring site performance and to allocate funds across our sites to ensure work is delivered in line with our priorities. Key among the tools we employ are portfolio management – i.e. the reallocation of funds from one site to another site that is better placed to bring forward planned work – and Performance Based Incentives [PBIs] – defined metrics that seek to encourage optimum performance in agreed work areas.



## Planned Activities 2005/6

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### We aimed to achieve more work for less money

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**Status** Achieved

**Progress**

We had planned to fund £2,069 million of work on our sites in 2005/6. By the year-end, our contractors had achieved £2,146 million of work at a cost of £2,022 million. This means that significantly more work was achieved than planned for less cost than budgeted, with sites achieving good safety and environmental performance.

We set our contractors and their staff an incentive package aimed at delivering efficiency gains of 7% on agreed work programmes before fee payment (2% net). With the additional funds generated by these efficiency savings, we have been able to accelerate work from future years, fund a number of community-focused socio-economic initiatives and double our planned payment to repair the Magnox Electric Pension Scheme deficit.

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### We sought to ensure the best allocation of funding across the portfolio of our sites

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**Status** Achieved

**Progress**

We have successfully reallocated funds between our sites and between contractors to accelerate work through three rounds of portfolio management. This has enabled a number of site contractors to complete work in 2005/6 that would otherwise have been carried out in future years.

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### We sought to understand better the full cost of delivering our remit

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**Status** On track

**Progress**

The latest Life Cycle Baseline (LCBL) showed that the total estimated cost of delivering our remit is now £62.7 billion. This new estimate results from our improved understanding of the full cost of decommissioning and clean-up. The current estimate still excludes the costs associated with the long-term management arrangements for ILW and the treatment and disposition of nuclear materials, should they be reclassified as waste. There is also particular uncertainty over the costs which may need to be incurred for the management of contaminated land.

In 2005/6, we initiated a project aimed at improving the processes by which our site contractors develop their site plans in order to deliver a robust, consolidated LCBL by 31 March 2008. Over 40 tasks have been identified that require improvement and we have actively engaged our site contractors in this project. The process will enable us to improve further our understanding of the full cost of delivering our remit and provide the foundation for driving improved performance in delivery of our work programmes.

See case study 2.

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### We planned to put in place incentives to encourage improved contractor performance

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**Status** Achieved

**Progress**

We have agreed a package of Performance Based Incentives (PBIs) aimed at incentivising contractor behaviours and encouraging improved performance in agreed work areas, especially in hazard reduction.

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### We sought to establish a common basis for measuring our contractors' performance

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**Status** Achieved

**Progress**

We have introduced a 'dashboard' of common metrics for our site contractors to report on the work performed on their sites, as well as developing a system for measuring the 'earned value' (i.e. the actual cost of work performed against the budgeted and actual value of work) of work performed. For the first time, this has enabled our contractors to report their performance in a consistent way and the added value of work performed to be evaluated.

In line with the British Energy (BE)/DTI Restructuring Agreements, we also oversaw activities that relate to planning for the decommissioning of BE's nuclear power stations and the discharge of certain nuclear liabilities not covered by commercial contracts. Accordingly, we required BE to produce a LCBL and a Near Term Work Plan (NTWP), which we are reviewing along the same lines with the LCBLs and NTWPs submitted by NDA sites. This will enable us to ensure that decommissioning plans for all civil nuclear sites – not only those designated to the NDA – are produced and evaluated on a common basis and enable cost savings at NDA sites to be translated, where appropriate, to the decommissioning of BE's power stations.

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### We sought to encourage a project-focused culture among our contractors

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**Status** On track

**Progress**

Throughout the year, we have worked with our site contractors to encourage a project-focused culture to support the NDA's mission and will continue to facilitate this cultural change.

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## Life Cycle Baseline Improvement [LCBLi] Project

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Case Study 2

### Issue

The NDA has a remit to understand fully the costs of operations, decommissioning and clean-up. In the months since we came into existence, it has become clear that a number of weaknesses exist in the plans that our site contractors have submitted which set out the costs of operations, decommissioning and cleaning up each site, referred to as Life Cycle Baselines (LCBLs). For example, our sites do not currently assess risk and allocate contingency on a consistent basis. These weaknesses could lead to substantial amendments in the cost and schedule of work defined in the consolidated national LCBL.

### Approach

In late 2005, the NDA initiated a project aimed at improving the processes by which the site contractors develop their LCBL plans in order to enable the delivery of a robust and consolidated LCBL by 31 March 2008.

*The following project objectives have been defined:*

1. to form an effective project team comprising suitably qualified individuals from both the NDA and the site management contractors;
2. to assess the quality of the current LCBL preparation process and identify any areas of weakness or gaps;
3. to characterise each gap and to assess its impact on the quality of the LCBL in terms of scope, schedule and cost;
4. to prioritise the order in which the gaps are to be addressed in order to achieve maximum benefit in the time available;
5. to design and implement an effective solution for each gap; and
6. to review how successful each solution is in terms of addressing the gaps and make any necessary changes.

The project will be subject to regular project performance, measurement, monitoring, control and reporting systems in order to ensure its effectiveness.

### Output

We have secured the active support of BNG Sellafield Limited, Magnox Electric Limited, Springfields Fuels Limited, UKAEA, British Nuclear Group and British Energy. The improved LCBL, when established, will provide a benchmark against future progress in delivering our remit. The improved baseline will also allow us to show accurately any future rise or drop in the scope or cost of decommissioning and clean-up. We will ensure that the improvements identified in this project are incorporated in revised Programme Control Procedures (PCPs) and reflected in our contractors' internal procedures.



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## Decommissioning and Clean-up

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Dealing with the higher hazard legacy facilities at Sellafield and Dounreay is our top decommissioning priority. This will bring about the hazard reduction required to make these sites safe for this and future generations. Subject to Government approving a business case, our aspiration is to accelerate the decommissioning of Magnox and other reactor sites and to achieve final site clearance in around 25 years. We will work with our contractors and the Regulators to develop a comprehensive understanding of contaminated land on our sites and to develop fully costed and robust plans for the long-term management of contaminated land.



## Planned Activities 2005/6

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### Begin a strategic review of Sellafield site remediation with a focus on accelerating the decommissioning and clean-up of the legacy ponds and silos

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**Status**      **Achieved**

**Progress**

Approximately £30 million worth of work has been accelerated in 2005/6 in the remediation of legacy ponds and silos at Sellafield. Work undertaken in 2005/6 included the commissioning of a new crane to retrieve waste from legacy silos, the use of North Sea technology to carry out an underwater survey of legacy ponds and the retrieval of the first skips of legacy fuel.

BNG Sellafield Limited has produced a strategic model for the remediation of the Sellafield site, which will be used to investigate the different options for further accelerating decommissioning and clean-up.

See case study 3.

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### Review the Magnox fuel cycle to optimise removal of the fuel from the Magnox stations and the reprocessing of the fuel at Sellafield

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**Status**      **Achieved**

**Progress**

Consistent with the Magnox Operating Plan (MOP), the fuel manufacturing facilities at Springfields are scheduled to close ahead of electricity generation ceasing, requiring estimates of fuel requirements to be made in advance. The strategy has been to order sufficient fuel to cover planned generation for remaining operating lives of the Magnox stations.

Despite planned outages in the Magnox reprocessing and associated plants, fuel skips have been made available to the relevant sites.

Additional skips have been made available at Bradwell to support accelerated defuelling and, at Chapelcross sufficient skips were delivered to enable the fuel ponds to be emptied of the irradiated fuel there.

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### Accelerate hazard reduction associated with operational ILW at the Magnox stations to a point where the reactors can either be left under long-term care and maintenance or prompt dismantling can proceed

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**Status**      **Achieved**

**Progress**

A range of initiatives has been considered, from accelerated defuelling to on-site disposal of lower activity Low Level Waste (LLW).

At Trawsfynydd, boxes have been filled with Fuel Element Debris (FED) and grouted with cement. These are the first boxes of their kind to be completed in the UK.

At Dungeness 'A', the pilot Magnox Dissolution Plant (MXD) has successfully dissolved FED, achieving a reduction in volume of around 100:1 and significantly reducing the need for ILW storage capacity. Around 100 tonnes of FED 'splitters' have already been successfully dissolved and the site has completed the construction and inactive commissioning of a waste retrieval plant to recover 40 tonnes of lugs from the vaults together with the modification of the dissolution plant to cater for this. The technology used at Dungeness 'A' is being considered for use at other Magnox reactor sites.

Samples of irradiated steel from the Trawsfynydd boilers have been prepared for dispatch to Sweden for smelting trials.

*Planned Activities continued overleaf*

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## Reduce the hazard posed by the legacy plants at Dounreay

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**Status** **Achieved**

**Progress** Successful drilling trials and the granting of planning permission from the Highland Council has enabled work to begin on the hydraulic isolation of the Dounreay shaft.

**Status** **Achieved**

**Progress** Following a lengthy competitive tender exercise, a contract to design the scheme for a new immobilisation, encapsulation and storage facility for liquid and solid radioactive wastes, created by the historical reprocessing of fast reactor fuel at Dounreay, has been placed, with plant operations due to commence in late 2012.

**Status** **On track**

**Progress** In September 2005, the spillage of cement powder and radioactive liquid caused the shutdown of the Cementation Plant at Dounreay. The first phase of the recovery programme has been completed, including the recovery and cementation of the spilled liquid and remote cell-washing. The second phase of the programme is currently progressing well, with the plant scheduled to restart in October 2006.

**Status** **Achieved**

**Progress** The Prototype Fast Reactor (PFR) Sodium Destruction Plant (SDP) set a world record for the destruction of liquid metal. The plant has now successfully destroyed 1,136 tonnes of the former reactor liquid metal coolant, which represents 75% of the total sodium inventory in PFR.

**Status** **Achieved**

**Progress** An innovative approach at the Prototype Fast Reactor Project led to a change of programme to raise proposed major reactor components and a change in strategy on the subsequent clean-up of reactor residues, yielding significant long-term cost savings.

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## Accelerate decommissioning at our other sites

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**Status** **Achieved**

**Progress** At Winfrith, the ZEBRA reactor has been completely decommissioned and the land on which it stood restored. Contracts have been awarded for the first phase of decommissioning the Steam Generating Heavy Water Reactor (SGHWR) and the DRAGON reactor. The radioactive waste-handling facilities ('cave-lines') have been decontaminated to allow human entry.

**Status** **Not achieved**

**Progress** Due to technical issues the commissioning of the Winfrith sludge treatment plant is taking longer than planned.

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## Develop a national NDA-wide prioritisation process for decommissioning and clean-up

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**Status** **Achieved**

**Progress** We consulted widely with stakeholders in developing a national prioritisation process and issued the initial prioritisation procedure on our website ([www.nda.gov.uk](http://www.nda.gov.uk)) in December 2005. Sites will test this process as part of their 2006 Life Time Plan submission, following which further improvements will be made to the process as necessary.

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## Accelerating the remediation of Sellafield legacy ponds and silos

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Case Study 3

### Issue

The 2005/6 Life Cycle Baseline indicated that some of the key milestones in the remediation of the legacy ponds and silos at Sellafield would not be achieved. This was due, in part, to a lack of prioritised funding for remediation of these facilities but also to the long lead time in constructing new facilities to deal with the retrieved waste products.

The objective was to identify efficiency savings within the site that could be used to fund the critical path milestones while, in parallel, evaluating the existing site facilities to establish whether they could be used to deal with some or all of the retrieved waste.

### Approach

We asked British Nuclear Group Sellafield Limited (BNGSL) to explore areas of its site operations at Sellafield from which funding could be freed to bring some of the critical path items back onto the programme. We also asked BNGSL to evaluate the use of existing facilities for the treatment of legacy wastes and identify where work could be accelerated in order to reduce uncertainty and inform future decision-making with regard to the retrieval and treatment of legacy wastes.

Efficiencies and savings were identified, mainly from site infrastructure and services, which allowed key critical path items, particularly in the area of legacy silos, to be fully funded. As a result, BNGSL was able to demonstrate to the Regulators that a plan had been developed that could support the delivery of the Regulatory Specifications for the remediation of these facilities.

*The key features of the work have been:*

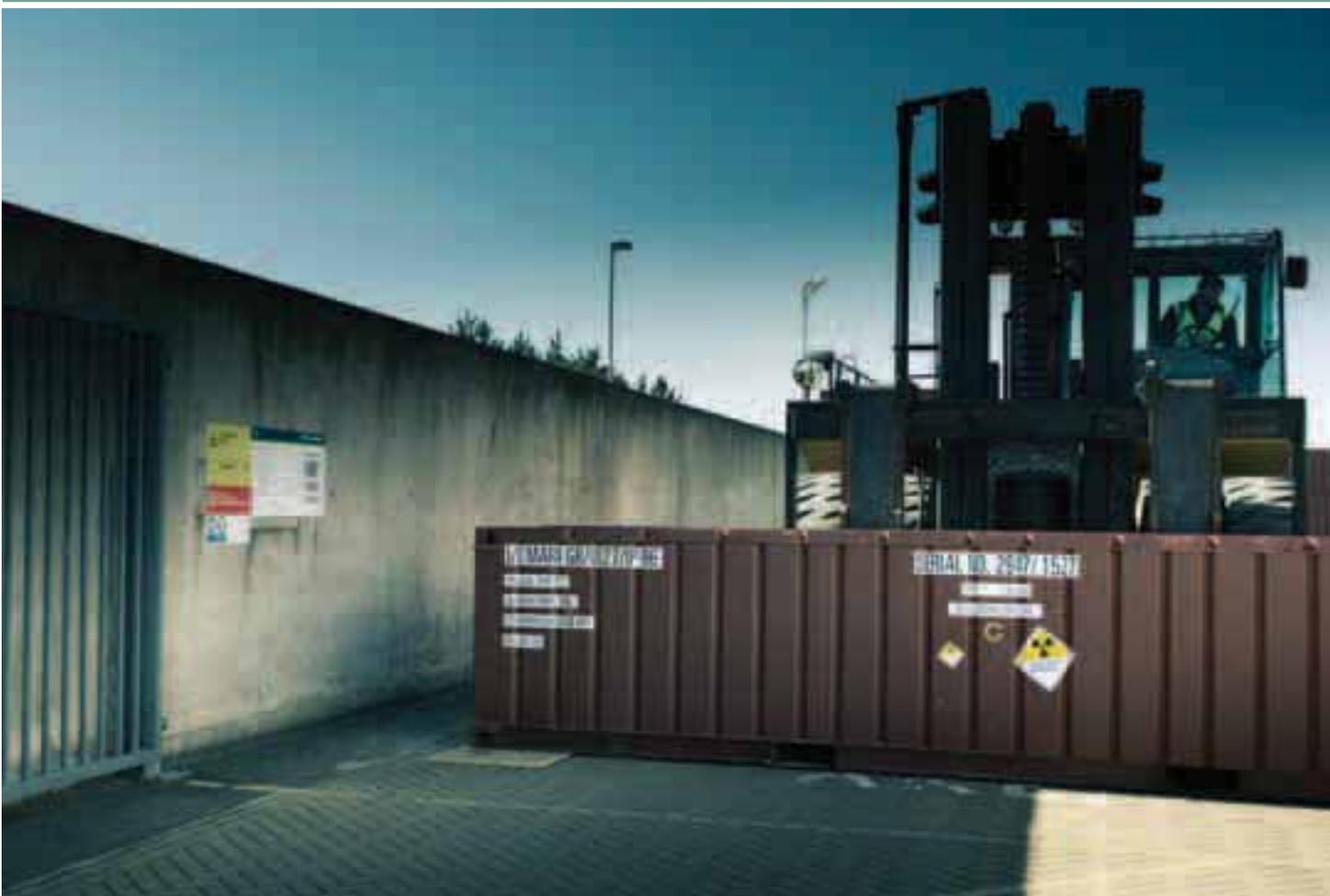
- The successful retrieval of a skip of legacy fuel from the B30 pond and the reprocessing of the fuel at the Fuel Handling Plant (FHP), suggesting that existing equipment at B30 might be used for the removal of fuel and wastes from the pond;
- The collection of useful data on radiological conditions in the pond, as the retrieved skip proved to be of a standard that could be returned to the Magnox fuel movement programme;
- The establishment of a potential new waste route from B30 when a drum of ILW from the Wet Bay Area of the building was exported to the Waste Encapsulation Plant, presenting an opportunity for the early retrieval and treatment of pond waste and the removal of sludge ahead of the construction of the new treatment facility in 2015;
- The complete removal of four fuel pond skips from a fuel pond, the first to be removed from the pond since the early 1950s, in response to our request for the better use of pond floor space to accommodate the installation of the skip-tipping and washing facility in order to enable sludge retrieval;
- The successful completion of work in the silos area to replace an existing building crane and clear the operations floor in preparation for retrievals.

### Output

The acceleration of work to clean up the legacy ponds and silos at Sellafield demonstrates an increasing shift in focus towards decommissioning and clean-up and represents a successful example of 'triangular' working between the NDA, the site licensees and the Regulators.

## Waste Management

We are committed to ensuring that radioactive waste is managed safely by putting it into a passively safe form and that appropriate plans are developed for dealing with non-radioactive wastes on our sites. In particular through our contractual arrangements with sites we are: **1**| Ensuring that the remaining quantities of liquid High Level Waste [HLW] are vitrified [i.e. converted into glass blocks and stored safely]; **2**| Evaluating the options for rationalising interim storage of Intermediate Level Waste [ILW]; **3**| Continuing to use the Low Level Waste Repository [LLWR] near Drigg to meet our short-term needs; **4**| Seeking to minimise the amounts of waste generated on our sites; **5**| Ensuring that Integrated Waste Strategies [IWSs] are developed for each site, as well as developing a national IWS. We are also making appropriate inputs to the Committee on Radioactive Waste Management [CoRWM] review on the LLW policy review.



## Planned Activities 2005/6

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### Reduce the amount of liquid HLW stored at Sellafield by converting it into a passively safe form and placing it in containers in a purpose-built store

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<b>Status</b>	<b>On track</b>
<b>Progress</b>	<p>Good progress has been made in reducing the liquid HLW stocks in line with the Highly Active Liquor (HAL) reduction target agreed between the site operator and the Nuclear Installations Inspectorate (NII).</p> <p>A new plant record has been set, with the production of 482 containers of vitrified HLW.</p> <p>The programme to return vitrified residues to overseas customers continues and remains on course to deliver the waste in line with the NDA Strategy.</p>

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### Examine opportunities for the optimisation of ILW interim storage

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<b>Status</b>	<b>On track</b>
<b>Progress</b>	<p>In line with our approved Strategy we are working with our contractors to identify potential options for rationalising ILW interim storage. We are providing regular updates to the National Stakeholder Group's Waste Issues Group (WIG).</p>

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### Identify opportunities for more diverse LLW disposal solutions to overcome current capacity constraints at the LLWR near Drigg

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<b>Status</b>	<b>On track</b>
<b>Progress</b>	<p>Current capacity is expected to be filled by 2008. With this in mind, we have engaged with BNG Sellafield Limited, local stakeholders, the local planning authority and the Regulators to discuss the need for additional disposal or storage capacity at the LLWR near Drigg. Other options are also being considered, including the possible disposal of LLW on sites where it arises. These options will be discussed with local stakeholders and the Regulators.</p> <p>At Dounreay plans are in hand to develop and construct a LLW facility for Dounreay's own LLW.</p> <p>We have also worked with our contractors and with commercial organisations to identify ways of minimising the volumes of waste generated at our sites, including the use of alternate technologies, to inform the development of our waste strategy.</p> <p>See case study 4.</p> <p>We are also developing plans to compete the LLWR near Drigg (see page 42: Contracting and Competition).</p>

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### Investigate opportunities for the environmentally responsible treatment and disposal of non-nuclear hazardous waste [e.g. asbestos, solvents, mercury, etc.]

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<b>Status</b>	<b>On track</b>
<b>Progress</b>	<p>Significant time and resources have been spent looking at exempt and non-radiological hazardous waste inventories at NDA sites in order to develop opportunities for the recycling and reuse of materials.</p> <p>Best practice examples, such as Waste and Resources Action Programme (WRAP), which aims to accelerate resource efficiency by creating efficient markets for recycled materials and products while removing barriers to waste minimisation, reuse and recycling and promotes the use of the demolition protocol method, could significantly benefit nuclear clean-up at other sites. This initiative is being communicated to our contractors.</p>

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## Better understand the contaminated land present on our sites and develop long-term management plans

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**Status**

**On track**

**Progress**

There are varying degrees of radiological and chemical contamination at all of our sites. We have worked closely with our sites to gain a better understanding of the extent of the contamination and the future risks it may pose and have commissioned further land surveys to be carried out in 2006/7. We expect the plans to be ready by mid-2007 for those sites with limited contamination, with plans for the other sites completed between 2008 and 2010.

We will use the information to characterise the contaminated land and to develop robust long-term management plans, including the creation and maintenance of appropriate records. These management plans will be developed in line with good practice guidance from the SAFEGROUNDS learning network – a forum for developing and disseminating good practice guidance on the management of radiological and chemically contaminated land on nuclear and defence sites in the UK.

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## Develop a better strategic vision of future waste quantities, waste transfer and locations

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**Status**

**On track**

**Progress**

We have commissioned Nexia Solutions Limited to produce a computer-modelling tool to develop strategic options for future waste disposition. (See case study opposite)

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## Engage with stakeholders on waste-related strategic issues

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**Status**

**Achieved**

**Progress**

The NDA National Stakeholder Group has set up a Waste Issues Group (WIG), which has started work. The Group has decided on a priority list of issues for consideration, with ILW interim storage and LLW management its top priorities.

## Developing a strategy for waste routes

Case Study 4

### Issue

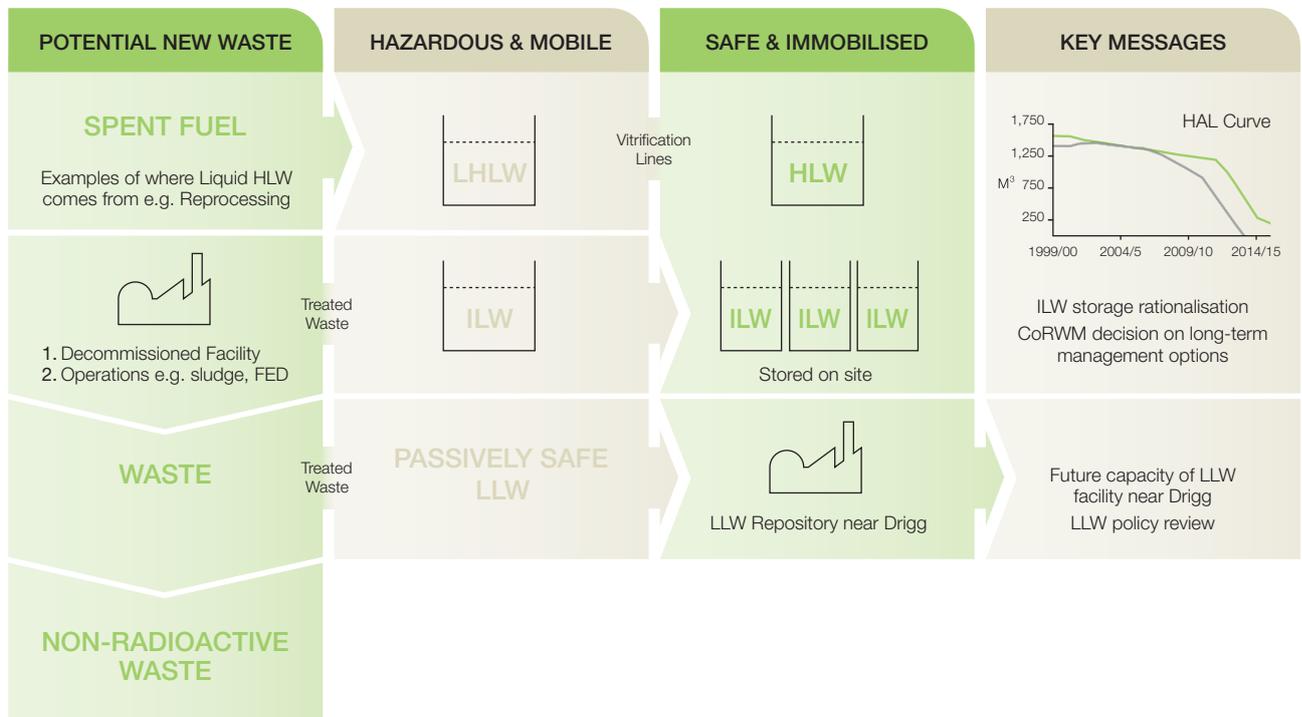
We need to develop a UK-wide view of waste types, waste quantities and their locations in order to assess changes over time and consider and develop appropriate strategies for the movement of wastes between sites and decisions on their final location.

### Approach

We commissioned Nexia Solutions Limited to develop a computer-modelling tool to look at various strategic scenarios of waste generation and routing.

### Output

Nexia has developed a tool, the Waste Inventory Disposition Route Assessment Model (WIDRAM), which evaluates scenarios against different parameters, timings of waste arisings and throughput, as well as providing data on possible scenarios that can greatly inform our understanding of alternative options for waste management.



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## Operations

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Our objective is to maximise revenue from our commercial operations in order to offset the cost of decommissioning and clean-up. Our commercial operations include four electricity-generating nuclear power plants, two spent fuel reprocessing plants, two fuel manufacturing plants, as well as domestic rail and overseas transports and these provide a substantial amount of our budgeted income. In 2005/6, we received a total of £1,211 million in revenue from our operations. This figure would have been lower due to the shut-down of THORP, the extended outage of the Magnox reprocessing plant and the loss of revenue from Oldbury power station, however, the shortfall was, to a large extent, mitigated by better than anticipated income from electricity generation, resulting from a combination of increased investment in preventative maintenance and higher spot prices.



## Planned Activities 2005/6

Understand the revenue drivers underpinning our four current revenue streams in order to deliver accurate and meaningful forecasting

**Status** Achieved

**Progress** Our three-stage approach to Revenue Security and Development has now been developed and we have started to deliver against our objectives.

Review the commercial use of our assets as a key to commercial management

**Status** Achieved

**Progress** Revenue drivers and contractual delivery mechanisms have been assessed and verified.

In 2005/6, we budgeted to: Generate 15 TWh of electricity, providing £440 million in revenue

**Status** Achieved

**Progress** 15.37 TWh of electricity was generated, in spite of the shutdown of one of the two reactors at Oldbury. Due to the increase in spot prices of 47% and investment in preventative maintenance at Wylfa, income from electricity generation was 17% above our forecasted figure. See case study 5.

Reprocess a total 1,394 tonnes of spent fuel, delivering £644 million [excluding SMP] in revenue

**Status** Not achieved

**Progress** 304 tonnes of spent fuel was reprocessed last year, generating £454 million (excluding SMP) in revenue, lower than budgeted. This was due to the extended shut-down of THORP, resulting in 20% less revenue than planned. PNTL has been able to deliver on target, with all shipments made to schedule, a new ship ordered to replace Pacific Teal and the successful recycling of Pacific Swan in Holland. Magnox reprocessing failed to meet its expected budget, generating 65% less output than planned and 72% shortfall in planned revenue. This was due largely to an extended outage at Oldbury, which resulted in fewer spent fuel rods being reprocessed.

Process 5.08 tonnes of new fuel through SMP

**Status** Not achieved

**Progress** SMP produced 2.92 tonnes of material during the year.

Manufacture 215 tonnes of AGR fuel at Springfields

**Status** Achieved

**Progress** Springfields produced 216 tonnes of AGR during the year.

Generate £6 million in income from other activities, including Direct Rail Services [DRS], a freight operating company owned by the NDA] and from the Ministry of Defence [MoD]

**Status** Achieved

**Progress** DRS is a robust, stand-alone business, with opportunities to expand its business into new markets. Plans for the reorganisation of Spent Fuel Services are being implemented, with the aim of providing an integrated contract and delivery organisation. A new long-term combined contract for the storage of MoD fuel has been agreed this year.

*Planned Activities continued overleaf*

## Planned Activities 2005/6

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### Review our physical, contract and land assets in order to maximise usage and revenue generation

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**Status**

**On track**

**Progress**

We have initiated the review of the terms and conditions of each contract to verify the robustness of our Life Time Plans. We are moving from a cost-plus approach on contracts, with an agreed margin, to a greater risk-sharing, less volatile approach.

We have developed a management approach to the land and built-asset portfolio in order to assess which liabilities might have asset value and to generate further revenue by either leasing or selling off certain assets.

A line-by-line review of revenue estimates and phasing of receipts has been carried out in order to challenge the accuracy of future revenue streams.

An Expenditure Review Panel of key NDA Directors, has been established. This governance process, based on the review of business cases involving cost and revenue of more than £3 million, has been set up to ensure that proper revenue controls are in place (see page 22: Delivering Our Programmes).

We have initiated a robust, ongoing process to gain a better understanding of the correlation between the costs of operations and the income generated from them.

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### Develop strategies for generating further revenue from our assets to offset the cost of decommissioning and clean-up to the taxpayer

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**Status**

**On track**

**Progress**

We have initiated an ongoing exercise to map current assets against revenue opportunities. These opportunities will be market-tested and developed further by setting appropriate Performance Based Incentives (PBIs) for our contractors.

An example where opportunities have been exploited to develop additional revenue is the 10-year contract signed between Springfields Fuels Limited and the Canadian firm, Cameco, for toll conversion at Springfields.

We will have a better understanding of the opportunities for divesting our non-strategic assets once we have a better understanding of our portfolio through stage II of our revenue security and development programme.

# Electricity Generation

## Issue

Four of our Magnox sites (Wylfa, Sizewell A, Dungeness A and Oldbury) generate electricity. Our main strategic objective is to ensure that revenue from electricity generation is maximised in order to offset the cost of decommissioning and clean-up to the taxpayer.

In June 2005, an unplanned shut-down of one of the two reactors at Oldbury power station led to a reduction in generating capacity, resulting in a loss of 299GWh of planned output. The restart of this reactor is dependent on the NII approving the graphite safety case.

## Approach

The establishment of a Plant Health Committee to support the implementation of the Wylfa maintenance strategy, together with improvements in the planning process, have reduced losses in generation by optimising maintenance requirements and facilitating the early recovery from reactor and turbine outages. However, the biggest impact on revenue from electricity generation has been an increase in spot prices of 47% during the year, from £38 per MWh to £56 per MWh (see Figure 1). Work continues on the graphite safety case at Oldbury. It is the expectation that the station can be brought back into service in 2007.

## Output

Electricity generation exceeded the original budget for the majority of the year, as shown in Figure 2, which shows forecasted electricity generation at the four sites (the gray 'Budget' line) against the amount of electricity that was actually generated in 2005/6 (the green 'Actual' line).

Wylfa, Sizewell A, and Dungeness A each generated 11% more electricity than planned. Despite the shut-down of reactor 1 at Oldbury, the overall revenue from electricity generation in 2005/6 was 17% above our forecast, due in part to higher than expected electricity prices, resulting in £514 million of income.

Figure 1. Wholesale Electricity Price Movement during 2005/6



Figure 2. Magnox Reactor Sites Electricity Generation versus Budget 05/6



## Nuclear Materials

The UK has large stocks of spent nuclear fuel, plutonium [from the reprocessing of spent fuel] and uranic material, including Magnox Depleted Uranium [MDU – a by-product of Magnox reprocessing] and ‘Hex tails’ [a by-product of the uranium enrichment process]. These nuclear materials are stored safely, securely and without danger to the environment. We are discussing with the Nuclear Materials Issues Group, established by the UK National Stakeholder Group, the options for civil nuclear materials management.



## Planned Activities 2005/6

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### Engage with stakeholders on nuclear materials strategic issues

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**Status**      **Achieved**

**Progress**      The NDA National Stakeholder Group has established a Nuclear Materials Issues Group to consider the long-term management of civil plutonium and uranic materials, as well as the long-term management of spent fuel, reprocessing and MOX fuel production.

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### Assess the civil uranium stockpile in terms of quantities of distinct material streams and possible options for their future use and treatment

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**Status**      **Achieved**

**Progress**      Five streams of uranic material have been identified and preliminary 'route-maps' for their potential treatment, disposal or future use in energy production have been developed and shared with the Nuclear Materials Issues Group.

A uranium disposition research programme has been initiated by Nexia Solutions Limited under contract to the NDA.

See case study 6.

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### Establish and continue a research and development [R&D] programme into technologies to manage separated civil plutonium both as a potential waste product and a potential material for use in energy production

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**Status**      **Achieved**

**Progress**      Nexia Solutions Limited has continued its R&D programme under contract to the NDA, with specific advances made in immobilisation technologies (e.g. Hot Isostatic Pressing, which reduces the porosity of materials by subjecting them to elevated temperatures and pressures) and fuel-performance modelling. A review carried out in 2005/6 resulted in a focus on the further development of the technology baseline for plutonium immobilisation technologies, as well as generating a better understanding of the micro-economics (e.g. plant costs and throughputs) of plutonium processing options.

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### Assess the cost implications of different management scenarios for civil uranic material and plutonium and provide advice to Government

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**Status**      **On track**

**Progress**      We have planned and scoped out a macro-economic study of the cost implications of different management options for civil uranium and plutonium and will put this out to tender.

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### Develop options for the future management of spent fuel

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**Status**      **On track**

**Progress**      We have established a 'Spent Fuel Management Options' review, including the status of reprocessing infrastructure.

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## Nuclear Materials

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Case Study 6

### Issue

Civil nuclear materials, uranium and plutonium, are currently regarded as zero value assets because of their potential as a future energy source. However, we need to consider future management options for these materials and to come to a view on whether their asset value is likely to be realisable or whether all or some of the materials should be regarded as a liability. The magnitude of the liability or asset needs to be determined and appropriate strategies identified for most appropriate management arrangements going forward.

### Approach

The NDA has commissioned a lifecycle macro-economic study to consider the potential liability/asset value for these materials.

### Output

Expressions of Interest and subsequent Invitation to Tender (ITT) have been issued with a contract being awarded in early 2006/7. The study will be completed by March 2007.



A HEALTH PHYSICS MONITOR USES A GEIGER COUNTER TO CHECK FLASK LOADING BRACKET FOR RESIDUAL RADIATION AFTER LOADING FOR TRANSPORTATION ON DRS TRAIN.

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## Contracting and Competition

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Our objective is to secure improved performance and innovation through competition. We are creating a competitive market for the management and operation [M&O] of our sites. We have initial contracts with the incumbent site operators and, following the publication of the competition schedule in our approved Strategy, we are preparing Invitations to Tender/Negotiate [ITTs/ITNs] to issue for the competitions. Our aim is to bundle existing site licences into eight larger packages that are attractive to the market. A new Site Licence Company [SLC] is being established for the Low Level Waste Repository [LLWR] near Drigg, which is being competed now. We are also assisting in the restructuring of BNFL. Both Magnox Electric Limited and UKAEA are undergoing restructuring to prepare for competitions in 2008 and 2009.



## Planned Activities 2005/6

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### Have 13 initial contracts on 1 April 2005, with BNG Sellafield Limited, Magnox Electric plc, UKAEA, Capenhurst and Springfields Fuels Limited

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**Status**      **Achieved**

**Progress**      We have actually signed 12 initial contracts with the incumbent site operators because Calder Hall was included in the Sellafield contract. These contracts are based on models used successfully in the US for managing similar nuclear sites but tailored to match the UK's regulatory environment and the commercial maturity of the current contractors. The contracts were published on our website ([www.nda.gov.uk](http://www.nda.gov.uk)), with only market sensitive information removed.

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### Set out our proposed competition schedule in our Strategy

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**Status**      **Achieved**

**Progress**      We published our competition schedule in our Strategy, having consulted on it in our draft Strategy. Our aim, both in the competition schedule and the proposed site-bundling arrangements, was to achieve a balance between technical and geographical considerations, while also creating attractive options for the market.

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### Prepare draft Invitation to Tender/Negotiate [ITT/ITN] for the LLW Repository near Drigg

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**Status**      **On track**

**Progress**      The draft ITT/ITN is being developed, together with an output specification and pricing mechanisms, for the LLW competition. These documents will be reviewed externally and independently by an Office of Government Commerce (OGC) team. We have also hosted an Industry Day to allow companies, consortia and other stakeholders to feed back their thoughts on our proposals. This process will be a further opportunity to ensure that the resultant ITN is attractive to the market.

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### Begin to form stand-alone Site Licence Companies

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**Status**      **On track**

**Progress**      The existing site licence holders are in the process of restructuring themselves to create eight SLC bundles, in line with our competition schedule. A new SLC (the LLWR near Drigg) is being established and the necessary regulatory and legal processes identified to support the LLW competition. We have initiated with UKAEA, a project aimed at transferring the appropriate assets to the NDA by 31 March 2007 and creating new SLCs for Dounreay, Harwell/Winfrith, and, if necessary, Windscale. British Nuclear Group is also in the process of creating new Magnox North and South SLCs in line with the competition schedule published in our approved Strategy. See case study 7.

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### Prepare for and facilitate the restructuring of BNFL

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**Status**      **On track**

**Progress**      We have established a team to assist in the restructuring of BNFL including putting in place appropriate contractual arrangements for our sites.

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## Restructuring of the existing sites

Case Study 7

### Issue

The NDA is responsible for 20 nuclear sites, currently managed and operated by four site licensees through 17 separate site licences. The four site licences are currently owned by three parent companies: British Nuclear Group, which owns Capenhurst, Magnox Electric Limited and British Nuclear Group Sellafield Limited; the Westinghouse Group, which owns Springfields Fuels Limited; and UKAEA, which is the owner-operator of its sites.

As part of the development of a competitive clean-up market, we need to facilitate the restructuring of the site licensees to create stand-alone entities that are both licensable and attractive to potential bidders. These new SLCs will match the competition bundling arrangements set out in our approved Strategy.

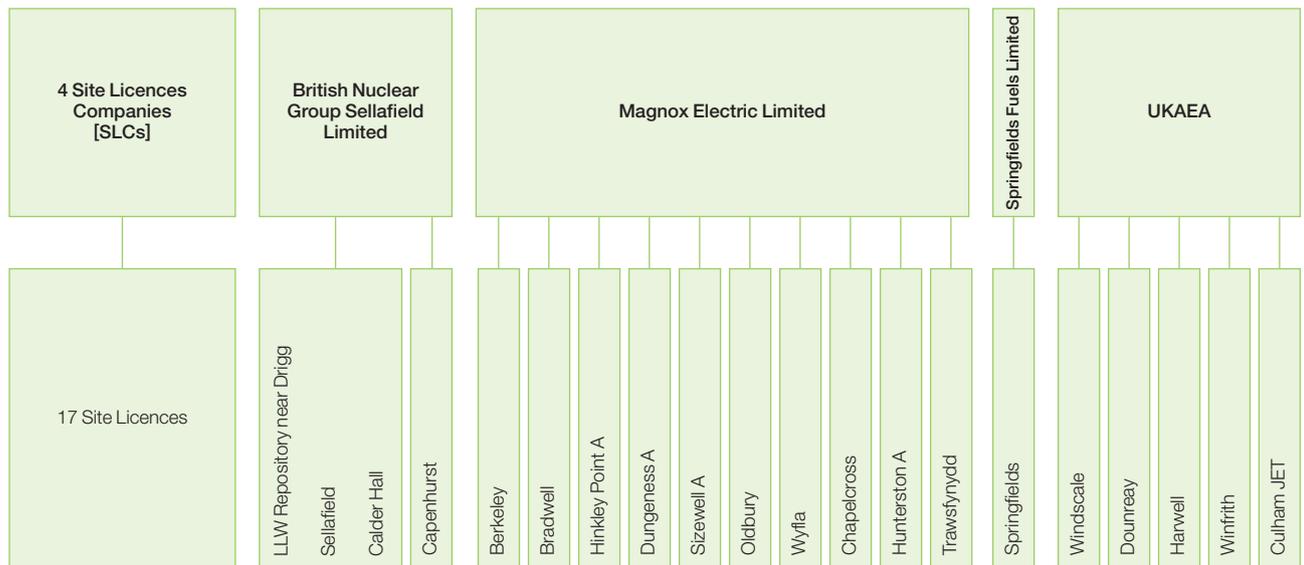
### Approach

We are working with the existing site licence holders and the Regulators to enable the issue of the necessary regulatory instruments to create the new SLCs. This includes both NII relicensing and the transfer of radioactive discharge authorisations by the environment agencies to the new entities. Site management and operations will then be transferred into one of the new SLCs. The rationale for bundling is based on prevailing market conditions, geographical location, the functional nature of the sites (reactor site, waste management etc.) and the overall attractiveness to potential bidders.

### Output

We have signed 12 initial contracts for the management and operation of our sites. The next stage will be to bundle the sites as set out in the competition schedule in the NDA Strategy, which will require the establishment of eight SLCs.

## Current Site Management & Operations Structure



\* Culham is not a nuclear licensed site. JET is operated by UKAEA through a contract placed by Euratom under the framework of the European Fusion Development Agreement [EFDA]



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## Technology, Innovation and Skills

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The NDA is responsible for ensuring that a skilled workforce is available to carry out its remit. We are working in partnership with other agencies and skills providers across the UK to develop a national Nuclear Skills Academy and a Nuclear Skills Institute, while developing locally-specific provision. We will ensure the effective co-ordination of research and development [R&D] to support our remit and take steps to encourage the sharing of good practice across our sites. We are also developing a Combined Nuclear Pension Plan to ensure that workers who transfer between Site Licence Companies [SLCs] have their benefits protected.



## Planned Activities 2005/6

### Technology

Invest in supporting our mission, promoting innovation and developing skills, including £130 million in R&D, with £110 million budgeted to our site management contractors and £20 million directly with contractors

**Status** On track

**Progress**

A Research Board, chaired by the NDA, has been established to co-ordinate decommissioning and clean-up research across the UK. The Board's objective is to encourage innovation, develop good practice and provide advice to the NDA and comprises key representatives of the UK Government and the Regulators, in addition to independent members.

We are working with the research councils to ensure that University research funding properly reflects long-term decommissioning and clean-up requirements.

Through our contractors, we have established 20 site technology plans, which identify the technology requirements needed to deliver agreed site plans. We have published a summary of the needs, risks and opportunities on our website to encourage innovation and the adoption of good practice.

We have established research contracts with a number of organisations, including Nexia Solutions Limited, UKAEA, Nirex and Studsvik, the Swedish waste management company, to carry out R&D to support UK strategic requirements, promote innovation and maintain key skills.

### Innovation

Encourage innovation in managing risk, improving safety, security and environmental protection and cost/schedules on site baselines

**Status** On track

**Progress**

We have encouraged the development of baseline technical strategies for all 20 sites. These will enable the sites to demonstrate innovative improvements in safety, environment and cost performance.

Industry-wide review groups have been set up to promote good practice across the industry by encouraging improvements in the way good practice is disseminated and implemented across our sites.

We have developed a new policy for the management of Intellectual Property (IP) in order to encourage innovation and cross-industry collaboration in support of our mission. The aims of the policy are to encourage innovation, to secure value for money in research and to support the creation of a competitive clean-up market. The new policy will be implemented through the existing contracts and incorporated in future procurement arrangements and reflects a number of the comments that we received on our draft Strategy.

We have established collaborative agreements with Électricité de France (EDF) to share good practice and technological know-how in areas of common interest. This will result in the secondment of key personnel between the two organisations and collaboration on joint work programmes. We aim to pursue similar agreements with other international organisations in the forthcoming year.

We have encouraged our site contractors to pursue innovative technologies to reduce the quantities of Low Level Waste (LLW) that will be consigned to the Low Level Waste Repository (LLWR) near Drigg. In particular, Magnox Electric Limited is leading a project aimed at applying the approaches to recycling and smelting metals to the considerable quantities of material generated by reactor decommissioning.

*Planned Activities continued overleaf*

## Skills

Encourage initiatives geared to addressing the whole range of skills requirements, from school level through to post-doctorate level; develop skills strategies that support the delivery of site plans; and develop effective relationships with key organisations

**Status** On track

**Progress** We have worked in partnership with the Northwest Regional Development Agency (NWRDA), Cogent (the sector skills council for the nuclear industry) and employers across the industry to develop a proposal for a national Nuclear Skills Academy, which will support the development of skills from school level to foundation degree level.

In partnership with Manchester University, we are seeking to create a Nuclear Skills Institute that will carry out research and support the development of skills at post-graduate level.

In partnership with West Lakes Renaissance (the urban regeneration company for West Cumbria), the Learning and Skills Council (LSC) and the NWRDA, we have funded a project manager to establish a new centre for vocational training in West Cumbria. We are also working with local stakeholders in both the North and South West of Scotland to develop the infrastructure needed to support vocational training in these areas.

We have sponsored a new Chair in Epidemiology with the University of Central Lancashire, who will be based at the West Lakes Research Institute in West Cumbria. To date, £5 million has been endowed to the Chair in Epidemiology.

See case study 8.

## Make provision for £100k to support any new skills initiatives that emerge

**Status** On track

**Progress** We have established a new skills strategy, endorsed by the NDA Board, with a total investment of approximately £30 million over the next 3-5 years. This replaces the £100k that we had originally provisioned to support skills initiatives. Key initiatives in the new strategy include the development of a national graduate scheme, investment in infrastructure to support vocational training, the establishment of links into schools and research programmes that both support the delivery of our mission and generate key skills for the future.

## Develop skills plans on a site-by-site basis

**Status** Achieved

**Progress** Through our contractors, we have established skills strategies that support the delivery of the LCBL site plans for the 20 sites.

## Epidemiology and radiation research

Case Study 8

### Issue

Epidemiology and radiation biology research activities are crucial in order to monitor effectively the effects of radiation on workforces employed on nuclear sites. In view of our overriding commitment to health and safety, we have sought to develop an approach that ensures this work is carried out in the long-term and engenders confidence in the way that the health of workforces on NDA sites is managed.

### Approach

Our objective was to develop a plan that would provide the basis for long-term, sustainable research in epidemiology and the effects of radiation and provide reassurance to the workforces on NDA sites. This is being facilitated by the establishment of:

- an industry-wide, independently-chaired research committee, with workforce representation; and
- an endowed Chair in Epidemiology at the Westlakes Research Institute, with funding for the supporting research group.

We have consulted stakeholders, including scientists and the Sellafield workforce, and have developed a science and business plan to underpin investment in this area.

### Output

We have endowed £5 million to the University of Central Lancashire and the Westlakes Research Institute. This will fund up to 20 doctorate-level researchers working on the long-term effects of radiation on workforces, as well as helping to create additional jobs in West Cumbria. The research undertaken will provide reassurance to the workforce regarding the effects of radiation on their health and will provide a source of independent advice to the nuclear industry.



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## Socio-economic and Stakeholder Engagement

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The NDA is committed to open and transparent engagement with its stakeholders. We will invest in socio-economic initiatives that underpin our mission. Work has begun on developing our socio-economic policy to address both national priorities and local needs. It will set out how we will encourage and support activities and initiatives that benefit the lives of communities near to our sites, and how we will work with others to mitigate the socio-economic impact of our authorities to create a sustainable future. We have established National and Site Stakeholder Groups to seek views and assess the impact of our proposed plans and programmes. We are working closely with the Trade Unions and we are keeping in touch with international stakeholders in Ireland, Japan, Norway and the Isle of Man.



## Planned Activities 2005/6

Socio-economic development	
Gain a common understanding of the NDA's role in socio-economic development with key stakeholders	
<b>Status</b>	<b>On track</b>
<b>Progress</b>	We have appointed a dedicated socio-economic manager and are preparing a draft socio-economic policy for full public consultation.
Maintain previous levels of funding [around £5 million] for socio-economic support around sites	
<b>Status</b>	<b>Achieved</b>
<b>Progress</b>	The NDA provided £5 million to our contractors to spend on socio-economic initiatives. Funding was largely spent on small-scale, community-focused projects and groups. Examples include support for local projects through initiatives such as the Prince's Trust, Business in the Community and environmental enhancement scheme projects.
In line with our obligations to the Energy Act 2004 we will support social and economic initiatives	
<b>Status</b>	<b>Achieved</b>
<b>Progress</b>	The NDA directly-funded a number of projects, namely: <ul style="list-style-type: none"> <li>• £15k for a socio-economic impact assessment for Anglesey;</li> <li>• £100k to Caithness Horizons to support the development of a social, economic and cultural project in 2006/7;</li> <li>• £250k to support the development of a strategic master-plan to tackle the impact of decommissioning in West Cumbria;</li> <li>• £18 million gap funding over three years (with £4 million allocated in 2005/6) to help protect and develop community health services in West Cumbria.</li> </ul>
Give encouragement and support to activities that benefit the social and economic lives of communities living near our sites	
<b>Status</b>	<b>On track</b>
<b>Progress</b>	Guidance on the expected content and delivery of socio-economic plans was issued to the site contractors to ensure that spending is in line with the NDA's priorities.
Help local business development by encouraging the use of local supply chains and local community projects	
<b>Status</b>	<b>On track</b>
<b>Progress</b>	'Meet the buyer' events and business breakfasts were held at a number of sites to help build relationships with local businesses and their representatives.
Create a pension scheme to enforce Energy Act 2004 provisions on pensions protection	
<b>Status</b>	<b>On track</b>
<b>Progress</b>	The project to develop a nuclear decommissioning pension plan has received Ministerial approval and is ready to take on its first members by October 2006. Preparatory activities included a three-month public consultation on the detailed proposals for the design of the plan. See case study 9.

Planned Activities continued overleaf

## Stakeholder relations

### Ensure that we are an open and transparent organisation

**Status** **Achieved**

**Progress** We have demonstrated our commitment to openness and transparency through direct interaction with a wide range of stakeholders and comprehensive consultation on our published reports.

Widespread consultation played a key role in developing our approved Strategy.

We have responded to 106 Freedom of Information (FOI) requests from stakeholders.

We have held discussions with representatives from the Governments of Isle of Man, Ireland and Japan to discuss their concerns.

### Establish a Strategic Forum between the NDA and the Trade Unions

**Status** **Achieved**

**Progress** Following a series of discussions, we have now established a NDA/Trade Union Strategic Forum.

### Engage with local communities around our sites and at national and international levels

**Status** **Achieved**

**Progress** We have established a strong relationship with stakeholders during our first 12 months.

Site Stakeholder Groups (SSGs) have been established for all sites.

The first meeting of the UK National Stakeholder Group (NSG) has been held and two Issues Groups have been set up:

- the Waste Issues Group, which has begun looking at the interim storage of Intermediate Level Waste (ILW) and Low Level Waste (LLW) management; and
- the Nuclear Materials Issues Group (MIG), which is looking at the long-term management of plutonium and uranic materials, the management of spent fuel and reprocessing.

We have also held a SSG workshop to start the process of consultation on site end states.

## Combined Nuclear Pension Plan [CNPP]

Case Study 9

### Issue

Competition for the management of NDA sites, or business sales, may result in employees who do NDA-facing work moving from public to private sector employers. Energy Act 2004 protections require that those employees are provided with no less favourable pensions arrangements following such a transfer. A new nuclear decommissioning industry-wide pension scheme has been developed to deliver the Energy Act 2004 protections to SLC employees who can no longer remain in their current pension schemes if and when ownership of the SLC passes to the private sector. That would be the case for current members of the UKAEA Combined Pension Scheme employed by a site licensee, which includes most British Nuclear Group and Springfields' employees.

### Approach

During 2005, we developed proposals for the design of the pension plan, drawing on advice from specialist legal and actuarial consultants and from BNG and UKAEA pensions managers. A three-month public consultation on those proposals was held between December 2005 and March 2006. The consultation included a series of Special Consultation Group meetings with trades unions and employer representatives. Following the consultation, we have put forward recommendations on the detailed design of the pension plan to the Government, which has been approved.

### Output

The Special Consultation Group has confirmed that pension benefits for transferring employees will be no less favourable than those available under the UKAEA Combined Pension Scheme and the BNFL Group Pension Scheme. The Special Consultation Group has also confirmed that the CNPP will offer a high level of security to its members. A trustee body has been set up, half of whose members are union-nominated, which will be responsible for the governance of the CNPP. A benefits administration service provider is in place following a competitive tender exercise and, in due course, investment managers will be appointed. The NDA has an ongoing relationship with trades unions and employers and will continue to work with them to ensure that the Plan is successful. Details of the CNPP are available at [www.cnpp.org.uk](http://www.cnpp.org.uk)



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## Managing the NDA

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We aim to build a world-class organisation focused on delivering our remit. To this end, our objectives are to secure a high calibre, skilled and motivated workforce and ensure their continued development and to develop an organisation underpinned by robust processes, driven by an innovative culture. Key to our success in achieving these aims is effective engagement with our stakeholders.



## Planned Activities 2005/6

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### Build a capable organisation

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**Status**      **Achieved**

**Progress**

The organisation was launched successfully and on schedule on 1 April 2005. We have met our staff targets and have so far recruited more than 200 people. We have also established our internal infrastructure, including securing new headquarters, regional and London offices and IT systems. We have also put in place an effective induction programme, with a learning and development programme for all staff, and have applied for Investors in People (IIP) and ISO 9001 accreditation.

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### Fully establish our Board

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**Status**      **Achieved**

**Progress**

All non-executive and executive appointments have been made (see Board and senior management team portraits on page 60). We have sought to match the skills and experience of our non-executive directors to the NDA's functions and remit. The NDA Board and its sub committees have met regularly at a number of locations around the UK.

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### Secure approval of our Strategy and Annual Plan 2006/7

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**Status**      **Achieved**

**Progress**

Following a successful public consultation, we secured Government approval of our first Strategy and Annual Plan 2006/7 in March 2006, enabling us to meet our statutory deadline.

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### Engage key stakeholders

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**Status**      **On track**

**Progress**

We have established good relationships with our stakeholders, including the Regulators, and have demonstrated our commitment to openness and transparency by setting up 16 Site Stakeholder Groups (SSGs) and a UK National Stakeholder Group (see page 50: Socio-economic Support and Stakeholder Relations). We are also developing sound relationships with international stakeholders, including foreign governments and overseas customers.

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### Establish robust business processes

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**Status**      **Achieved**

**Progress**

Effective governance arrangements have been put in place with the DTI and the Scottish Executive, including monthly corporate governance meetings and quarterly review meetings.

We have embedded a risk management framework within the organisation, including monthly Risk Management Forum and Executive Risk Management Review Panel meetings, and have established a strong internal audit function.

An Expenditure Review Panel has been established to assess and approve expenditure on projects with an expected cost or income exceeding £3 million. Our integrated site performance reporting is fully functional.

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### Deliver our Key Performance Indicators [KPIs] and objectives

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**Status**      **On track**

**Progress**

We have made good progress towards delivering our Public Service Agreement (PSA) targets and achieving our KPIs and corporate objectives, including:

- securing Government approval of our Strategy and Annual Plan 2006/7;
- meeting targets on recruitment and preparing for IIP & ISO 9001 accreditation;
- establishing effective governance arrangements;
- producing a comprehensive risk register; and
- delivering 7% efficiency savings on site work programmes.

## Investors in People [IiP]

Case Study 10

### Issue

As a new organisation, we need to create a culture that reflects and promotes our core values and strives to become world-class in its field and an exemplar. To achieve this, it was recognised that staff needed the knowledge, skills and motivation to work effectively and that the IiP Standard provided the right framework for achieving this. Accordingly, we set ourselves a corporate objective at the beginning of the year of being in a position to apply for IiP accreditation by the end of March 2006.

### Approach

We undertook a number of steps to ensure that the organisation was prepared for an IiP assessment.

*These included:*

- Promoting IiP and what the framework means for the NDA;
- Mapping current processes to the IiP framework;

- Undertaking a staff questionnaire to establish staff members' perception of key processes, e.g. communication, learning and development and awareness of the NDA's corporate objectives;
- Identifying areas for improvement against the framework and working with NDA departments to embed requirements in the NDA's policies and processes;
- The engagement of IiP Advisors to undertake a pre-assessment in January 2006;
- Implementation of a Performance Management System, based on skills and competencies, which maintained continuity from the recruitment process; and
- Consultation with staff at all levels when identifying corporate and high level objectives.

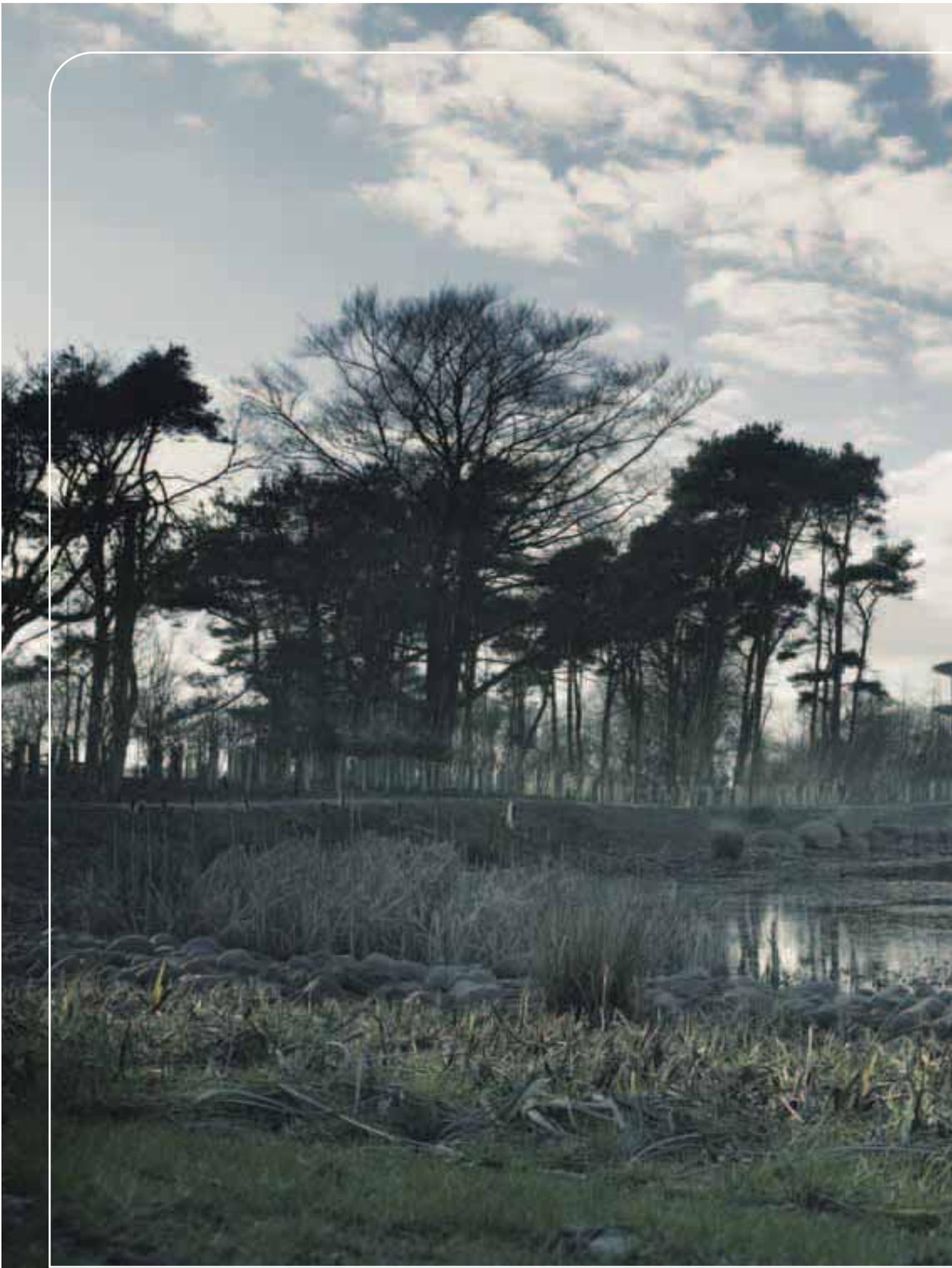
### Output

The pre-assessment highlighted that the NDA had embedded a culture of learning and development and engagement at all levels of the organisation. It reflected that staff throughout the organisation had a clear understanding of the NDA's objectives and how their role supported the achievement of them. Following this, the NDA had a formal IiP assessment in May 2006, and has been recognised as an IiP employer. The assessment report states that the IiP assessor was satisfied that the NDA meets the requirements of the IiP Standard and concluded that the culture continues to develop on a basis of openness, trust and empowerment. The usual lead time for an organisation to be in a position to apply for IiP accreditation is 18 months.



INVESTOR IN PEOPLE





HERDUS HOUSE – NDA'S HEADQUARTERS IN CUMBRIA



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## Non-Executive Directors

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**Sir Anthony Cleaver**

Chairman

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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 to 1996. During that time he led the formation and flotation of AEA technology, which he chaired from 1996 to 2001.

Sir Anthony is currently President of Business Commitment to the Environment, he 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 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, is Chairman of several other companies and, until recently, was a non-executive director of Lockheed Martin (UK).



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**Nick Baldwin**

Nick Baldwin is a former Chief Executive of Powergen plc, having joined the company in 1989. Since leaving Powergen, he is now the Chairman of Worcester Community Housing Board, a Non-executive Director of the Forensic Science Service, an Independent Director of the DTI Energy 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.



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**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 was Chairman of the Nuclear Industry Association (NIA) but stepped down from that role in December 2005 following his appointment to the NDA Board. He is also a former non-executive member of the DTI Strategy Board and the DTI Investment Committee.



**David Illingworth**

David Illingworth is Chairman of the NDA's Audit Committee. He is also Independent Chairman of the Trinity Retirement Benefit Scheme (TRBS).

David was President of the Institute of Chartered Accountants in England and Wales (ICAEW) from 2003 to 2004. He served as Chairman of the CCAB (Consultative Committee of Accounting Bodies) and as Director and Deputy Chair of the Financial Reporting Council (FRC). He was a member of the Takeover Panel from 2003 to 2004.

David joined KPMG (formerly Thomson McLintock) in 1968 and, after qualifying as a chartered accountant and spending 26 years in the partnership, left in 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 is currently a non-executive director of the Environment Agency and was Deputy Chairman of the Churches Conservation Trust until late 2005.

Dr Stanton spent a number of years with Arco Chemical Europe, where he held various business development and business management roles. He was Arco's President and 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 Limited 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.

Primrose currently works as a consultant in business transformation and change management. She is also involved in the development of a competency management system in the construction sector.

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## Executive Team

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**Dr Ian Roxburgh\***

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Chief Executive

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Dr Ian 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 dealing safely with its historical legacy.

Prior to working for the Coal Authority, Dr Roxburgh was Managing Director of George Wimpey Strategic Land Management Limited, a private sector business that specialised in the building of housing developments on former brown field sites. He 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 Earth Sciences'.



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**Fiona Hammond**

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Company Secretary  
& Legal Director

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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.

Fiona 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. She 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.



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**William Roberts\***

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Finance & Resources Director

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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 its international power business.

Since qualifying as a Chartered Accountant with Ernst & Young, Bill has had 15 years' experience shaping large heavy infrastructure enterprises in both the public and private sectors.

Bill worked on railway privatisation before moving to Eastern Electricity, where he spent six years in various finance and business development positions, including Vice President of Finance with TXU Europe, where he served on the Board of its Continental European business, based in Geneva.



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**Jim Morse\***

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Programme Director

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Jim Morse joined the NDA, having previously worked for Bechtel on a variety of project management and project director roles, latterly leading 1,200 staff working on the West Coast Mainline Modernisation programme, for Network Rail.

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.



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**Jon Phillips**

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Communication Director

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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.



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**Mark Leggett\***

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Commercial Director

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Mark joined the NDA from Aker Kvaerner E&C where he was President and Managing Director of the European Engineering Services Business. He led a team of over 2,000 people with the responsibility of delivering Maintenance, Engineering and Operational support services to the Process, Nuclear and Industrial business sectors.

Mark brings over 25 years experience in the engineering contracting and support services industry and in that time has worked across a broad portfolio of projects, industries and international locations in both project and corporate roles.



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**Richard Waite\***

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Engineering Director

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Richard Waite joined the NDA from BAE Systems, where he was the Land Systems Business Improvement Director with 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. His nuclear career has spanned a number of roles in Advanced Gascooled Reactor (AGR) design and construction before joining the Sizewell B project, where he became Site and Commissioning Manager before taking up the role of Projects Director in Nuclear Electric.

\* Indicates Board Member

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## Executive Team cont...

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**Laurence Williams FR Eng**

Nuclear Safety and  
Security Director

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Laurence Williams joined the NDA from the Health and Safety Executive (HSE), where he had been Her Majesty's Chief Inspector of Nuclear Installation and Director of the Nuclear Safety Directorate for seven years. Prior to this position, Laurence was Head of HSE's Nuclear and Hazardous Installations Policy Division.

Laurence is a member of the Ministry of Defence (MoD) Defence Nuclear Safety Committee. He is a member of the European Bank for Reconstruction and Development's Safety Review Group, which deals with nuclear safety matters in Eastern Europe. He is a member of the Bank's International Advisory Group on the Chernobyl Sarcophagus and chairs the Bank's committee on the clean-up of nuclear submarines in North West Russia. Laurence chaired the International Atomic Energy Authority's (IAEA's) Commission on Safety Standards for five years.

Laurence has over 35 years of experience in the design, operation and safety regulation of the nuclear industry.



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**David Hayes**

Special Projects Director

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David Hayes joined the NDA from the Department of Trade and Industry (DTI), 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.



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**Terry Selby**

Strategy Director

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Terry joined the NDA from the Department of Trade and Industry (DTI), where he was a member of the Liabilities Management Unit (LMU), the Unit charged with preparing the ground for the NDA.

Terry contributed to the development of the 'Managing the Nuclear Legacy' White Paper, which was published in 2002. He had previously been closely involved in nuclear safety policy, regulatory and other issues during his secondment from the Health and Safety Executive to the DTI. In 1995/6, Terry headed HSE's team that put in place the gas safety regime to underpin the opening up of the UK domestic gas market. He has wide experience of working in various Government Departments at local, regional and HQ levels.

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## Regional Directors

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**Peter Brazier**

Region 1 Director

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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 military 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.



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**Brian Burnett**

Region 2 Director

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Brian joined the NDA from AMEC NNC Limited following a six-month secondment in Canada on business development.

Over the last 25 years, Brian has held a number of positions in the UK nuclear industry, spanning technical, project and commercial roles in new build, consultancy and decommissioning across the power, defence and liabilities sectors.

Starting his career in technical roles, Brian moved into project management work on the new AGR build programme for Heysham 2 and Torness power stations. He has always maintained a strong interest in project risk management and project behaviour.



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**Mark Dixon**

Region 3 Director

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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 UKAEA at Dounreay and the adjacent Submarine Test Establishment to commission the PWR2 Reactor Plant, after serving an apprenticeship with BNFL plc at Sellafield.



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**John Farquhar**

Region 4 Director

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John Farquhar joined the NDA from RWE Nukem Limited, where he managed Southern Sites Health Physics teams. John began his career with Ferranti Defence Systems Limited 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.

Our results reflect the successful adoption of operating activities after the restructuring of the nuclear decommissioning sector in accordance with the Energy Act 2004.



**William Roberts**  
Finance & Resources Director

# Management Commentary

## Overview

The NDA has had a good first year's operational performance: efficiency has improved, additional work has been delivered, planned levels of income have been generated despite problems in two operational areas, and a ring-fenced funding balance has been created, which will help to cover the risk associated with the commercial income variability.

The operational performance of the NDA's site contractors has been encouraging: overall the sites achieved more work than we had planned for in the year, and delivered a 2% efficiency saving, meeting the Public Service Agreements (PSA) target one year earlier than required.

The NDA's commercial activities delivered expected levels of overall income despite some operational difficulties. The Magnox generating stations produced more electricity than planned even though Oldbury did not generate to plan. Rising electricity prices had a positive effect on revenues. Springfields Fuel manufacture also performed ahead of plan. At Sellafield, THORP reprocessing has been temporarily closed following the THORP Feed Clarification Cell outage reported last year, although spent fuel handling and associated downstream waste processing was able to continue. The Sellafield MOX Plant (SMP) has produced some fuel but has performed behind plan.

On 1 April 2005, the decommissioning sector was restructured in accordance with the Energy Act 2004, transferring assets and liabilities to the NDA. The NDA initiated a programme of work to restate the existing long-term decommissioning plans on a consistent basis and in the context of the NDA's purpose. The financial statements demonstrate the impact of our reassessment of the long-term estimates of the decommissioning task, which has identified a net increase in the Nuclear Provision of £6.4 billion to £30.6 billion.

The NDA has also reviewed the asset base, and has impaired the valuation of a number of assets and made some provisions against forecast future losses on some of its commercial contracts.

The result for the year, a deficit of £7.4 billion and the balance sheet net liabilities of £29.7 billion, reflect our assessment of the NDA estate.

For Summary Group Financials – See Fig. 01 overleaf.

## Transfer scheme

On 1 April 2005, as required by the Energy Act 2004, the NDA took strategic responsibility for the decommissioning and clean-up of the UK's civil nuclear sites, formerly the responsibility of BNFL and UKAEA. The NDA now owns or has responsibility for the relevant assets and liabilities relating to those nuclear sites. Some of these assets and liabilities were legally transferred under a transfer scheme on 1 April 2005 with the remainder (those owned by UKAEA) due to be transferred by 1 April 2007. Whilst not owning all the assets and liabilities, the NDA has been designated powers and responsibilities for all the sites in the NDA portfolio. For this reason, the directors of the NDA believe that they have a constructive obligation under Financial Reporting Standard 5 'Reporting the substance of transactions' for the assets and liabilities not yet legally transferred and are recognising them on that basis. The NDA also took full financial responsibility for certain Ministry of Defence (MoD) nuclear liabilities situated on the NDA's sites.

*Details of the assets and liabilities for which responsibility has been transferred to the NDA Group under the Energy Act 2004 are provided in more detail in note 2 to the accounts and a summary table has been provided below:*

<b>Balances Recognised on 1 April 2005</b>	
<b>£m</b>	
Fixed Assets	5,115
Net Current Assets	1,374
Nuclear liabilities provision	(24,137)
Creditors falling due after more than one year and other provisions	(5,438)
<b>Net balances transferred</b>	<b>(23,086)</b>

## Operations

### Commercial Activities

The NDA's commercial activities generated an operating income of £1,211 million in the year, as follows:

The costs in relation to commercial activities are shown within the analysis of site operations expenditure below.

The four remaining Magnox generating stations, together with two small ancillary generation plants, produced 15.4TWh in the year, which generated income of £514 million. One reactor at the Oldbury plant entered a prolonged outage in August 2005 and has not yet returned to generation, reducing planned generation by 299GWh. Overall the remainder of the Magnox fleet increased its output and compensated for the loss of generation. Income figures were also helped by the increased electricity prices. The NDA relies for a large part of its income on Magnox stations, which are nearing the end of their economic life, increasing the commercial risk.

Spent fuel management (transport, reprocessing and storage) income was reduced by the THORP incident identified in April 2005 and work continued on spent fuel storage and downstream waste treatment of the products of past reprocessing, as well as on the improvements necessary to secure a restart of THORP. This demonstrates the level of risk involved with this activity. Income generated from spent fuel management was £454 million.

AGR and MOX fuel manufacture generated income of £208 million. This activity is not without its own risks, which may impact on income generated.

As described above, the NDA faces a number of continuing commercial risks. The NDA has an active programme to monitor and seek to mitigate these risks.

For Commercial Activities – See Fig. 02 overleaf.

**Fig. 01 SUMMARY GROUP FINANCIALS**

Income and Expenditure Statement extracts:	2006 £m	2006 £m
Income (excludes Grant-in-Aid)		1,211
Exceptional operating costs and expenses		(1,550)
Operating costs and expenses:		(5,772)
which include:		
– Contractor costs (includes £277 million capitalised costs)	(2,022)*	
– Nuclear liability charge	(2,736)*	
Operating Deficit		(6,111)
Financing Charges		(1,295)
<b>Deficit for the year</b>		<b>(7,396)</b>
<b>Balance Sheet extracts:</b>	<b>2006 £m</b>	<b>2006 £m</b>
Tangible fixed assets		5,305
Net current assets		2,172
Provisions and creditors due after more than one year		(37,185)
which include nuclear liabilities:	(30,574)*	
<b>Net Liabilities</b>		<b>(29,708)</b>
<b>Cash Flow Statement extracts:</b>		<b>2006 £m</b>
Net cash outflow from operating activities		(787)
Purchase of tangible fixed assets		(291)
Grant-in-Aid received		773
Other		7
<b>Decrease in cash</b>		<b>(298)</b>

**Fig. 02 COMMERCIAL ACTIVITIES**

	2006 Output	2006 Income £m
Electricity generation	15.370 TWh	514
Spent fuel management (transport, reprocessing & storage)	51T re THORP 253T re Magnox	454
Fuel manufacture (AGR & MOX)	216T re AGR 2.9T re MOX	208
Other		35
<b>TOTAL</b>		<b>1,211</b>

(TWh = Terrawatt hours)

**Fig. 03 SITE OPERATIONS**

	Spend in 2005/6 £m
New construction projects	218
Production operations	539
Decommissioning & termination	194
Waste & nuclear materials management	351
Site support	442
Support services	215
Stakeholder support	34
Other	29
<b>TOTAL ALLOWABLE COSTS PAID TO CONTRACTORS</b>	<b>2,022</b>

\* Extracted figures

## Site Operations Expenditure

The NDA operates sites through contracts with British Nuclear Group Sellafield Limited (BNG Sellafield), Magnox Electric Limited, UKAEA and Springfields Fuels Limited.

These contracts are cost reimbursable, with the NDA funding allowable costs and paying the contractors fees as they meet their key performance targets.

The contractors earned an aggregate fee in 2005/6 of £86 million. The actual level of fee earned at each site is determined by the NDA, after consideration of delivery of project milestones, operational output, efficiency improvements and regulatory standards. The earned fee represented 84% of the maximum potential fee that the contractors could have earned had all key performance targets been met.

**An analysis of the spend is shown in Fig. 03 opposite.**

All of the expenditure in Fig. 03 relates to the delivery of the NDA's programme. New construction projects principally comprise of new waste treatment plants and stores required to deliver work in future years. The production operations relate to the NDA's commercial activities. Site support, support services and stakeholder support are activities undertaken by the contractors to deliver the programme of decommissioning, waste management, production operations and new construction projects.

**The amounts paid to contractors can be further analysed as follows, see Fig. 04 overleaf:**

The largest element of the site operations expenditure are staff costs and spend on sub-contractors, reflecting the manpower-intensive nature of the site operations.

*The average full-time equivalent staff engaged by the contractors (excluding agency staff, UKAEA head office staff and staff employed by any sub-contractors) on nuclear decommissioning and commercial activities during the year, for whom staff costs are shown in Fig. 04, was:*

Employees (full-time equivalent)	
BNG Sellafield	9,996
Magnox Electric	4,203
Springfields	1,565
UKAEA	1,766
<b>Total Contractor Staff</b>	<b>17,530</b>

Overall the levels of work performed by the contractors, the efficiency improvements achieved and fees earned, combined with the other aspects of performance, represent a very creditable first year of operation for the NDA.

## Funding the NDA Programme

The NDA is funded through its commercial income, topped up by the taxpayer by way of Grant-in-Aid. Grant-in-Aid is shown as financing in the cash flow statement and amounted to £773 million for the 2005/6 year, £675 million of which funds transferred from BNFL to DTI to the NDA.

The net effect of the commercial receipts, efficiency savings and acceleration of work meant that the NDA required £89 million less funds during the year than its anticipated funding requirement based on the Departmental Expenditure Limit agreed in the Government's Spending Review 2004 (SR04). This balance is retained by the Government and carried over into the NDA's 2006/7 funding allowance. It is ring-fenced for the NDA so that it can be drawn down by the NDA as required.

The NDA applies for top-up funding via Grant-in-Aid from the Spending Review in three year cycles, effectively fixing the grant for those three years. The nature of the NDA's activities exposes the NDA to substantial variability in the commercial income and site expenditure and the NDA is required to manage these fluctuations in income and expenditure. This requires the use of extensive reporting and control mechanisms, and our contractors have made significant investments in IT systems which have allowed the NDA to maintain a clear view of its financial position, and enabled the NDA to make funding decisions in its prioritisation of work.

To assist in the understanding of financial and operational risks, the NDA is undertaking an extensive programme to embed risk management practices across all its functions and to provide contractual mechanisms to obtain assurance of good risk management practices from its contractors.

To assist in understanding the programme of works required and to provide a firm basis for the Grant-in-Aid requirements the NDA has made progress in establishing the framework for the management of the nuclear legacy. The publication of the Life Cycle Baseline (LCBL) provides transparency and is an important step forward. Work is continuing to improve the processes for estimating costs over long periods and

monitoring and managing the risks inherent in the programme.

The NDA has committed itself to creating the controls, systems, resources and contractual bases to raise standards of financial discipline and risk reporting and to reduce uncertainties over the decommissioning cost.

## Liabilities Management

### Long-term plans

Ensuring that decommissioning and clean-up is delivered safely, faster and more cost-effectively is a core part of the NDA's mission. Understanding the costs of decommissioning is fundamental to this and the NDA requires detailed plans for each site, known as the Life Cycle Baseline (LCBL). These set out a description of each component of the plan for each site, the time-phasing of when they will be carried out and a forecast of the likely costs of delivering each component in each year on an undiscounted basis. They are long-term plans with almost unprecedented detail and provide an essential yardstick against which the NDA's progress, and that of its contractors, in delivering the NDA programme can be measured.

Inevitably the plans will develop over time, with greater understanding of the nuclear clean-up task, innovation and through competition. Each plan is predicated on an assumed option, although a number of alternatives will be considered prior to a final decision on which option to follow nearer the date of clean-up.

*The plans are updated annually to reflect:*

- changes in price levels;
- improvements in efficiency;
- improvements in technology and methodologies;
- changes to the approach to be adopted and/or to the timing of the work;
- improved understanding of the size and nature of the task; and
- changes in Government policy (for example, the policy for disposing of Intermediate Level Waste (ILW)).

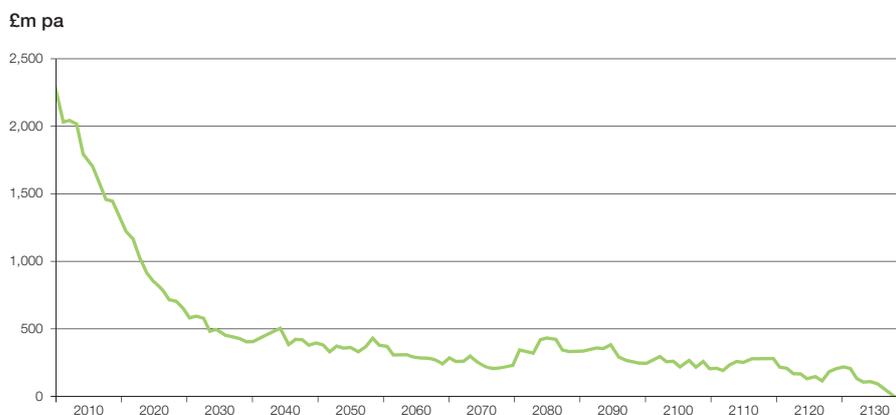
In line with our commitment to openness and transparency, we will set out the reasons for the changes in plans, and the resulting costs from year to year as the NDA publish the LCBL each year.

Although the plans are extremely detailed, there is a significant degree of inherent uncertainty in the future cost estimates that underpin the nuclear provisions. For example, at Sellafield and Dounreay, there are older facilities where the records of plant-design and usage are incomplete

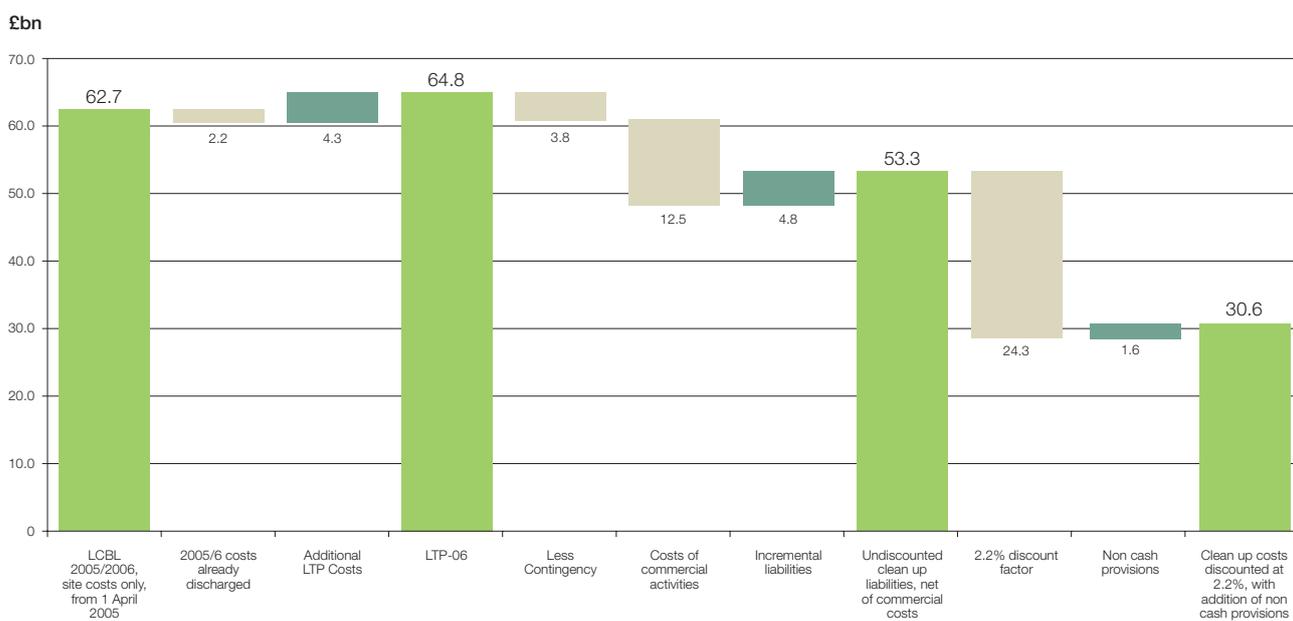
**Fig. 04 CONTRACTUAL SPEND**

	BNG Sellafield £m	Magnox Electric £m	Springfields Fuels £m	UKAEA £m	TOTAL £m
Staff costs	441	168	53	63	725
Raw material & consumables	66	182	32	38	318
Research & development	26	–	–	–	26
Sub-contractors	189	149	21	87	446
Other	172	–	20	38	230
Capital spend	158	71	8	40	277
<b>TOTAL</b>	<b>1,052</b>	<b>570</b>	<b>134</b>	<b>266</b>	<b>2,022</b>

**Fig. 05 ANNUAL SITE COSTS**



**Fig. 06 DERIVATION OF NDA NUCLEAR PROVISIONS FROM LIFE CYCLE BASELINE**



and where the wastes have deteriorated, making treatment more difficult and creating uncertainty over the exact design of waste retrieval, waste treatment and dismantling processes that will be required.

For Magnox decommissioning plans, one major uncertainty is the timing of decommissioning. The current plans allow for the complete dismantling of the reactor buildings and final site clearance some 80 to 100 years after defuelling. As noted in the NDA Strategy, we are examining the options for accelerating the final decommissioning of these reactors.

The destination of nuclear waste and nuclear materials is also uncertain. The Government's Committee on Radioactive Waste Management (CoRWM) is currently considering options for the disposition of Intermediate and High Level Waste (HLW). The Government is also reviewing the long-term policy for managing Low Level Waste (LLW) and the NDA is currently addressing the options for handling LLW on its sites. Work is also underway on the long-term options for uranic materials, plutonium and AGR spent fuel. The nuclear provisions include assumptions on all of these to derive the cost estimates and it is probable that these assumptions will change to reflect the outcome of these reviews. Currently the nuclear provision includes £1.5 billion for the NDA's share of capital expenditure in relation to building a storage waste depository, plus further costs in relation to transport and placement of containers into the depository.

The end states of sites, which define the physical condition of the site when the programme of work has been completed, are being reviewed in consultation with local stakeholders. There is work underway to improve understanding of the degree of contamination of our sites, particularly at Sellafield. The LCBLs have made assumptions of the costs of addressing both these factors, which are included in the nuclear provision.

In summary, whilst the estimated liability remains the directors' best estimate, based on information currently available, the overall estimate of the NDA's future costs is still subject to significant uncertainty and, as a result of this the Comptroller and Auditor General's audit opinion on the accounts includes an emphasis of matter. The NDA has commissioned further work to understand and reduce these uncertainties, where practical, which are inherent in the provision. The NDA has a Public Service Agreement to establish a more robust baseline estimate by 31 March 2008.

The LCBL demonstrates the projected expenditure profile of the undiscounted future site costs at current prices (£62.7 billion)

– As shown in Fig. 05 opposite.

### Nuclear provisions

The LCBL for each site is used to derive the estimate of nuclear provisions in the NDA's Annual Accounts. However, a number of adjustments are necessary to the cost estimates, principally to net out the costs of commercial activities that are expected to be funded by future income and to express the provision at a discounted value to reflect the time-value of money, in accordance with normal accounting practice.

The derivation of the nuclear provision in the financial statements of £30.6 billion at 31 March 2006, from the LCBL estimate of £62.7 billion as at 1 April 2005, published in March 2006

– Is as shown in Fig. 06 opposite.

The published LCBL aggregates to £62.7 billion as from 1 April 2005.

*The LCBL figures are then adjusted as follows:*

- A reduction of £2.2 billion in respect of work undertaken during the year (and therefore excluded from future liabilities), which includes £1.3 billion in respect of liabilities discharged and £0.9 billion in respect of commercial activities;
- The effect of uplifting the cost base to 31 March 2006 money values and cost increases at designated sites giving additional liabilities of £4.3 billion;
- The total of the Life Cycle Baselines for the designated sites is £64.8 billion, details of which are contained on the Life Time Plan 06 document to be published separately;
- A reduction of £3.8 billion for a contingency allowance that is excluded for the purposes of preparing the NDA's nuclear provision;
- The removal of future costs attributable to commercial activities of £12.5 billion. Costs attributable to commercial activities are excluded from the amounts included in the NDA's Annual Accounts under applicable accounting principles as they are expected to be covered by future revenues;
- Liabilities of £4.8 billion for LLW disposal and other site costs are added.

*After these adjustments the amount for undiscounted clean-up liabilities is £53.3 billion. This is then further adjusted as follows:*

- Future costs are discounted at the Government prescribed discount rate for liabilities of 2.2%, reducing the liability by £24.3 billion; and
- A further FRS12 adjustment of £1.6 billion to provide for the 'non-cash' costs, the future depreciation of decommissioning assets already purchased.

The NDA's Nuclear Provision is therefore £30.6 billion – As shown in Fig. 07 overleaf.

### Movement in nuclear provisions

The NDA inherited opening discounted nuclear provisions from its predecessor organisations of £24.1 billion – As shown in Fig. 07 overleaf. These inherited provisions were not, in most cases, derived directly from the LCBLs, as these had not been sufficiently well developed by the previous year end and were therefore based on a variety of assumptions and bases. The NDA's computation of the Nuclear Provision using assumptions from the LCBLs largely resolves these consistency issues and the revision of the LCBL at a more detailed level has identified the need for a substantial addition to the provision over the inherited position.

For the detailed movement between the opening and closing nuclear provisions

– See Fig. 08 overleaf.

*The principal components of the movement are as follows:*

- Exceptional adjustments: the opening provisions were stated on a variety of bases as used by the originating organisation. The NDA needed to rebase these liabilities on a consistent basis, with consistent assumptions about contingency and to apply the Government 2.2% discount rate for liabilities. This discount rate is lower than the discount rate applied previously;
- Release to offset impairments: a number of clean-up assets have been impaired, as described overleaf (review of assets). The future depreciation of these assets had already been provided but is no longer required and hence has been released;
- Financing charges: the liabilities need to be rebased at current price levels each year and each year there is an 'unwind' charge of one year's discount as the date for discharging each future year's costs is one year nearer;

*Continued on page 73.*

**Fig. 07 THE NUCLEAR PROVISION OF £30.6 BILLION RELATES TO THE FOLLOWING SITES:**

	2006 Discounted nuclear provision £m	2005 Discounted nuclear provision £m
Berkeley	360	279
Bradwell	506	532
Calder Hall	349	523
Capenhurst	297	262
Chapelcross	527	606
Dounreay	2,091	1,819
LLW Repository	116	40
Dungeness A	504	434
Harwell	707	629
Hinkley Point A	543	596
Hunterston A	482	517
Oldbury	444	448
Sellafield	17,082	14,926
Sizewell A	354	451
Springfields	244	248
Trawsfynydd	413	302
Windscale	400	302
Winfrith	396	356
Wyfla	442	555
Magnox central costs	4	(10)
Other	10	278
NDA central liabilities	4,253	0
<b>Authority provision</b>	<b>30,524</b>	<b>24,093</b>
Subsidiary provisions	50	44
<b>NDA Group provision</b>	<b>30,574</b>	<b>24,137</b>

**Fig. 08 THE DETAILED MOVEMENT BETWEEN THE OPENING AND CLOSING NUCLEAR PROVISION IS AS FOLLOWS:**

	Discounted provisions £m
Nuclear provisions transferred to NDA:	
– from BNFL	20,720
– from UKAEA	4,330
– from MoD	4,199
less: consolidation adjustment	(5,156)
<b>Net opening provisions</b>	<b>24,093</b>
Exceptional charges for the year relating to balances transferred:	
– change to 2.2% discount rate	2,589
– adoption of NDA provisioning methodology	(1,611)
	978
Release to offset exceptional impairment of clean-up assets	(383)
Add: Financing charges	
– escalation of price levels	767
– unwind of one year's discount	421
Total financing charges	1,188
Changes in future cost estimates	5,953
Release to offset cost of liabilities discharged in year	(1,305)
<b>Net closing provision – Authority</b>	<b>30,524</b>
Subsidiary provisions	50
<b>NDA Group closing provision</b>	<b>30,574</b>

**Fig. 09 IMPAIRMENT REVIEW**

Impairment	Location	Impairment in value £m
<b>Tangible Fixed Assets</b>		
Sellafield Mox Plant [SMP]	Sellafield	490
Sellafield Drypac Plant [SDP]	Sellafield	297
Box Encapsulation Plant [BEP]	Sellafield	87
BNFL Technology Centre [BTC]	Sellafield	81
Impairments arising from additions to impaired sites	Reactor sites & Springfields	48
		<b>1,003</b>
<b>Intangible Fixed Assets</b>		
Patents	N/A	28
		<b>1,031</b>
		<b>(383)</b>
		<b>648</b>
Exceptional impairment (note 4 to the accounts)		572
impairment (note 5 to the accounts)		76
		<b>648</b>

Continued from page 71.

- Changes in future costs estimates: this reflects the re-evaluation of the provisions at each site following a detailed bottom-up review. In many areas, such as legacy ponds and silos and reactor decommissioning, this re-evaluation was already in progress by BNFL and the associated increases would have otherwise been reflected in the accounts of BNFL. In other areas, such as contaminated land, NDA identified the need to provide for the cost of this clean-up;
- Liabilities discharged: this represents the cost of liabilities work performed during the year. It is less than the amount of the NDA's spend for the year at the sites, largely because it excludes spend on commercial activities that are excluded from the nuclear provision and separately charged through the income and expenditure account.

*There are a number of areas where the NDA plans to develop further, in conjunction with its site contractors, improvements in:*

- the use of consistent approaches to the costing of work;
- the evaluation of contingencies and risks; and
- the tracking of the reasons for changes in plans and estimates from year to year.

Now that the provisions are based on the LCBLs, the NDA has a baseline which can be rigorously examined each year to yield an improved understanding of the numbers within the next re-estimate for 31 March 2007.

#### Non-nuclear provisions

At 31 March 2006, the NDA had other provisions totalling £1.9 billion, principally relating to provision for losses on long-term commercial contracts (£1.7 billion) and to restructuring provisions (£0.2 billion).

#### Review of assets

The recognition of assets previously held by BNFL and UKAEA triggers, under accounting standards, the need for an impairment review. Impairment is measured by comparing the carrying value of the fixed asset or income-generating unit with its recoverable amount.

The NDA has therefore reviewed the asset base and all assets on-site were reviewed for evidence of impairment. The NDA has a different view from its predecessors of the future use for those assets given its clean-up role. It should be noted that some of these assets remain operational and that the impairment is an accounting adjustment.

**This is illustrated in – Fig. 09 above.**

#### Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the NDA has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

In forming this judgement the directors have considered the NDA requirement for Grant-in-Aid funding and the ring-fenced funding surplus retained by the Government. On the basis that this funding is made available to the NDA through the provisions of the

Energy Act 2004, which require the NDA to undertake the strategic responsibility for the decommissioning and clean-up of all of the UK's civil nuclear sites, the directors consider that the NDA will continue in operational existence for the foreseeable future.

#### Corresponding amounts

The NDA's Annual Report and Accounts include corresponding amounts only where they provide a meaningful comparative for the current year accounting caption. To this effect corresponding amounts have been included for all balance sheet captions based on the relevant amounts included in the 2004/5 accounts of the NDA, BNFL, UKAEA and, where relevant, the MoD. Prior period comparative figures have not been provided for the other prime statements. Further details are provided, see note 1a.

The NDA's long-term strategy and business objectives, as well as discussions on our key performance indicators, environmental policies, resources, social and community issues and the main trends and factors likely to impact future prospects, are set out in the Chairman's Statement, the Chief Executive's Review and the Annual Report. The Directors' Report covers financial instruments, creditors payments and employee policy as well as a discussion of any Post Balance Sheet Events.

This Management Commentary, together with the relevant extracts from the Chairman's Statement, the Chief Executive's Review and the Annual Report, has been prepared in accordance with the Accounting Standards Board (ASB's) 'Reporting Statement 1: Operating and Financial Review'.

# Directors' Report

## ABOUT THE NDA

The Nuclear Decommissioning Authority (the NDA) is an executive Non Departmental Public Body (NDPB) and was established on 22 July 2004 by the Energy Act 2004.

The NDA was created with the prime objective of overseeing and monitoring the decommissioning and clean-up of the UK's civil nuclear legacy.

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 and in accordance with the requirements of the Energy Act 2004, the beneficial ownership of certain assets and liabilities previously held by UKAEA and BNFL and its subsidiaries, were transferred to the NDA. Refer to note 2 to the accounts.

The Board meets each month, except August, with additional meetings being held when necessary. Board papers are circulated to Directors in advance of each meeting. Appropriate responsibilities are delegated to the Audit Committee and Remuneration Committee. Separate reports from each committee are included within the directors' report.

## ACCOUNTS DIRECTION

These accounts have been prepared in a form directed by the Secretary of State for Trade and Industry with the approval of the Treasury and in accordance with section 4 of the Energy Act 2004. The period 1 April 2005 to 31 March 2006 gives rise to the first 12 months statutory accounts to be produced by the NDA since it became fully operational.

## DIRECTORS

The directors who served during the year to 31 March 2006, and their responsibilities were:

		Appointed
Sir Anthony Cleaver	Non Executive Chairman	27/07/2004
Dr Ian Roxburgh	Chief Executive and Accounting Officer	01/12/2004
Primrose Stark	Non Executive Director	29/10/2004
Dr Lyndon Stanton	Non Executive Director	29/10/2004
Tony Cooper	Non Executive Director	29/10/2004
David Illingworth	Non Executive Director	29/10/2004
Nick Baldwin	Non Executive Director	29/10/2004
Professor Roger Scott	Non Executive Director	29/10/2004
William Roberts	Finance and Resources Director	17/01/2005
Peter Graham	Commercial Director	31/01/2005*
James Morse	Programme Director	21/03/2005
Richard Waite	Engineering Director	04/04/2005
Mark Leggett	Commercial Director	13/03/2006

\* Resigned 30/06/2005

## DIRECTORS' INTERESTS

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

No director has an interest in the NDA.

## LOCATIONS

The NDA's headquarters are located at Moor Row in Cumbria. Regional staff operate from offices in Calderbridge, Warrington, Forss, London and Abingdon.

## EXTERNAL AUDITORS

The NDA's auditor, The Comptroller and Auditor General (C&AG), appointed under the Energy Act 2004, audits the NDA's financial statements. The services provided by the C&AG's staff in the National Audit Office related only to statutory audit work in relation to the Authority and its consolidation.

## DISCLOSURE OF INFORMATION TO THE AUTHORITY'S EXTERNAL AUDITOR

So far as the Accounting Officer is aware, there is no relevant audit information of which the external auditors are unaware.

The Accounting Officer has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that the external auditors are aware of that information.

## EMPLOYEES AND EMPLOYMENT

### 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 policies.

### 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 has been set up to discuss management and policy matters between staff and management.

### Pensions

- All employees are entitled to join the Principal Civil Service Pension Scheme (PCSPS). Details of the scheme are given in note 30 to the accounts. During the year the NDA has worked towards Investors in People (IiP) status, which was awarded in May 2006.

The number of the Authority's full time equivalent employees during the year to 31 March 2006 averaged 175 (2004/5 – 66). See note 6 for more detail.

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## ACTIVITIES OF SUBSIDIARY COMPANIES

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**Direct Rail Services Limited** – The wholly owned subsidiary company was established in 1995 to provide the civil nuclear industry with a strategic rail transport service. Initially handling the specialist transportation of used nuclear fuel from the UK's nuclear power stations to the Sellafield reprocessing facility in Cumbria, DRS' reputation for excellence in this area has led to the company's development into a wider range of non-nuclear related business.

**Rutherford Indemnity Limited and Hinton Insurance Limited** – Both are wholly owned subsidiaries engaged in nuclear insurance and re-insurance, and are based in Guernsey.

**Low Level Waste Repository Site Licence Company Limited** – was incorporated during the year and will provide the vehicle for the repository site near Drigg in Cumbria to be competed.

**Quasi Subsidiaries** – The NDA has three quasi subsidiaries at the year end, being Pacific Nuclear Transport Limited, BNFL SA, and BNFL Japan KK, companies registered and operating in the UK, France and Japan respectively. The quasi subsidiaries are all involved in fuel transportation.

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## BETTER PAYMENT PRACTICE

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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. During the year the NDA has achieved a 92% success rate in making payments within the agreed terms.

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## CHARITABLE AND POLITICAL DONATIONS

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During the year the Authority made charitable donations of £2,660 (2004/5 – £ nil). No political donations or contributions were made.

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## INVESTMENT IN SOCIO-ECONOMIC DEVELOPMENTS

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In accordance with its remit under the Energy Act, during the year the NDA made socio-economic grants of £9 million, details of which are given in the Chief Executive's report (2004/5 £ nil).

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## RESEARCH AND DEVELOPMENT

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During the year the NDA funded expenditure of £18 million (2004/5 £ nil) on research and development.

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## FUNDING, COUNTERPARTY AND FOREIGN EXCHANGE RISK

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Although an NDPB, the NDA is also responsible for certain commercial activities and therefore subject to some, albeit not extensive, risks and uncertainties surrounding these activities. Its electricity trading activity is subject to price variation risk, which is managed on its behalf by the SLCs, details are to be found in notes 1 & 35 to the accounts.

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## SUMMARY OF RESULTS FOR THE PERIOD

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The summary of the results for the year is as stated in the Management Commentary.

Transfers to and from Reserves are detailed in note 31 to the accounts.

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## CHANGES IN FIXED ASSETS DURING THE PERIOD

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The changes in fixed assets are reported in notes 12-14 to the accounts.

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## FUTURE DEVELOPMENTS

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The NDA continues to develop its policies and procedures to ensure that it is able to fulfil its objectives under the Energy Act 2004.

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 tendering of the clean-up contracts.

An industry wide pension scheme, the Combined Nuclear Pension Plan (CNPP), has been approved by HMG which will incorporate the pension plans of the civil nuclear sites. HMG agreed that the accrued past service entitlements of current CPS members will not be transferred to the CNPP, and will remain in the CPS. Therefore there will be no past service liability attaching to the NDA. The scheme will be administered by the NDA through a separate trust fund.

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## EVENTS AFTER THE YEAR END

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### (a) State Aid

On 1 December 2004, the European Commission ("The Commission") announced the beginning of its formal investigation into State Aid to BNFL and the NDA. The Commission's decision follows the notification in December 2003 by the UK Government that it intended to enter into transactions that might result in State Aid to the NDA. The Commission's investigation focused in particular on whether the transaction conferred an advantage on BNFL that constituted State Aid.

Interim funding arrangements, to cover the duration of the investigation, allowed the NDA to start fulfilling its obligations as planned on 1 April 2005. The Commission confirmed that those arrangements did not breach State Aid rules.

The European Commission closed its formal investigation procedure on 4 April 2006 and came to the conclusion that BNFL complied with the polluter-pays principle and has therefore received no State Aid.

### (b) Dividends received

Following the liquidation of EPIC (Guernsey) Limited, a former subsidiary of BNFL, in the year ended 31 March 2005, NDA has been informed post year end that it will receive a distribution of £350,000.

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## GOING CONCERN

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The accounts show a deficit on the Income and Expenditure Account of £7.4 billion for the year ended 31 March 2006. This largely arises from the increase in the nuclear provision.

We have adopted a going concern basis, and a full explanation appears in the Accounting Policies, note 1 to the accounts.



*Dr Ian Roxburgh*  
Chief Executive & Accounting Officer  
The NDA  
9 October 2006

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# Corporate Governance

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## BEST PRACTICE

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The NDA, as a Non-Departmental Public Body (NDPB), 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.

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## THE BOARD

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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 NDA Annual Report and Financial Statements following review by the Audit committee;
- Receiving and considering reports from the Audit committee on the control, risk management and assurance framework;
- Ratification of NDA Strategy and Plans;
- Approval and maintenance of NDA policies;
- Approval and operation of delegated authorities;
- 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 (2004/5 – five) and seven non-executive directors (2004/5 – seven), including the non-executive Chairman and meets monthly, except for August.

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

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## THE CHAIRMAN

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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 manages its agenda.

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## THE CHIEF EXECUTIVE OFFICER AND ACCOUNTING OFFICER

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The Chief Executive Officer, Dr Ian Roxburgh, is also the Accounting Officer.

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 responsible 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.

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## THE AUDIT COMMITTEE

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The Board has delegated responsibility for reviewing the Authority's system of internal control and monitoring its effectiveness to the Audit Committee. The system is designed to manage rather than eliminate the risk of failure to achieve the Authority's objectives. Any such system can only provide reasonable, and not absolute, assurance against misstatement or loss.

Through the Audit Committee the Board has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with best practice.

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

*Members of the Audit Committee are:*

David Illingworth (Chairman)  
Professor Roger Scott  
Dr Lyndon Stanton

Dr Ian Roxburgh attends all audit committee meetings in his capacity as Accounting Officer.

The Committee has met five times during the year ended 31 March 2005/6 accounting period, ending 31 March 2006, attendance at these meetings being 100%. The CEO, senior employees of the NDA and representatives from both the DTI and the NAO were invited to attend.

*The roles and responsibilities of the Audit committee are set out in the terms of reference approved by the Board and include inter alia:*

- Reviewing the NDA Annual Report and Financial Statements prior to submission to the Board and reporting on them appropriately;
- Ensuring that systems are in place to provide the Board and management with relevant, accurate and timely information based on solid management information systems which are continually being challenged and improved;
- Reviewing and challenging the Risk Management Framework Process with specific reports produced for Audit Committee approval;
- Approval of the Internal Audit plan and work programme;
- Reviewing and challenging individual internal audit reports;
- Reviewing the effectiveness of the NDA's system of internal control and its Internal Audit function to ensure compliance with its policies, strategies and operating procedures;
- Reporting to the Board on its review of the overall effectiveness of the NDA's system of internal control;
- Monitoring the external auditors' independence and objectivity

The Audit Committee is an advisory body and through a continuous improvement review process identifies, evaluates and controls the significant risks the NDA faces. The internal control environment will continue to be monitored by the Committee which will, where necessary, ensure improvements are implemented.

# Remuneration Report

## SETTING REMUNERATION

The Nuclear Decommissioning Authority (NDA) was constituted 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 Officer and non-executive directors is determined by the Secretary of State for Trade and Industry. 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.

*Directors of the Remuneration Committee are:*

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

The committee have met twice during the year ended 31 March 2006 (2004/5 – once), attendance was 100% at both meetings (2004/5 – 100%). The Chief Executive Officer and other non-executive directors are invited to attend.

*In reaching its recommendations, the Remuneration Committee has regard to the following considerations:*

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff; and
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services.

The Remuneration Committee takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

## REMUNERATION POLICY

*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 data. 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 position.

## 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.

The NDA has a total reward strategy comprising of both pay and grading arrangements and other rewards and non-pay benefits. This includes a commitment to permit staff, including Executives, to participate in a bonus scheme. NDA specific objectives, set and approved by the Remuneration Committee, are tracked and monitored throughout the year as part of the Performance Management process.

*Subject to satisfactory performance, bonuses are awarded as follows:*

- For CEO and Band 1 Employees – 75% of the bonus is based on corporate objectives and 25% based on personal objectives. This recognises that Band 1 staff have a greater ability to control overall NDA performance than do staff in other Bands. Achievement of the personal objectives is approved by the Remuneration Committee; and
- For Bands 2-5 Employees – 50% of the available bonus is based on corporate objectives with the remaining 50% of available bonus being based on the successful completion of personal performance against objectives.

The final decision on the achievement of personal objectives and the measurement of personal performance for Bands 2-5 rests with the Chief Executive.

## Fees

Non-Executive Directors are entitled to fees that are determined by the DTI. They do not receive performance-related bonuses nor pension entitlements but are reimbursed for reasonable expenses incurred in the performance of their duties as directors.

## SERVICE CONTRACTS

### General

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

See Fig 1.1 for Service Details

See Fig 1.2 for Directors Emoluments

**Fig 1.1 SERVICE DETAILS**

	Date employment commenced	Notice period	Date resigned
Dr Ian Roxburgh	01/12/04	12 months	
William Roberts	17/01/05	6 months	
Richard Waite	04/04/05	6 months	
Jim Morse	21/03/05	6 months	
Peter Graham	31/01/05	6 months	30/06/05
Mark Leggett	13/03/06	6 months	

**Fig 1.2 DIRECTORS EMOLUMENTS**

	Salaries £	Car Benefit £	Bonus £	Relocation £	Total Emoluments £	2004/5* Emoluments £
<b>Non executive directors</b>						
Sir Anthony Cleaver	80,000	–	–	–	80,000	26,667
David Illingworth	25,000	–	–	–	25,000	8,333
Primrose Stark	25,000	–	–	–	25,000	8,333
Dr Lyndon Stanton	25,000	–	–	–	25,000	8,333
Nick Baldwin	25,000	–	–	–	25,000	8,333
Tony Cooper	25,000	–	–	–	25,000	8,333
Professor Roger Scott	25,000	–	–	–	25,000	8,333
<b>Executive directors</b>						
Dr Ian Roxburgh	200,000	13,408	95,000	17,537	325,945	118,439
William Roberts	140,000	12,000	56,000	50,575	258,575	37,774
Peter Graham**	117,732	9,419	–	17,311	144,462	36,339
Jim Morse	140,000	12,000	56,000	81,535	289,535	5,002
Richard Waite***	138,849	11,901	55,540	–	206,290	–
Mark Leggett****	7,288	625	2,915	–	10,828	–

\* 4 month figures.

\*\* Resigned 30 June 2005. £35,000 relates to service as a director, other amounts reflect contracted entitlements only.

\*\*\* Appointed 4 April 2005, annual salary £140,000.

\*\*\*\* Appointed 13 March 2006, annual salary £140,000.

### Long-Term Incentive Plan

The Executive Directors have been enrolled in a long-term incentive arrangements linked to Public Service Agreements (PSA) targets and approved by the Remuneration Committee. The extent to which the remuneration under this plan will vest is wholly dependent on the extent to which the NDA meets its performance hurdles. An amount of £75,000 for each director will vary if the Directors do not meet or exceed these targets.

### Compensation Payments

During 2005/6, there were no compensation payments made to past Executive Directors.

### Third Party Payments

During 2005/6, there were no payments made to third parties for services of an Executive Director.

## PENSION

### Pension Policy

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### See Fig 2.1 below for Executive Directors' Pensions

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-4 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

**Fig 2.1 EXECUTIVE DIRECTORS' PENSIONS**

	Real increase in pension	Real increase in lump sum	Pension at End Date	CETV at Start Date	CETV at End Date	Employee contributions and transfers in	Real increase in CETV funded by employer
	in band £000's		in band £000's	in band £000's	in band £000's	in band £000's	in band £000's
Dr Ian Roxburgh	0-2.5	N/A	60-65	932	1173	2.5-5	40
William Roberts	0-2.5	N/A	0-5	3	25	2.5-5	17
Richard Waite	0-2.5	N/A	0-5	0	29	5-7.5	22
Jim Morse	0-2.5	N/A	0-5	1	27	2.5-5	22
Peter Graham	0-2.5	N/A	0-5	3	20	2.5-5	14
Mark Leggett	Not yet on pension system						

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# Statement of the Directors 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 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 for which an 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 Internal Control

## 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 Authority') policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

*A process of accountability has been established with the Department of Trade and Industry (herein, the DTI) 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 are provided to the DTI;
- Copies of all internal audit reports, the corporate risk register and risk action programmes have been provided to the DTI.

## 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 Authority'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 in place in the Authority for the period commencing 1 April 2005 to the year ending 31 March 2006 and up to the date of approval of the annual report and accounts for the same period and accords with Treasury guidance.

## CAPACITY TO HANDLE RISK

The Authority's risk management strategy has been determined and endorsed by myself, 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 between 1 April 2005 and 31 March 2006, whereby the risk profile was focused on the NDA's first operational year as a functioning NDPB.

The NDA's capacity to handle risk is influenced by the existence of a complex governance structure where decommissioning and commercial operations and NDA transactions are undertaken under contract by Site Licensees.

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

The Authority's risk management philosophy supported by the strategy and policy documents are held on the Authority's Electronic Document Management System and are accessible to all staff.

The policy sets out the Authority'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. The Head of Risk facilitates the effective management of risk and continues to develop the infrastructure to support and embed risk management at every level of the business.

## THE RISK, CONTROL AND ASSURANCE FRAMEWORK

The risk strategy for the period concerned was predominantly focused on establishing the NDA as a fully functioning NDPB by gaining an increased level of understanding of the risks associated with all aspects of the NDA's responsibilities, which includes the full nuclear estate managed on our behalf by Site Licensees.

*The key elements of this 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 action;
- 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.

In addition, in its first year of full operations, the NDA has developed and continues to develop arrangements to provide assurance on the adequacy of the governance arrangements, which encompass the relationship with the Site Licensees, and which form part of the control framework.

*These include:*

- An NDA regional structure including a Regional Director, supported by site facing teams encompassing programmes, commercial and support services, whose role has been to manage contractual arrangements and associated costs;
- Management information from sites on the financial position, performance and programme status is considered regularly by the Board;
- Working protocols between NDA Internal Audit and the Site Licensees Internal Audit functions which allows for an independent review of their assurance work programme.

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#### REVIEW OF EFFECTIVENESS

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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 Authority 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 and a plan to address weaknesses and ensure continuous improvement of the system is in place.

An Executive Risk Management Committee has been established, chaired by myself and consisting of the Executive Directors, the Head of Risk and the Head of Internal Audit. The committee meets monthly and reviews reports from the Risk Management Forum before reporting upwards to the Audit Committee. This is considered to be an integral part of the Authority's Risk Management Framework.

*The following review and assurance mechanisms have been instigated:*

- The establishment of an Internal Audit unit, which is operating to the requirements defined in the Government Internal Audit Standards. The Internal Audit mandate is to look across management systems as a whole and as such has developed a robust Internal Audit plan to assess the effectiveness of the internal controls both within the Authority and its contracted Site Licensees. The audit programme is focused around key risks and is endorsed by the Audit Committee. Regular reports are submitted on the adequacy and effectiveness of internal control, together with recommendations for improvements.

- A level of assurance has been gained from the Site Licensees through visibility of and a degree of influence over their Internal Audit work programmes. Protocols are also in place to enable, where necessary, joint audit work. No substantial issues have been identified and action plans are in place to address those issues which have arisen;
- The development and implementation of a Quality Management System to provide an effective framework for the recording and control of the business policies, processes and procedures. This system is subjected to internal audit and will be submitted for formal accreditation during the 2006/7 accounting period;
- The adoption of a set of eight high level objectives which have subsequently been cascaded to be included in departmental and individual objectives;
- Significant progress in 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 Authority;
- The establishment of a policy of assessing/adopting 'best practice' when undertaking system reviews;
- A comprehensive review of the risk register by the Executive Risk Management Committee is being undertaken on a twice yearly basis;
- Papers submitted to the Board for consideration follow a standard template which includes risk analysis.

The Internal Audit programme of work has identified a number of weaknesses in several control systems. All weaknesses have been classified with regard to potential impact on the achievement of the Authority's objectives and all have an associated and agreed rectification action plan. No significant internal control problems have been identified.

*During 2006/7, the NDA is also building its capacity to effectively manage its remit to oversee nuclear decommissioning through other parties in the following ways:*

- Continuous improvement in the coming year, to include additional procedures to enhance validation of financial information and ultimately, overall knowledge and understanding of transactions and information pertaining to the NDA's estate;
- Continuous engagement with Site Licensees to ensure the robustness of the nuclear liabilities estimate through the Life Cycle Baseline Improvement Plan and work performed to establish and embed improvements, which include enhanced risk assessment;
- Increased emphasis on the development and management of a comprehensive suite of procedures relating to establishing a competitive framework for the management of sites under the NDA's ownership.



*Dr Ian Roxburgh  
Chief Executive & Accounting Officer  
9 October 2006*

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# 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 of the Nuclear Decommissioning Authority for the year ended 31 March 2006 under the Energy Act 2004. These comprise the Consolidated Income and Expenditure Account, Balance Sheets, Consolidated Statement of Recognised Gains and Losses and the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.**

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## **RESPECTIVE RESPONSIBILITIES OF THE NUCLEAR DECOMMISSIONING AUTHORITY, ACCOUNTING OFFICER AND AUDITOR**

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The Nuclear Decommissioning Authority and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Energy Act 2004 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Nuclear Decommissioning Authority and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland). I report to you my opinion as to 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 Secretary of State directions made thereunder. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Nuclear Decommissioning Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 82 to 83 reflects the Nuclear Decommissioning Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's Statement on Internal Control cover all risks and controls, or form an opinion on the effectiveness of the Nuclear Decommissioning Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Chief Executive's Review, Directors Report, Corporate Governance, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

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## **BASIS OF AUDIT OPINION**

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I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My 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 judgments made by the Nuclear Decommissioning Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most 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 fraud or error 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

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**QUALIFIED OPINION ARISING FROM ABSENCE  
OF PRIOR YEAR COMPARATIVE FIGURES**

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As disclosed more fully in Note 1 (a) of the financial statements, it has not been possible to include prior year comparative figures in all the prime statements. In my opinion, disclosure of this information is required by Financial Reporting Standard 28. This states that corresponding amounts should be shown for all items in an entity's primary financial statements.

*In my opinion:*

- except for the omission of the information included in the preceding paragraph, the financial statements give a true and fair view, in accordance with the Energy Act 2004 and directions made thereunder by the Secretary of State, of the state of the Nuclear Decommissioning Authority's affairs as at 31 March 2006 and of its deficit for the year then ended;
- 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 Secretary of State 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.

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**EMPHASIS OF MATTER – NUCLEAR PROVISIONS**

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Without qualifying my opinion I draw attention to the disclosures made in note 27 concerning the uncertainties in the likely costs in respect of Nuclear Decommissioning Authority's nuclear liabilities totalling £30.574 billion. It is not possible to quantify reliably the impact on the Nuclear Decommissioning Authority's future financial results of the settlement of these liabilities.

I have no observations to make on these financial statements.

John Bourn  
**Comptroller and Auditor General**

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

11 October 2006

## Consolidated Income & Expenditure Account

Year ended 31 March 2006

	Note	2006 £m
<b>Income</b>	3	1,211
<b>Expenditure</b>		
Exceptional operating costs and expenses	4	(1,550)
Other operating costs and expenses	5	(5,772)
<b>Total operating costs</b>		(7,322)
<b>Deficit from ordinary activities before financing</b>		(6,111)
Net financing charges	7	(1,295)
<b>Deficit from ordinary activities before taxation</b>		(7,406)
Tax on ordinary activities	8	10
Notional Cost of Capital Credit	9	913
<b>Deficit from ordinary activities after taxation</b>		(6,483)
Reversal of Notional Cost of Capital Credit	9	(913)
<b>Deficit for the year</b>		<b>(7,396)</b>

All amounts derive from continuing operations.

It is not possible to provide prior year comparative figures for the Consolidation Income & Expenditure Account. See note 1a.

## Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2006

	Note	2006 £m
Unrealised surplus on revaluation of tangible fixed assets	31	3
<b>Recognised gains and losses relating to the year</b>		

The related notes numbered 1 to 39 form part of these accounts.

It is not possible to provide prior year comparative figures for the Consolidation Statement of Recognised Gains and Losses. See note 1a.

## Balance Sheets

as at 31 March 2006

	Note	NDA Group		Authority	
		2006 £m	Restated 2005 £m	2006 £m	Restated 2005 £m
<b>Fixed Assets</b>					
Intangible assets	12	–	28	–	28
Tangible assets	13	5,305	5,091	5,189	4,984
Investments	14	–	–	197	197
<b>Total Fixed Assets</b>		<b>5,305</b>	<b>5,119</b>	<b>5,386</b>	<b>5,209</b>
<b>Current Assets</b>					
Stocks	16	151	137	149	136
Debtors: amounts falling due within one year	17	703	590	751	570
Debtors: amounts falling due after more than one year	17	37	1	37	–
Customer recoverable relating to nuclear liabilities:					
– amounts falling due within one year	17	271	–	271	–
– amounts falling due after more than one year	17	1,583	1,205	1,583	1,205
Investments and short term deposits	19	201	196	–	–
Cash at bank and in hand	20	202	500	169	473
		3,148	2,629	2,960	2,384
<b>Creditors: Amounts falling due within one year</b>	21	<b>(976)</b>	<b>(1,261)</b>	<b>(954)</b>	<b>(1,194)</b>
<b>Net current assets</b>		<b>2,172</b>	<b>1,368</b>	<b>2,006</b>	<b>1,190</b>
<b>Total assets less current liabilities</b>		<b>7,477</b>	<b>6,487</b>	<b>7,392</b>	<b>6,399</b>
<b>Creditors: Amounts falling due after more than one year</b>					
Deferred income (including non-equity interests)	22	(4,670)	(4,034)	(4,669)	(4,003)
Nuclear liabilities	26	(30,574)	(24,137)	(30,524)	(24,093)
Deferred taxation	26	–	(10)	–	(10)
Other provisions for liabilities and charges	26	(1,941)	(1,394)	(1,928)	(1,381)
<b>Total creditors due after more than one year</b>		<b>(37,185)</b>	<b>(29,575)</b>	<b>(37,121)</b>	<b>(29,487)</b>
<b>Net liabilities</b>		<b>(29,708)</b>	<b>(23,088)</b>	<b>(29,729)</b>	<b>(23,088)</b>
<b>Reserves</b>					
Transfer reserve	31	(23,086)	(23,086)	(23,086)	(23,086)
Revaluation reserve	31	3	–	1	–
General reserve	31	(6,625)	(2)	(6,644)	(2)
<b>Total government funds</b>		<b>(29,708)</b>	<b>(23,088)</b>	<b>(29,729)</b>	<b>(23,088)</b>

The accounts were signed on behalf of the Directors on 9 October 2006



Dr Ian Roxburgh  
Chief Executive & Accounting Officer

The related notes numbered 1 to 39 form part of these accounts.

Corresponding amounts are an aggregation of the relevant balances disclosed in the 2004/5 statutory accounts of the NDA and as provided by BNFL, UKAEA and MoD in relation to 2005, adjusted only for changes in accounting policy and the netting off the balances between BNFL, UKAEA and MoD. Details of the "NDA Transfer" are included in note 2 and additional information is provided in the individual notes. 'Authority' refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority, its wholly owned subsidiary and quasi-subsidiaries.

# Consolidated Cash Flow Statement

Year ended 31 March 2006

	Note	2006 £m
<b>Net cash outflow from operating activities</b>	32	(787)
<b>Net cash inflow from returns on investment and servicing of finance</b>		
Investment income		13
Interest received		1
<b>Taxation</b>		(2)
<b>Net cash outflow from capital expenditure</b>		
Purchase of tangible fixed assets		(291)
<b>Net cash outflow from management of liquid resources</b>		
Investments in short term deposits		(5)
<b>Financing</b>		
Grant-in-Aid received		773
<b>Decrease in cash in the year</b>		<b>(298)</b>

The related notes numbered 1 to 39 form part of these accounts.

It is not possible to provide prior year comparative figures for the Consolidation Cash Flow Statement. See note 1a.

## 1. PRINCIPAL ACCOUNTING POLICIES

### a. Basis of Preparation

These financial statements have been prepared under 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 Financial Reporting Manual and any other guidance which HM Treasury may issue. Specific direction has been provided in respect of the accounting for Grant-in-Aid and Modified Historical Cost Accounting (MHCA). This direction is explained more fully under the relevant accounting policies in sections 1(d) and 1(r) below. 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 intangible and tangible fixed assets, except waste management assets, at their value to the business.

The consolidated Balance Sheet at 31 March 2006 shows net liabilities of £29,708 million. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the NDA's other sources of income, may only be met by future grants or Grants-in-Aid from the NDA's sponsoring department, the Department of Trade and Industry. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. Grant-in-Aid for 2006/7, taking into account the amounts required to meet the NDA's liabilities falling due in this year, has already been included in the Department's estimates, which have been approved by Parliament. There is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### *Impact of Energy Act Transfer Scheme*

On 1 April 2005, as required by the Energy Act 2004, the NDA acquired the strategic responsibility for the decommissioning and clean-up of all 20 of the UK's civil nuclear sites (the 'NDA transfer'). The NDA now own or have responsibility for certain assets and liabilities relating to those nuclear sites formerly under the responsibility of BNFL and UKAEA. Details of the assets and liabilities for which responsibility has been transferred to the NDA are provided in note 2.

In line with government guidelines for the transfer of functions from being the responsibility of one part of the public sector to another (a 'Machinery of Government Transfer'), the Transfer Scheme transactions have been accounted for under Financial Reporting Standard 6 'Acquisitions and Mergers' as a group reconstruction. The accounts for the current year reflect significant changes in estimates which arise from the different view that the NDA management has on the future use of certain fixed assets and the basis of calculation of nuclear liabilities given the NDA's strategic responsibility for decommissioning.

The NDA also took full financial responsibility for some Ministry of Defence (MoD) nuclear liabilities situated on the NDA's sites. These liabilities corresponded to certain 'Customer Recoverable' balances in the accounts of BNFL and UKAEA, and have been netted down as part of the adopted balances under the Transfer Scheme. See note 2.

#### *State Aid Investigation*

The NDA transfer was subject to European Union State Aid investigation and consequently only a part of the proposed transfer of assets and obligations was legally effected on 1 April 2005. The European Commission's investigation into State Aid was completed on 4 April 2006 and a final transfer of the remaining assets and liabilities has been made to the NDA.

The Directors of the NDA recognise that the Authority had, under the Energy Act 2004, the strategic responsibility for decommissioning and clean-up of the designated sites and have accordingly accounted for the assets and liabilities under Financial Reporting Standard 5 'Reporting the substance of transactions'. The accounts reflect the recognition of the assets and liabilities as if transfers had been effective from 1 April 2005, as required under Financial Reporting Standard 6 for group reconstructions.

#### *Corresponding Amounts*

Merger accounting requires that comparative figures are provided as though the body had been in operation from 1 April of the previous year. Financial Reporting Standard 28 'Corresponding Amounts' requires the financial statements to include corresponding amounts which are comparable. Corresponding amounts have been included for all balance sheet captions based on the relevant amounts included in the 2004/5 accounts of the NDA, and of BNFL, UKAEA, and MoD. It should be noted that the NDA 2004/5 accounts covered only the four month period from inception to implementation of the Transfer scheme on 1 April 2005. Except where there has been a change in accounting policy, changes made to the carrying amounts transferred to the NDA have been accounted for as current year adjustments arising from changes in estimates.

It has not been possible to provide prior year comparative figures that are comparable for the other prime statements as the appropriate information is not available from all the transferor entities. Also, in the opinion of the directors, corresponding amounts for certain of the income and expenditure captions would not be comparable as the NDA has a differing focus from the transferor entities, in that it:

- functions as a contracting body rather than an operator;
- is funded through Grant-In-Aid, unlike BNFL which operated and continues to operate as a commercial operation; and
- has the overriding purpose of securing the operation, decommissioning and clean up of designated sites, which was not the case for all transferor entities.

Consequently, corresponding amounts for income and expenditure captions have not been included to avoid misleading the users of the account.

In addition, the Directors have concluded that the four month figures in the NDA 2004/5 published accounts should not be shown for the Income And Expenditure and Cash Flow Statements, as the operations for that four month NDA pre-functions period alone are not comparable with the 2005/6 figures.

The absence of some prior period comparative figures only affects this set of accounts for the NDA following the transfer of functions, and has no impact on the validity of the 2005/6 figures or on the figures for future financial years.

#### **b. Basis of Consolidation**

The consolidated income and expenditure account, consolidated statement of recognised gains and losses, balance sheets, consolidated cash flow statement and notes 1 to 39 form the accounts of the NDA and of its subsidiary undertakings and quasi-subsidiaries for the year ended 31 March 2006. Intra-group transactions and profits are eliminated fully on consolidation.

The subsidiaries of the NDA all follow UK GAAP.

#### **c. Intangible fixed assets**

Intangible fixed assets comprise software licences and patents and are valued at historical cost less any required impairment adjustment and are amortised over their useful economic life, unless material, in which MHCA principles are applied.

#### **d. Tangible fixed assets**

Tangible fixed assets include assets purchased directly by the NDA and assets for which the legal title transferred to the NDA under Transfer Scheme arrangements pursuant to the Energy Act 2004. Title to certain assets designated under the Energy Act 2004 has not yet been passed to the NDA. The directors of the NDA believe that the NDA has the risks and rewards of ownership of those assets and consequently it is recognising them under Financial Reporting Standard 5 'Reporting the Substance of Transactions'.

In accordance with the requirements of the Government Financial Reporting Manual, tangible fixed assets should be valued at the lower of replacement cost and recoverable amount which is the higher of net realisable value or value in use.

In accordance with the Secretary of State's Accounts Direction, waste management assets are exempt from this requirement as there is no reliable and cost effective revaluation methodology. Waste management assets are therefore stated at historical cost, less accumulated depreciation and any impairment changes.

Assets used to support commercial activities are valued at their value in use to the relevant activity.

Properties outside the site licence boundary, other than strategic assets, are revalued periodically. Strategic assets are not revalued in line with the treatment of waste management assets.

For both commercial and waste management facilities that have been commissioned, decommissioning provisions are recognised in full and the discounted costs are capitalised as part of the costs of the asset and depreciated over the life of the plant.

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 as follows:

<i>Land</i>	<i>Not Depreciated</i>
<i>Buildings</i>	<i>10 to 60 years</i>
<i>Fixtures and Fittings inc. IT equipment:</i>	<i>3 to 10 years</i>
<i>Plant and equipment</i>	<i>10 to 20 years</i>
<i>Transport equipment</i>	<i>4 to 14 years</i>

Commercial and waste management assets are depreciated over the programme life of each specific asset.

Assets under construction are not depreciated until brought into use. The carrying values of tangible fixed assets, including assets under construction, are reviewed for impairment if events or changes in circumstances indicate that a provision for impairment may be required.

#### **e. Fixed asset investments**

Fixed asset investments comprise investments in subsidiaries. Investments are shown at cost less provision for any permanent diminution in value. The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate that a provision for impairment may be required.

#### **f. Current asset investments and short-term deposits**

Current asset investments are stated at market value, which is calculated using mid-market prices at the balance sheet date. The gains or losses on the change in market values and on disposal of investments are taken to the income and expenditure account. Gains in market values are only recognised to the extent that they represent reversals of previous impairment losses.

#### **g. Stocks**

Stocks are valued at the lower of cost and net realisable value. Net realisable value is the actual or estimated selling price (net of trade but before settlement discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distribution. Work in progress is valued at cost, less the cost of work invoiced on incomplete contracts and less foreseeable losses. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks. Plutonium reserves are held as a strategic asset at nil value.

#### **h. Pension costs**

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) that is a defined benefit scheme and is unfunded and largely 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 not the responsibility of the NDA.

Employees of the subsidiary Direct Rail Services are members of the BNFL Group Pension Scheme. This scheme is covered by a multi-employer exemption under Financial Reporting Standard 17 'Retirement Benefits' and has therefore been accounted for as a defined contribution scheme.

#### **i. Income**

Income represents the total value, excluding VAT and intra-group sales, of invoices issued in respect of products delivered and services rendered to customers, rental income receivable and the value of long-term contract work completed during the year. Income received in advance of work performed is held on the balance sheet within deferred income and released to the income and expenditure account when the work is completed and the liability extinguished.

For electricity generation, income represents amounts receivable for sales of electricity through a combination of bilateral contracts, exchange deals and the balancing mechanism of the electricity trading arrangements effective from 27 March 2001.

#### **j. Long-term contracts**

Income on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Full provision is made for losses on contracts in the year in which they are first identified, see note 29. The amount by which payments on account exceed turnover is shown under creditors as deferred income, see notes 21 and 22.

#### **k. Foreign enterprises and foreign exchange differences**

All transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction takes place or at the contracted rate if the transaction is covered by a forward exchange contract. Balances denominated in foreign currencies are translated into sterling at the exchange rate ruling at the end of the year. All foreign exchange differences are taken to the income and expenditure account in the year in which they arise. Forward exchange contracts are used to reduce exposure to foreign exchange risk. The NDA does not hold forward exchange contracts for speculative purposes.

#### **l. Derivatives and other financial instruments**

Through the M&O contracts with the SLCs, the NDA enters into contracts to sell electricity generated by its power stations. The principal contracts for physical delivery are accounted for either on the spot or forward price, depending on the nature of the contract. These forward contracts are accounted for as hedges, with gains and losses recognised when the hedged transaction takes place. For more details on derivatives and other financial instruments, see note 35.

#### **m. Leases**

Costs in respect of operating leases are charged on a straight-line basis over the life of the lease in accordance with Statement of Standard Accounting Practice 21 'Accounting for leases and hire purchase contracts'.

#### **n. Provisions**

##### *Non-Nuclear Provisions:*

Provisions are recognised when the NDA has a present obligation as a result of a past event, and it is probable that the NDA will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

##### *Nuclear Provisions:*

The accounts include provisions for the NDA's obligations in respect of nuclear liabilities, being liabilities in respect of the costs associated with the nuclear decommissioning of designated sites. These provisions are based on the latest Life Cycle BaseLine (LCBL) for each of the designated sites, being the latest available technical assessments of the processes and methods likely to be used in the future and represent best estimates of future required work. The NDA's obligations are reviewed on a continual basis and estimates and hence provisions are updated accordingly. Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party, in accordance with Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets', the recoverable amount is treated as a fixed or current asset in line with FRS12.

In the income and expenditure account, the provisions charges are net of recoveries from customers. Full provision is made for the NDA's nuclear liabilities and changes are accounted for in the year in which they arise.

The provision and recoverable balances are expressed at current price levels and discounted at 2.2%, the 2005/6 rate specified by HM Treasury, to take account of the time value of money over the very long timescales over which work will be carried out, currently expected to be over 100 years. The financing charges in the income and expenditure account include the adjustments to amortise one year's discount and restate the liabilities to current price levels.

#### **o. Research and development expenditure**

Research and development expenditure on projects not specifically recoverable directly from customers is charged to the income and expenditure account in the year in which it is incurred, see note 5.

#### **p. Taxation**

##### *Corporation Tax*

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### *Deferred Tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Authority's taxable surplus and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surplus from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

##### *Value Added Tax (VAT)*

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

- i. irrevocable VAT is charged to the income and expenditure account and included under the heading relevant to the type of expenditure;
- ii. irrevocable 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 and Customs in respect of VAT is included within the debtors and creditors within the Balance Sheet.

#### q. Cost of capital

Treasury guidance requires that Non-Departmental Public Bodies disclose the full cost of their activities and therefore the Income and Expenditure Account includes any notional costs as well as those actually incurred. A notional charge or credit is made for the cost of capital, which is calculated at 3.5% (the rate set by HM Treasury) of the average capital employed. For this purpose, capital employed is defined as comprising capital loans (including the current portion of capital loans included in creditors: amounts falling due within one year), reserves and income & expenditure account. The notional cost of capital is abated by any actual interest incurred or received during the year.

Any cash balances held with the Office of the Paymaster General is at nil rate.

#### r. Grant-in-Aid

In accordance with the Accounts Direction the NDA prepares its accounts showing Grant-in-Aid received from the Department of Trade and Industry as credited to income and expenditure reserves as financing. This change in accounting policy has been reflected in the 2005 NDA figures, see note 11.

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## 2. THE NDA TRANSFER

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On 1 April 2005, the NDA acquired the strategic responsibility (the 'NDA transfer') for the decommissioning and clean-up of 20 of the UK's civil nuclear sites. The NDA now has legal title to certain assets and liabilities relating to those nuclear sites previously owned by BNFL, including some subsidiaries. In addition, the directors of the NDA believe they have a constructive obligation under Financial Reporting Standard 5 'Reporting the substance of transactions' to account for certain of the assets and liabilities owned by UKAEA on sites designated by the Secretary of State under the Energy Act 2004, and consequently they are recognising them on that basis although legal title to these assets has not yet passed.

In accordance with NDPB accounting, the transfer of functions from the responsibility of one part of the public sector to another (commonly known as Machinery of Government changes) are accounted for using merger accounting as described in Financial Reporting Standard 6 'Acquisitions and Mergers'. Therefore the assets and liabilities transferred are not shown as an addition during 2005/6 in these accounts.

Total net liabilities of £23,088 million, after adjustments, were transferred to the NDA with a corresponding adjustment to reserves. No consideration was paid in respect of these transfers. The following note details the balances brought into the NDA on 1 April 2005.

## THE NDA TRANSFER

	2004/5 Authority Accounts £m	Transferred from BNFL £m	Assumed ownership from UKAEA £m	Transferred from MoD £m	Adjustments £m	Adjusted 2004/5 Authority Accounts £m	Subsidiaries Acquired £m
<b>Fixed assets</b>							
Intangible assets	–	28	–	–	–	28	–
Tangible fixed assets	3	6,434	67	26	(1,546)	4,984	106
Investments	–	197	–	–	–	197	–
<b>Total fixed assets</b>	<b>3</b>	<b>6,659</b>	<b>67</b>	<b>26</b>	<b>(1,546)</b>	<b>5,209</b>	<b>106</b>
<b>Current assets</b>							
Stocks	–	136	–	–	–	136	1
Debtors – amounts < 1 year	1	513	20	22	–	556	21
Debtors – amounts > 1 year	–	–	–	–	–	–	–
Customers recoverable relating to nuclear liabilities – amounts < 1 year	–	–	–	–	–	–	–
Customers recoverable relating to nuclear liabilities – amounts > 1 year	–	4,815	–	–	(3,610)	1,205	1
Investments	–	–	–	–	–	–	196
Collateral	–	14	–	–	–	14	–
Cash at bank and in hand	1	472	–	–	–	473	27
	<b>2</b>	<b>5,950</b>	<b>20</b>	<b>22</b>	<b>(3,610)</b>	<b>2,384</b>	<b>246</b>
<b>Creditors: amounts falling due within 1 year</b>	<b>(7)</b>	<b>(1,005)</b>	<b>–</b>	<b>(182)</b>	<b>–</b>	<b>(1,194)</b>	<b>(67)</b>
<b>Net current assets</b>	<b>(5)</b>	<b>4,945</b>	<b>20</b>	<b>(160)</b>	<b>(3,610)</b>	<b>1,190</b>	<b>179</b>
<b>Total assets less current liabilities</b>	<b>(2)</b>	<b>11,604</b>	<b>87</b>	<b>(134)</b>	<b>(5,156)</b>	<b>6,399</b>	<b>285</b>
<b>Creditors: amounts falling due after 1 year</b>							
Deferred income	–	(4,003)	–	–	–	(4,003)	(31)
Deferred taxation	–	(10)	–	–	–	(10)	–
<b>Total creditors due after more than 1 year</b>	<b>–</b>	<b>(4,013)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4,013)</b>	<b>(31)</b>
<b>Provisions for liabilities &amp; charges</b>							
Nuclear liabilities provision	–	(20,720)	(4,330)	(4,199)	5,156	(24,093)	(44)
Non nuclear liabilities provision	–	(1,381)	–	–	–	(1,381)	(13)
	<b>–</b>	<b>(22,101)</b>	<b>(4,330)</b>	<b>(4,199)</b>	<b>5,156</b>	<b>(25,474)</b>	<b>(57)</b>
<b>Net (Liabilities)/Assets</b>	<b>(2)</b>	<b>(14,510)</b>	<b>(4,243)</b>	<b>(4,333)</b>	<b>–</b>	<b>(23,088)</b>	<b>197</b>
General Reserve	2	–	–	–	–	2	
Transfer Reserve	–	14,510	4,243	4,333	–	23,086	
	<b>2</b>	<b>14,510</b>	<b>4,243</b>	<b>4,333</b>	<b>–</b>	<b>23,088</b>	

The adjustment to the tangible fixed assets relates to a reclassification resulting from the movement of THORP commercial depreciation into advance payments. The adjustment to the customer recoverables relates to the elimination of amounts recoverable from MoD, and the associated liabilities, in respect of liabilities at BNFL sites where MoD had accepted financial responsibility. These MoD responsibilities have now passed to the NDA, as represented by the relevant transfer column and hence the amounts are no longer recoverable.

### 3. INCOME

	2006 £m
<b>Operating Income</b>	
Operating Income	(1,210)
Rental Income	(1)
	<b>(1,211)</b>

### 4. EXCEPTIONAL OPERATING COSTS AND EXPENSES REPORTED BEFORE OPERATING DEFICIT

	2006 £m
Impairment of fixed assets (see note A below)	955
Release of impairment	(383)
Charge due to change in basis of accounting estimates for nuclear provisions (see note B below)	978
Non-nuclear charges	–
	<b>1,550</b>

A. Exceptional impairment of fixed assets relates to Sellafield Mox Plant, Sellafield Drypac and Box Encapsulation Plants (SMP, SDP and BEP) and the Business Technology Centre (BTC), and is shown net of the corresponding release of provisions. A discount rate of 2.2% was used within the impairment calculation.

B. Exceptional charge due to change in basis of accounting estimates for nuclear provisions consequent upon use of 2.2% discount rate for liabilities, as prescribed by The Treasury, and adoption of NDA provisioning methodology this year. See note 27.

### 5. OTHER OPERATING COSTS AND EXPENSES

	Note	2006 £m
Staff costs	6	38
Socio-economic development programme*		9
Administration costs		37
Insurance		16
Auditors' remuneration – audit fees**		1
M&O contractor fees		86
Contractor costs		2,022
Less: Contractor costs capitalised		(277)
Trading costs		133
Depreciation of tangible fixed assets		331
Impairment of tangible fixed assets		48
Impairment of intangible fixed assets		28
Nuclear liability charge		2,436
Non-nuclear provision charge		829
Research and development costs		18
Other operating costs		17
<b>TOTAL</b>		<b>5,772</b>

\*The socio economic development programme relates to the following payments:

£5 million Chair of Epidemiology  
£4 million West Cumbrian Cottage Hospital  
£20,000 North Highland Initiative

\*\*The fee paid to the National Audit Office in respect of the external audit for the NDA Authority and the consolidation for 2005/6 was £743,000. (2004/5 – £47,000 four month period only)

## 6. STAFF COSTS

	NDA Group	Authority
	2006 £m	2006 £m
Wages and salaries	25	11
Social security costs	2	1
Pension costs (see note 30)	3	2
<b>Total permanent staff</b>	<b>30</b>	<b>14</b>
<b>Interim and contracted staff</b>	<b>8</b>	<b>8</b>
<b>TOTAL STAFF COSTS</b>	<b>38</b>	<b>22</b>

Directors' emoluments can be seen in the remuneration report on page 79.

The average full-time equivalent NDA staff during the year was:	NDA Group	Authority
	2006 No.	2006 No.
Executive Directors	5	5
Other staff	379	147
Quasi-subsidiaries	131	–
<b>TOTAL STAFF</b>	<b>515</b>	<b>152</b>
Interim and contracted staff	23	23
	<b>538</b>	<b>175</b>

## 7. NET FINANCING CHARGES

	2006 £m
<b>Financing charges</b>	
Revalorisation of nuclear liabilities:	
– Changes in price levels	769
– Unwinding of one year's discount	421
– Top-up of advance payments	101
	1,291
Revalorisation of other provisions:	
– Unwinding of one year's discount	18
	<b>1,309</b>
<b>Interest receivable and other income:</b>	
Income from current asset investment	(13)
Interest received and other income	(1)
	<b>1,295</b>

## 8. TAXATION

<b>A. Analysis of tax credit in the year</b>		<b>2006 £m</b>
<b>Current tax</b>		
UK corporation tax for the current year at 30%		–
<b>Deferred tax</b>		
Under/(over) provision in respect of prior years		(10)
<b>Tax on deficit on ordinary activities</b>		<b>(10)</b>

## **B. Factors affecting the tax credit for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.		<b>2006 £m</b>
Deficit on ordinary activities before tax		(7,406)
Deficit on ordinary activities before tax at the UK standard rate of corporation tax of 30%		(2,222)
<b>Effects of:</b>		
Income which qualifies for statutory exemptions		2,238
Capital allowances for the years in excess of depreciation		(22)
Unutilised losses		6
<b>Current tax charge for the year</b>		<b>–</b>

The NDA does not pay tax on any profits arising from its activities in relation to decommissioning, similarly losses are not deductible in relation to decommissioning. It has been agreed that 2005 was a pre-trading period with HM Revenue & Customs and no corporation tax arose for 2005. A deferred tax asset has not been recognised in respect of any non-decommissioning losses incurred by the NDA as the NDA does not anticipate suitable taxable surplus arising in the foreseeable future.

The estimated value of the deferred tax asset, in respect of non-decommissioning activities, not recognised, measured at a standard rate of 30% (2005 – 30%), is £6 million (2005 – £Nil).

The corporation tax debtor of £2 million recognised at 31 March 2006 (2005 – £Nil) reflects the refund due of payments on account following the completion of the tax computation for the year.

## 9. NOTIONAL COSTS OF CAPITAL CREDIT

	<b>2006 £m</b>
Notional cost of capital credit	913

Notional Interest is calculated at 3.5% on the average capital employed during the year as prescribed by Government.

## 10. DEFICIT ATTRIBUTABLE TO THE AUTHORITY

As a consolidated income and expenditure account is included in these accounts, the Authority's individual income and expenditure account has not been included. The result for the financial year of the Authority was a deficit of £7,415 million. See note 31.

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## 11. PRIOR PERIOD ADJUSTMENT

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The group policy for presentation of its Grant-in-Aid received was changed during the year. During the period ended 31 March 2005, Grant-in-Aid finance received from the DTI was credited to the income and expenditure account as income. During the year ended 31 March 2006, Grant-in-Aid finance received from the DTI was credited to income and expenditure reserves as financing. The Directors have amended this accounting policy to comply with the Secretary of State's Accounting Direction. The Treasury informed the Directors that the Government Financial Reporting Manual (FRm) was to be changed to reflect the above accounting policy, and that the NDA accounts should reflect early adoption of this change for the year ended 31 March 2006.

The Balance Sheet reserves have been restated to show the Grant-in-Aid received being credited directly to the General reserves.

The impact of this is that income is £773 million lower than it would have otherwise been had the provision policy continued. Adjustments to assets and liabilities from transferor entities are shown, see note 2 the NDA transfer.

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## 12. INTANGIBLE FIXED ASSETS

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	NDA Group and Authority £m
<b>Cost</b>	
At 31 March 2005	–
Transfer 1 April 2005	34
At 31 March 2006	34
<b>Amortisation</b>	
At 31 March 2005	–
Transfer 1 April 2005	(6)
Impairment	(28)
At 31 March 2006	(34)
<b>Net book value</b>	
At 31 March 2006	–
At 1 April 2005	<b>28</b>

The intangible fixed assets that were transferred comprise of the book value of patents received under the transfer scheme from BNFL. These patents have been impaired following a review of their potential recoverable amounts.

### 13. TANGIBLE FIXED ASSETS

NDA GROUP	Land & buildings		IT equipment	Fixtures & fittings	Plant & equipment	Transport equipment	AUC	Capitalised decommissioning	Total
	Freehold	Leasehold							
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>									
At 31 March 2005	–	1	2	–	–	–	–	–	3
BNFL Transfer 1 April 2005	3,586	2	–	109	4,954	33	1,495	3,374	13,553
UKAEA Assumed Ownership 1 April 2005	70	–	–	2	35	1	23	–	131
MoD Transfer 1 April 2005	–	–	–	–	–	–	–	26	26
Additions	39	3	2	3	216	3	29	4,122	4,417
Reclassification	1	–	–	–	4	–	(7)	276	274
Disposals	(4)	–	–	(4)	(32)	–	–	(1,395)	(1,435)
Revaluations	–	–	–	–	–	3	–	(292)	(289)
At 31 March 2006	3,692	6	4	110	5,177	40	1,540	6,111	16,680
<b>Depreciation and impairment</b>									
At 31 March 2005	–	–	–	–	–	–	–	–	–
BNFL Transfer 1 April 2005	(2,037)	(1)	–	(102)	(3,627)	(17)	(120)	(2,655)	(8,559)
UKAEA Assumed Ownership 1 April 2005	(43)	–	–	(2)	(17)	(1)	–	–	(63)
MoD Transfer 1 April 2005	–	–	–	–	–	–	–	–	–
Charge in year	(142)	(1)	(1)	(2)	(215)	(3)	31	(3,060)	(3,393)
Reclassification	–	–	–	–	–	–	2	1,208	1,210
Disposals	4	–	–	4	28	–	–	295	331
Revaluations	–	–	–	–	1	(1)	–	102	102
Impairments	(301)	–	–	(1)	(205)	–	(496)	–	(1,003)
At 31 March 2006	(2,519)	(2)	(1)	(103)	(4,035)	(22)	(583)	(4,110)	(11,375)
<b>Net book value</b>									
At 31 March 2006	1,173	4	3	7	1,142	18	957	2,001	5,305
At 1 April 2005	1,576	2	2	7	1,345	16	1,398	745	5,091
<b>Net book value at 31 March 2006 represented by</b>									
Valuation	775	–	–	–	1	–	299	–	1,075
Cost	398	4	3	7	1,441	18	658	2,001	4,230
	1,173	4	3	7	1,142	18	957	2,001	5,305
<b>NDA AUTHORITY</b>									
<b>Cost or valuation</b>									
At 31 March 2005	–	1	2	–	–	–	–	–	3
BNFL Transfer 1 April 2005	3,586	–	–	109	4,763	12	1,489	3,329	13,288
UKAEA Assumed Ownership 1 April 2005	70	–	–	2	35	1	23	–	131
MoD Transfer 1 April 2005	–	–	–	–	–	–	–	26	26
Additions	39	3	2	1	216	1	21	4,116	4,399
Reclassification	1	–	–	–	3	–	(6)	276	274
Disposals	(4)	–	–	(3)	(16)	–	–	(1,395)	(1,418)
Revaluations	–	–	–	–	–	–	–	(291)	(291)
At 31 March 2006	3,692	4	4	109	5,001	14	1,527	6,061	16,412
<b>Depreciation and impairment</b>									
At 31 March 2005	–	–	–	–	–	–	–	–	–
BNFL Transfer 1 April 2005	(2,037)	–	–	(102)	(3,477)	(10)	(120)	(2,655)	(8,401)
UKAEA Assumed Ownership 1 April 2005	(43)	–	–	(2)	(17)	(1)	–	–	(63)
MoD Transfer 1 April 2005	–	–	–	–	–	–	–	–	–
Charge in year	(142)	(1)	(1)	(1)	(208)	(1)	31	(3,060)	(3,383)
Reclassification	–	–	–	–	–	–	2	1,208	1,210
Disposals	4	–	–	4	11	–	–	295	314
Revaluation	–	–	–	–	1	–	–	102	103
Impairments	(301)	–	–	(1)	(205)	–	(496)	–	(1,003)
At 31 March 2006	(2,519)	(1)	(1)	(102)	(3,895)	(12)	(583)	(4,110)	(11,223)
<b>Net book value</b>									
At 31 March 2006	1,173	3	3	7	1,106	2	944	1,951	5,189
At 1 April 2005	1,576	1	2	7	1,303	3	1,392	700	4,984
<b>Net book value at 31 March 2006 represented by</b>									
Valuation	775	–	–	–	1	–	299	–	1,075
Cost	398	3	3	7	1,105	2	645	1,951	4,114
	1,173	3	3	7	1,106	2	944	1,951	5,189

(a) Through the application of Modified Historical Cost Accounting (MHCA) principles the NDA's assets used to support commercial activities have been revalued at 31 March 2006 by our property agent. The exception is the valuation of the THORP plant where this represents the NDA's best estimate of the value in use of that asset. In accordance with the Secretary of State's Accounts Direction waste management assets have not been revalued.

(b) Non-strategic assets outside the site boundaries are subject to revaluation on a periodic basis, with any surplus on revaluation taken to the revaluation reserve. The NDA have engaged chartered surveyors to value our non-strategic property portfolio. The valuation at the year end is based on the values transferred.

(c) For details of the impairment charge see notes 4 and 5.

## 14. FIXED ASSET INVESTMENTS

Authority shares in subsidiaries £m

### Cost and net book value

At 1 April 2005 and 31 March 2006

197

### Subsidiary undertakings

Hinton Insurance Limited and Rutherford Indemnity Limited, which are both incorporated in Guernsey, are wholly owned subsidiaries of the NDA, having been transferred from BNFL on 1 April 2005. The principal activity of these companies is nuclear insurance.

Direct Rail Services Limited is wholly owned by the NDA, having been transferred from BNFL on 1 April 2005 and its purpose is to provide rail transport services within the UK and it is incorporated in the UK.

Low Level Waste Repository Site Licence Company Limited is wholly owned by the NDA and was incorporated during 2005/6 in the UK. It has been set up by the NDA in preparation for the competition for the Low Level Waste Repository near Drigg when its ownership will be transferred to the site management company.

## 15. QUASI-SUBSIDIARIES

The NDA has three quasi-subsidiaries at the year end, being Pacific Nuclear Transport Limited, BNFL SA, BNFL Japan KK, companies registered and operating in the UK, France and Japan respectively. The quasi-subsidiaries are all involved in fuel transportation. International Nuclear Fuels Limited, a wholly owned subsidiary of British Nuclear Fuels Limited, has a 62.5% share holding in Pacific Nuclear Transport Limited.

A further quasi-subsidiary, EPIC (Guernsey) Limited, existed but was liquidated in March 2005. There was no financial impact during the year ended 31 March 2006, see note 37 for more details. The financial results and position of EPIC (Guernsey) Limited have not been consolidated on the grounds of materiality.

As a result of the contractual arrangements arising from the NDA Transfer, according to the definition set out in Financial Reporting Standard 5 'Reporting the Substance of Transactions', the NDA gains the benefits arising from the net assets of these companies and hence they are treated as quasi-subsidiaries of the NDA.

The summarised balance sheet before consolidation adjustments of the above companies is as follows:

	2006 £m	Restated 2005 £m
<b>Assets employed</b>		
<b>Fixed assets</b>	98	90
<b>Current assets</b>		
Debtors falling due within one year	3	2
Cash at bank and in hand	13	9
	16	11
<b>Creditors</b>		
Amounts falling due within one year	(9)	(8)
Amounts falling due after more than one year	(49)	(44)
Nuclear provisions	(50)	(44)
	(108)	(96)
<b>Net assets</b>	<b>6</b>	<b>5</b>
<b>Equity shareholders; funds</b>		
Called-up share capital	3	3
Profit and loss account	3	2
	6	5

The summarised profit and loss accounts before consolidation adjustments for the years ended 31 March 2005 and 31 March 2006 for the companies named above are as follows:

	2006 £m	2005 £m
Turnover	25	24
Operating expenses	(24)	(23)
Profit on ordinary activities before taxation	1	1

There have been no recognised gains and losses in any of these companies, other than the result for the year.

The summarised cash flows for the above companies, before consolidation adjustments for the year ended 31 March 2006 is as follows:

	2006 £m
Cash inflow from operating activities	10
Capital expenditure and financial investment	(6)
Increase in cash in the year	4

## 16. STOCKS AND WORK IN PROGRESS

	NDA Group		Authority	
	2006 £m	Restated 2005 £m	2006 £m	Restated 2005 £m
Nuclear fuels	34	25	34	25
Finished goods	5	–	5	–
Raw materials and consumables	91	101	89	100
Work-in-progress	21	11	21	11
	<b>151</b>	<b>137</b>	<b>149</b>	<b>136</b>

## 17. DEBTORS

	NDA Group		Authority	
	2006 £m	Restated 2005 £m	2006 £m	Restated 2005 £m
<b>Amounts falling due within one year</b>				
Trade debtors	371	217	371	196
Prepayments and accrued income	171	305	219	305
Collateral	11	30	11	30
VAT	136	–	136	–
Corporation taxation	2	–	2	–
Other debtors	12	38	12	39
	<b>703</b>	<b>590</b>	<b>751</b>	<b>570</b>
<b>Amounts falling due within one year</b>				
Customer recoverable relating to nuclear liabilities (see note 18)	<b>271</b>	<b>–</b>	<b>271</b>	<b>–</b>
<b>Amounts falling due after more than one year</b>				
Amounts recoverable on long-term contracts	37	1	37	–
Customer recoverable relating to nuclear liabilities (see note 18)	1,583	1,205	1,583	1,205
	<b>1,620</b>	<b>1,206</b>	<b>1,620</b>	<b>1,205</b>

Details of related party and intra-government balances are included within notes 37 and 38.

## 18. CUSTOMER RECOVERABLE RELATING TO NUCLEAR LIABILITIES

The NDA Group and the Authority have commercial agreements in place under which some or all of the expenditure required to settle nuclear liabilities will be recovered from third parties. The movements in amounts recoverable during the year are detailed in the table below. Reclassification relates to the elimination of UKAEA and MoD debtors transferred to the NDA which are no longer recoverable as the nuclear provisions of UKAEA and MoD have also been incorporated into the NDA books.

Revalorisation reflects the change in price levels in the year and the unwinding of one year's discounting.

	NDA Group and Authority £m
At 31 March 2005	–
BNFL transfer 1 April 2005	4,815
Reclassification	(3,610)
1 April 2005, as adjusted	1,205
Increase in year	649
<b>Balance at 31 March 2006</b>	<b>1,854</b>
The debtors balance is recoverable as follows:	
	£m
Amounts falling due within one year	271
Amounts falling due after more than one year	1,583
	<b>1,854</b>

## 19. INVESTMENTS AND SHORT TERM DEPOSITS

	NDA Group		Authority	
	2006	Restated 2005	2006	Restated 2005
	£m	£m	£m	£m
Investments	201	196	–	–
	<b>201</b>	196	–	–

These funds are held by the Captive Insurance subsidiaries and are invested via a number of fund managers, who operate portfolios which include a combination of equity investments, property investments, fixed income instruments and bank deposits.

## 20. CASH AT BANK AND IN HAND

	NDA Group		Authority	
	2006	Restated 2005	2006	Restated 2005
	£m	£m	£m	£m
Office of Paymaster General	169	473	169	473
Balance held in Commercial banks	33	27	–	–
	<b>202</b>	500	<b>169</b>	473

## 21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	NDA Group		Authority	
	2006	Restated 2005	2006	Restated 2005
	£m	£m	£m	£m
Payments received on account (see note 22)	(405)	(523)	(405)	(523)
Trade creditors	(473)	(470)	(460)	(470)
Other taxes and social security	–	–	–	–
Accruals and deferred income	(89)	(197)	(89)	(130)
Other creditors	(9)	–	–	–
Grants	–	(71)	–	(71)
	<b>(976)</b>	(1,261)	<b>(954)</b>	(1,194)

## 22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	NDA Group		Authority	
	2006	Restated 2005	2006	Restated 2005
	£m	£m	£m	£m
<b>Deferred Income</b>				
Payment received on account	(4,669)	(4,034)	(4,669)	(4,003)
Minority interests	(1)	–	–	–
	<b>(4,670)</b>	(4,034)	<b>(4,669)</b>	(4,003)
Repayable as follows:				
– between one and two years	(577)	(632)	(577)	(624)
– between two to five years	(1,807)	(1,844)	(1,807)	(1,843)
– after five years	(2,286)	(1,558)	(2,285)	(1,536)
	<b>(4,670)</b>	(4,034)	<b>(4,669)</b>	(4,003)

### Payments received on account

This relates to payments on account which customers had paid to BNFL for the provision of services under long-term contracts. These will be released to the income and expenditure account and hence recognised as income as the services are provided.

### 23. CAPITAL COMMITMENTS

At 31 March 2006 there were capital commitments to construct assets totalling £83 million. (2005 – £6 million).

### 24. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2006 the NDA was committed to make the following payments during the next year under non-cancellable operating leases:

Group	2006 £m	Restated 2005 £m
Expiring within one year	1	–
Expiring between two and five years	3	–
	<b>4</b>	<b>–</b>

### 25. OTHER COMMITMENTS

The NDA also has the following commitments in respect of its socio-economic development programme:

	2006 £m
West Cumbrian Cottage Hospitals*	14
Chair in Epidemiology**	3
	<b>17</b>

These commitments are due as follows:

	2006 £m
Due within one year	8
Due between two and five years	9
	<b>17</b>

\* We have a statutory duty to provide support to activities that benefit the social and economic lives of communities near our sites. To this end we provided funding to support cottage hospitals in West Cumbria that were threatened by closure.

\*\* The NDA is responsible for ensuring that a skilled workforce is available to carry out its remit. We have sponsored a new Chair in Epidemiology with the University of Central Lancashire who will be based at the Westlakes Research Institute in West Cumbria.

### 26. PROVISIONS FOR LIABILITIES AND CHARGES

	NDA Group		Authority	
	2006 £m	2005 £m	2006 £m	2005 £m
Nuclear provisions (see note 27)†	(30,574)	(24,137)	(30,524)	(24,093)
Deferred taxation (see note 28)	–	(10)	–	(10)
Other provisions (see note 29)	(1,941)	(1,394)	(1,928)	(1,381)
	<b>(32,515)</b>	<b>(25,541)</b>	<b>(32,452)</b>	<b>(25,484)</b>

† Of which recoverable under commercial agreement £1,854 million. See note 18.

## 27. NUCLEAR LIABILITIES

		Discounted	
		NDA Group £m	Authority £m
<b>Provision at 1 April 2005</b>		(24,137)	(24,093)
<b>Exceptional charges for the year relating to balances transferred:</b>			
– Change to 2.2% discount rate	(a)	(2,589)	(2,589)
– Adoption of NDA provisioning methodology		1,611	1,611
		(978)	(978)
<b>Release to offset exceptional impairment of clean-up assets</b>	(b)	383	383
<b>Finance charges</b>	(c)		
– Changes in price levels		(769)	(767)
– Unwind of one year's discount		(421)	(421)
		(1,190)	(1,188)
<b>Changes in future cost estimates</b>	(d)	(5,958)	(5,953)
<b>Liabilities discharged in the year</b>	(e)	1,306	1,305
<b>Provisions at 31 March 2006</b>		<b>(30,574)</b>	<b>(30,524)</b>

(a) Given that BNFL and UKAEA's provisions were calculated on differing bases, which differ again from the base used by the NDA, part of the exceptional charge for the year comprises the cost difference from applying the NDA's closing provision methodology (based on LCBL) to the provisions transferred to it from BNFL and UKAEA, including a change in discount rate to 2.2%.

(b) This relates to a release in the non-cash provision arising from the impairment of certain clean-up assets. As a result of certain clean-up assets, the provision related to those assets has been released which has the effect of decreasing the provision. See note 4.

(c) These arise from the unwinding of one year's discount (£421 million) plus changes in price levels (£769 million).

(d) The changes in estimates of the future cost for discharging nuclear liabilities based on an updated technical evaluation of the costs at each site required to discharge nuclear liabilities, as set out in the latest available LCBL.

(e) Liabilities discharged in the year represent work undertaken in the year that has reduced the nuclear liability.

The NDA's nuclear provisions are based upon the LCBL estimates prepared by each site and include assumptions derived from detailed technical assessments of the processes and methods likely to be used to discharge the obligations. These assumptions reflect a combination of the latest technical knowledge available, the timescale involved before the work is carried out and the requirements of the existing regulatory regime, Government policy and commercial agreements. Government policy is being formulated for waste disposition, uranics and land remediation, the costs for which are not included and therefore represent a significant uncertainty. However, the nature of the obligations and the fact that much of the work will be completed over the next century means that significant uncertainties remain regarding the measurement of the liabilities and the timing of the cash flows.

There are many areas of uncertainty with regards to the nuclear liabilities. These include the nature of the waste, the final destination of the waste and the end state of the sites. These areas of uncertainty are further exacerbated by the lack of detailed information held on the design of the sites and the exact quantities and chemical composition of the historical wastes held at them. Further uncertainty exists with respect to the developments in technology that may occur to facilitate the work undertaken to decommission and clean up the sites. Taking all these factors into consideration means that there is significant uncertainty in the nuclear provision.

The nuclear liabilities recorded is the best estimate from the information available. The uncertainties that surround the nuclear liabilities mean that quantifying the incremental financial impact of various possible outcomes from the treatment of the waste materials is very difficult, given the risk included in these activities. In this context, risk means the financial implications of a range of possible alternative outcomes associated with the treatment of these wastes. The nuclear liabilities recorded still remain the best available estimate at the present time.

Certain expenditure required to discharge nuclear liabilities is recoverable from third parties under commercial agreements, the amounts recoverable are set out in note 18.

## 28. DEFERRED TAXATION

	NDA Group		Authority	
	2006 £m	Restated 2005 £m	2006 £m	Restated 2005 £m
Capital allowances in advance of depreciation	–	(10)	–	(10)
Other timing differences	–	–	–	–
Deferred liability	–	(10)	–	(10)
Balance at 1 April 2005	(10)	–	(10)	–
Credit to profit and loss account	10	–	10	–
Balance at 31 March 2006	–	–	–	–

A deferred tax asset in respect of non-decommissioning activities has not been recognised in respect of any losses incurred by the NDA as the NDA does not anticipate suitable taxable surplus arising in the foreseeable future. The estimated value of the deferred asset not recognised, measured at the standard rate of 30% (2005 – 30%), is £6 million (2005 – £nil).

## 29. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring £m	Contract loss provisions £m	Other £m	Total £m
<b>Group</b>				
At 31 March 2005	212	1,141	41	1,394
Financing charges	10	8	–	18
Recategorisation	–	(43)	–	(43)
Increase in provisions	–	714	–	714
Utilised in year	(23)	(116)	(3)	(142)
<b>At 31 March 2006</b>	<b>199</b>	<b>1,704</b>	<b>38</b>	<b>1,941</b>
<b>Authority</b>				
At 31 March 2005	212	1,141	28	1,381
Financing charges	10	8	–	18
Recategorisation	–	(43)	–	(43)
Increase in provisions	–	714	–	714
Utilised in year	(23)	(116)	(3)	(142)
<b>At 31 March 2006</b>	<b>199</b>	<b>1,704</b>	<b>25</b>	<b>1,928</b>

- (a) The restructuring provisions have been made to cover continuing annual payments to be made under early retirement arrangements to individuals working for the SLC's who had retired early, or had accepted early retirement, before 31 March 2006. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as debtors, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age. Provisions for other areas are now minimal and are based on the NDA's best judgement of the level and cost of the restructuring which will be needed.
- (b) The NDA has the economic interest in a number of long term spent fuel management and fuel manufacturing commercial contracts. The revalidation of the long term cost estimates, particularly for Sellafield, have caused the NDA to reassess the level of these costs attributable to those commercial contracts. In accordance with the requirements of Statement of Standard Accounting Practice 9 'Stocks and long term contracts', the NDA has made full provision now for the anticipated shortfall between future income and future costs. A contract loss provision has been created for the first time during the year ended 31 March 2006 for THORP. Under NDA accounting policy to reflect all the costs and revenues associated with THORP customers. This forms a significant part of the contract loss provision. There is also a contract loss provision with regard to MOX which relates largely to European MOX contracts.
- (c) Other provisions include provisions for insurance claims and early retirements not covered by the restructuring funding arrangements with the DTI. These provisions are not discounted as the impact of discounting would not be material.

## 30. PENSIONS

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. NDA is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. (Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk))).

For 2005/6, employers' contributions of £1,709,000 were payable to the PCSPS at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006/7, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005/6 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

No contributions were outstanding at this year end (March 2005 – £69,000).

Employees of the subsidiary Direct Rail Services participate in the BNFL Group Pension Scheme, which is a defined benefit (final salary) scheme and is available to all their employees. Contributions to the scheme are based on pension costs across the relevant UK companies within the BNFL Group as a whole and it is not possible to identify the Company's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Accordingly, the company accounts for its contributions to the scheme under Financial Reporting Standard 17 as if it were a defined contribution scheme. The latest valuation of this scheme, Financial Reporting Standard 17, showed a gross pension liability of £71 million (2005: £35 million). The latest actuarial valuation was at 31 March 2004. From 1 July 2005 employer contributions increased from 14.5% to 14.7%. The total DRS pension costs for the year were £1,457,000 (2005: £1,318,000), and the balance of contributions outstanding at the year end was £115,000 (2005: £103,000). Contributions are also made to a group defined contribution scheme. The particulars of the DRS scheme are contained in the accounts of British Nuclear Fuels PLC.

**31. RESERVES**

<b>NDA Group</b>	<b>General £m</b>	<b>Revaluation £m</b>	<b>Transfer £m</b>	<b>Total £m</b>
At 31 March 2005 (see note 2)	2	–	–	2
Transfer (see note 2)	–	–	23,086	23,086
At 1 April 2005 as adjusted	2	–	23,086	23,088
Surplus arising on revaluation of tangible fixed assets	–	(3)	–	(3)
Grant-in-Aid received during the year	(773)	–	–	(773)
Deficit for the year	7,396	–	–	7,396
<b>At 31 March 2006</b>	<b>6,625</b>	<b>(3)</b>	<b>23,086</b>	<b>29,708</b>

<b>Authority</b>	<b>General £m</b>	<b>Revaluation £m</b>	<b>Transfer £m</b>	<b>Total £m</b>
At 31 March 2005 (see note 2)	2	–	–	2
Transfer (see note 2)	–	–	23,086	23,086
At 1 April 2005 as adjusted	2	–	23,086	23,088
Surplus arising on revaluation of tangible fixed assets	–	(1)	–	(1)
Grant-in-Aid received during the year	(773)	–	–	(773)
Deficit for the year	7,415	–	–	7,415
<b>At 31 March 2006</b>	<b>6,644</b>	<b>(1)</b>	<b>23,086</b>	<b>29,729</b>

### 32. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	NDA Group 2006 £m
Operating deficit	(6,111)
Impairment of intangible fixed assets	28
Depreciation and impairment of tangible fixed assets	379
Exceptional impairment	955
Increase in stocks and work in progress	(14)
Increase in debtors	(149)
Decrease in creditors	(285)
Increase in nuclear provisions	3,331
Increase in deferred income	550
Increase in non-nuclear provisions	529
<b>Net cash outflow from operating activities</b>	<b>(787)</b>

### 33. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	NDA Group 2006 £m
Decrease in cash in the year	(298)
Cash outflow from management of liquid resources	5
Change in net funds	(293)
Net funds at 1 April 2005	696
<b>Net funds at 31 March 2006</b>	<b>403</b>

Liquid resources comprise current asset investment and short term deposits excluding deposits repayable on demand.

### 34. ANALYSIS OF NET FUNDS

		NDA Group 2006 £m
<b>Analysis of net funds</b>	<b>Note</b>	
Current asset investment	19	201
Cash at bank and in hand	20	202
		<b>403</b>

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## 35. FINANCIAL INSTRUMENTS

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Financial Reporting Standard 13 'Derivatives and Other Financial Instruments' requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

Due to the way in which it is financed by Government, the NDA is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the companies to which Financial Reporting Standard 13 mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the NDA in undertaking its activities.

The NDA has taken advantage of the exemption in Financial Reporting Standard 13 not to give disclosures in respect of short term debtors and creditors. Whilst the NDA has significant financial liabilities attaching to nuclear liabilities and other provisions, it is expected that the settlement of these liabilities will be funded by the future payments of Grant-in-Aid offset by the NDA's commercial income. Thus, the risks attaching to these financial liabilities do not ultimately rest with the NDA. The NDA has no other long term financial liabilities at any time during the current or prior financial years. Besides the long term debtor balances referred to above, the NDA's financial assets comprised current asset investments held by the wholly owned subsidiaries Hinton Insurance Limited and Rutherford Indemnity Limited and cash at bank and in hand.

### Liquidity, interest rate and foreign currency risk

The NDA is mainly financed by income from other public sector bodies and there is therefore no exposure to significant liquidity risks.

All current asset investments and cash balances on deposit were held in highly rated short term fixed rate deposits and the NDA therefore had no significant interest rate risk.

The NDA is exposed to foreign currency risk through its operations as it receives a proportion of its income in foreign currency. Exposure to any exchange risk is managed by the SLCs on behalf of the NDA by purchasing forward to match the transaction.

### Commodity contracts

Under the electricity trading arrangements effective from 27 March 2001, a small number of low value commodity contracts are entered into, in order to take trading positions in the market. The fair value of these instruments at 31 March 2006 is £203 million negative credit exposure. The estimate is based on a comparison between the contracted price (specified at the date of the deal) and the price for a similar contract at the year end (based on available market data).

### British Energy contracts

The NDA effectively has contracts with British Energy for the supply and reprocessing of nuclear fuel that includes elements that are dependent on the market price of electricity. Although BNG Sellafield and Springfields Fuels Limited remain the respective counterparties, the NDA has full economic risk as the costs of discharging the contractual obligations are allowable costs under the M&O contracts and all the income received by the contractors is passed to the NDA. Therefore via its financing of the SLCs, the NDA is an economic owner, but not legal counterparty to these contracts.

The elements of the contract dependent on the market price of electricity are effectively financial derivatives. Under the fuel supply contract, the income the NDA receives is reduced for drops in market price of electricity below £19.6/MWH with a floor at £16.3/MWH. The NDA's maximum annual exposure under this arrangement is £16.5 million. At the year end, based on forecasts of electricity prices, the estimated fair value of the derivative is £nil. Under the fuel reprocessing contract the NDA receives additional monies if the market price of electricity exceeds £17.4/MWH, up to a ceiling of £22.6/MWH. Alternatively income is reduced if the market price of electricity drops below £17.4/MWH with a floor at £15.9/MWH. The NDA maximum annual exposure under this arrangement is £109 million. At the year end, based on forecasts of electricity prices the estimated fair value of the derivative is £614 million.

As a result of these contracts the NDA now shares part of the risk of fluctuating electricity prices with British Energy. The Board has considered this risk but, based on its view of medium-term electricity prices, has concluded that the costs of hedging the risk would outweigh the potential benefits.

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### **36. CONTINGENT LIABILITIES**

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Under the transfer scheme of 1 April 2005, NDA has assumed responsibility for all occurrences relating to the designated sites, including Sellafield, that took place up to that date.

(a) Debtors include £74 million of funds which are held by BNG (Sellafield) within charge over deposit accounts (CODAs). These represent funds provided by customers which are held in accounts controlled and owned by the BNG Sellafield, over which the customer has a legal charge until the associated work has been completed. These funds will become payable to the NDA once the work is completed and the charge released. Interest on the accounts accrues to the benefit of the NDA.

(b) Bank guarantees of £37.5 million have been issued as collateral to support electricity trading through Magnox Electric.

### 37. 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 year, the NDA has had various material transactions with the DTI and with other entities for which the DTI is regarded as the responsible department, mainly BNFL. The NDA receives Grant-in-Aid from the DTI.

In addition, the NDA has a small number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the UK Atomic Energy Authority (UKAEA) and Ministry of Defence.

The NDA has had no direct transactions with British Energy, a (related party due to its quasi-subsidary relationship with the DTI), but does have transactions with British Energy via its M&O contracts with the SLCs as described in note 35.

The NDA is the parent of its subsidiaries Hinton Insurance Limited, Rutherford Indemnity Limited, Direct Rail Services Limited and Low Level Waste Repository Site Licence Company Limited.

The NDA also has three quasi-subidiaries being, Pacific Nuclear Transport Limited, BNFL SA and BNFL Japan KK. During the year no board member, key manager or other related parties has undertaken any material transaction with the NDA.

### 38. INTRA-GOVERNMENT BALANCES

Intra-government balances NDA Group	Debtors: amounts falling due within one year £m	Debtors: amounts falling due after one year £m	Creditors: amounts falling due within one year £m	Creditors: amounts falling due after one year £m
Balances with other central government bodies	75	–	(56)	(45)
Balances with local authorities	–	–	–	–
Balances with NHS trusts	–	–	(4)	–
Balances with public corporations and trading funds	–	–	(467)	–
	75	–	(527)	(45)
Balances with bodies external to government	628	37	(449)	(4,625)
<b>At 31 March 2006</b>	<b>703</b>	<b>37</b>	<b>(976)</b>	<b>(4,670)</b>
Balances with other central government bodies	–	–	–	–
Balances with local authorities	2	–	–	–
Balances with NHS trusts	–	–	–	–
Balances with public corporations and trading funds	261	–	(484)	(732)
	263	–	(484)	(732)
Balances with bodies external to government	327	1	(777)	(3,302)
<b>At 31 March 2005</b>	<b>590</b>	<b>1</b>	<b>(1,261)</b>	<b>(4,034)</b>

### 39. POST BALANCE SHEET EVENT

#### (a) State Aid

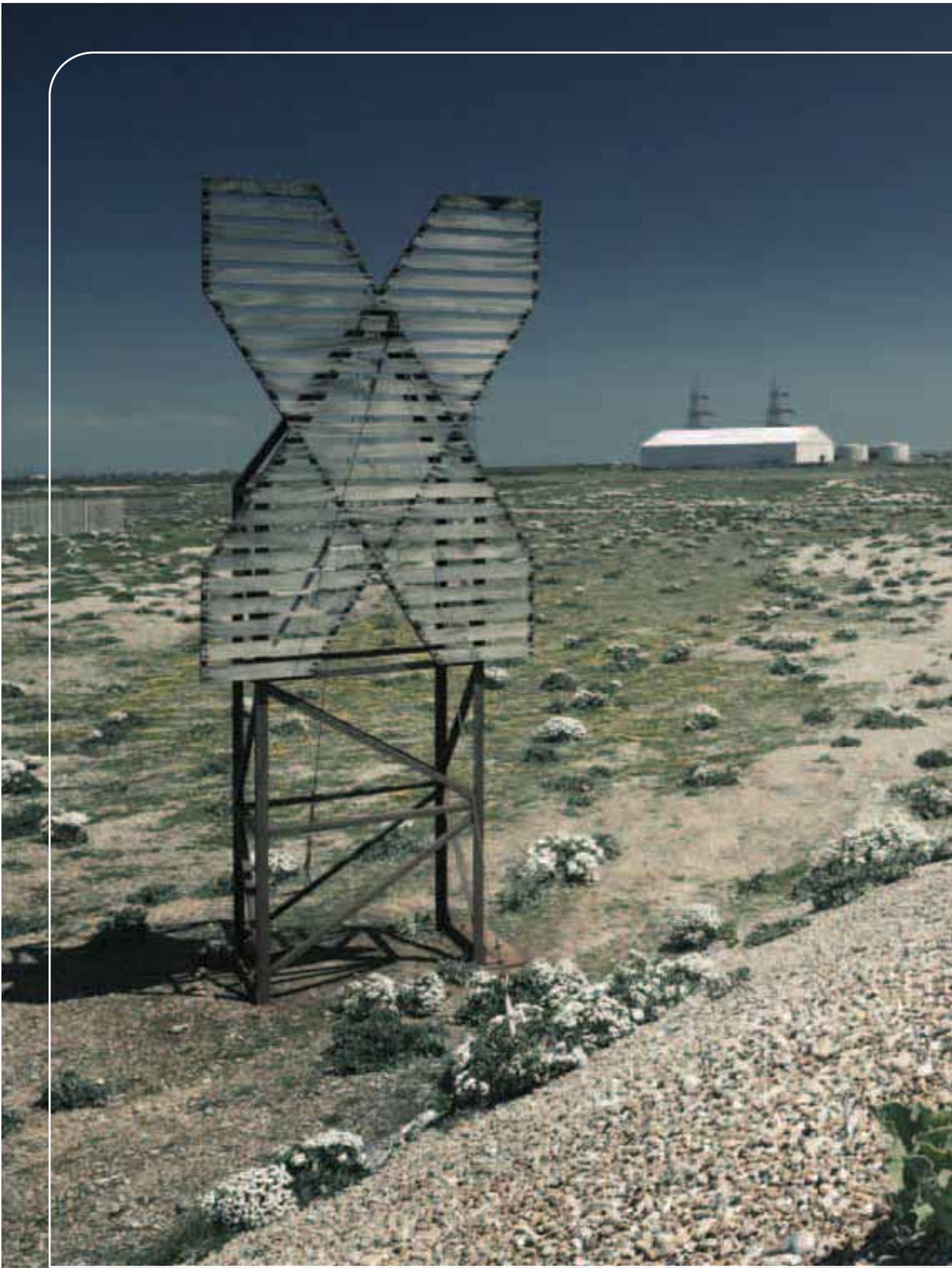
On 1 December 2004, the European Commission ('The Commission') announced the beginning of its formal investigation into State Aid to BNFL and the NDA. The Commission's decision follows the notification in December 2003 by the UK Government that it intended to enter into transactions that might result in State Aid to the NDA. The Commission's investigation focused in particular on whether the transaction conferred an advantage on BNFL that constituted State Aid.

Interim funding arrangements, to cover the duration of the investigation, allowed the NDA to start fulfilling its obligations as planned on 1 April 2005. The Commission confirmed that those arrangements did not breach State Aid rules.

The European Commission closed its formal investigation procedure on 4 April 2006 and came to the conclusion that BNFL complied with the polluter-pays principle and has therefore received no State Aid.

#### (b) Dividends received

Following the liquidation of EPIC (Guernsey) Limited, a former subsidiary of BNFL, in the year ended 31 March 2005, NDA has been informed post year end that it will receive a distribution of £350,000.



DUNGENESS A POWER STATION IN KENT STARTED PRODUCING ELECTRICITY IN 1965 AND IS SCHEDULED TO CEASE GENERATION IN 2006. THE AREA AROUND THE SITE IS ENVIRONMENTALLY SENSITIVE AND HOME TO THE LARGEST SHINGLE PENINSULA IN EUROPE. CONTINUOUS SHINGLE REPLENISHMENT IS IN PROGRESS TO MAINTAIN THE REACTOR SITE.

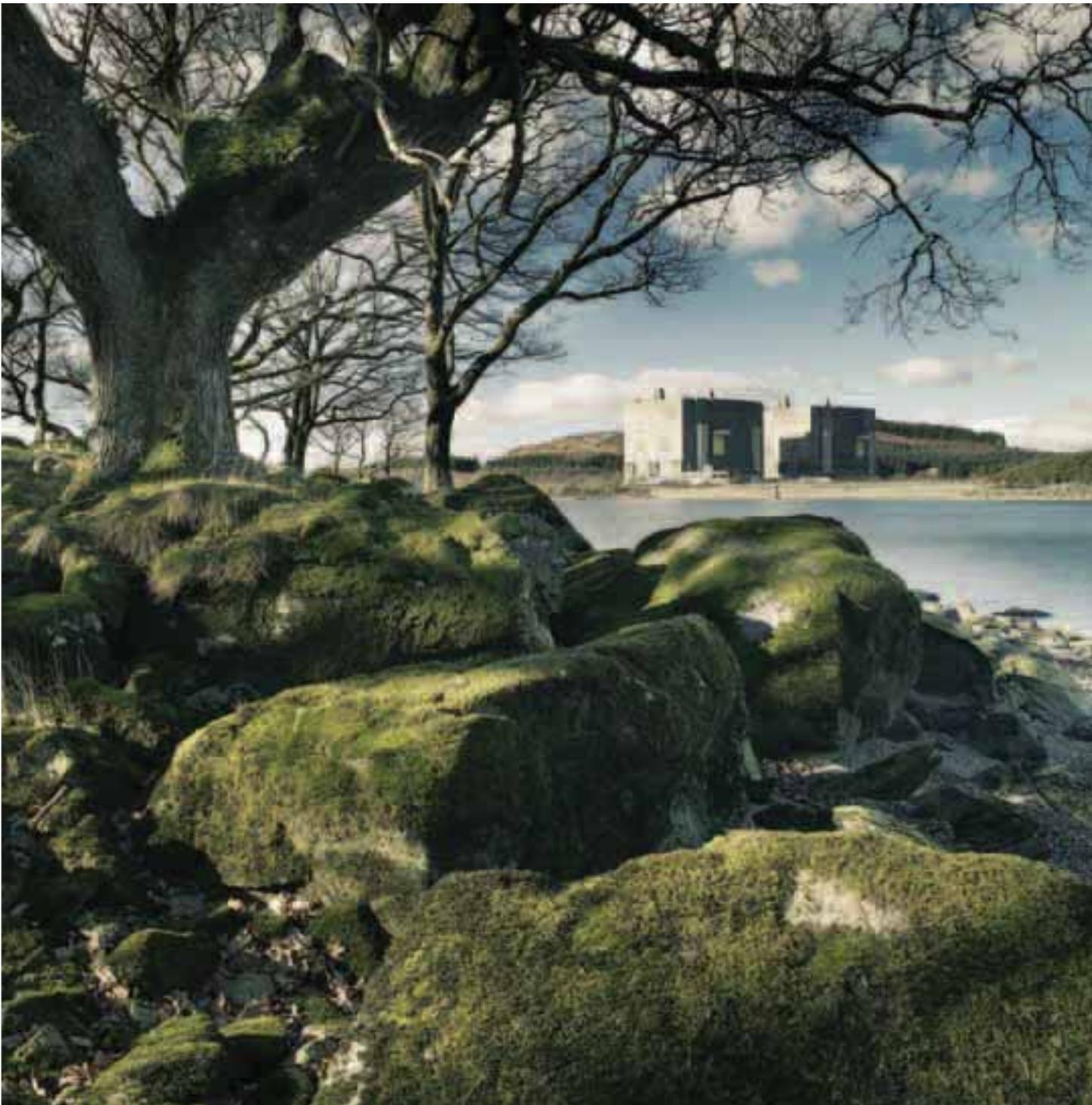


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## Site Reports

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The following pages give a brief overview of each of the sites, including information on the progress of certain key milestones and deliverables and safety and environmental performance.





## Berkeley

Located near Berkeley in Gloucestershire, this was one of the UK's first nuclear power stations and has a total site area of 27 hectares covered by the nuclear site licence, including the Berkeley Centre laboratories and offices that lie adjacent to the power station site. The station operated from 1962 until 1989 when it ceased electricity generation. Defuelling was completed by 1992. The area around the site is environmentally sensitive and is designated as SPA, SAC, RAMSAR AND SSSI. The nearby Berkeley Gazebo is a Grade 2 listed building, constructed in 1754. The Berkeley Nuclear Licensed Site is licensed to Magnox Electric Limited.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£40.2 million	£32.1 million	£31.0 million

### Location

Gloucestershire

### Type of site

Reactor Site

### Status of Operation

Decommissioning & Termination

### Site Licence Company

Magnox Electric Limited

### Non-accounting Financial Measures

The Annual Site Funding Limit was reduced by £8.865 million during 2005/6 following deferment of the Active Waste Vault Retrieval works.

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

0

#### RIDDOR Dangerous Occurrence

1

#### INES Incident

0

#### Environmental Non-compliance

1

*RoSPA President's award presented for continued safety performance.*

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Active Waste Vault Retrieval – completion of civil enabling works.	On Hold	Delays to the commissioning of the active vaults new fire suppression system prevented completion of civil enabling works. The remaining work will be considered for inclusion in the scope of the main 'civils' contract.
Active Waste Vault Retrieval – completion of piling activities for the new construction.	On Hold	A major project review in September 2005 concluded to delay civil construction pending resolution of outstanding design issues.
Shielded Area cell clean-up and decommissioning.	Complete	05/6 targets achieved, overall project continues to be on schedule.
Completion of Stage 1 intrusive contaminated land survey.	Not Complete	Only limited intrusive sampling work remains in the Low Level Active Facility and Berkeley Centre Waste Compound.



## Bradwell

Located at Bradwell in Essex and with an area of 20 hectares covered by the nuclear site licence, this power station operated from 1962 until 2002 when it ceased electricity generation. Bradwell Power Station is licensed to Magnox Electric Limited.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£47.1 million	£62.8 million	£48.8 million

**Location**  
Essex

**Type of site**  
Reactor Site

**Status of Operation**  
Defuelling/Decommissioning

**Site Licence Company**  
Magnox Electric Limited

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
0

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
0

**Environmental Non-compliance**  
1

*Bradwell was awarded the 2006 Nuclear Maintenance Experience Exchange (NUMEX) Trophy.*

### Key Milestones & Deliverables

*Accelerated work brought forward from future years includes:*

- Reactor defuelling (£2.9 million);
- Severances (£13.2 million);
- Boiler House Asbestos (£0.5 million)
- Peripheral Building Deplanting and Demolition (£0.2 million); and
- Turbine Hall – Crane refurbishment and isolations (£0.2 million).

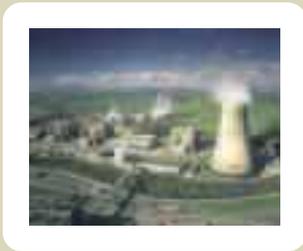
### Non-accounting Financial Measures

*BCWS increased to £64.3 million, changes to scope and funding include:*

- £13.2 million accelerated severances
- £2.9 million accelerated defuelling programme
- £1.4 million accelerated Decommissioning and Termination works
- £1.5 million additional Site Support and accelerated New Construction works
- (£1.8 million) scope deletion associated with New Construction – ILW/LLW

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Complete the dispatch of all fuel to Sellafield.	Ongoing	Currently ahead of target. All fuel verified as removed from the reactors. Thirty-three flasks remain to be dispatched.
Lay foundations for ILW store.	Ongoing	Currently undertaking an optioneering study.
Complete asbestos removal from circulator hall 2.	Complete	Further work accelerated in from future years also undertaken.
Complete removal of turbine generator.	Complete	Complete as per programme.
Complete size reduction of tank 62V for disposal.	Ongoing	Programme slipped due to poor scope-definition. A recovery plan is now in place.



## Calder Hall

Calder Hall is located on the Sellafield site in Cumbria. It was the world's first commercial nuclear power station and started generating electricity in 1956. Generation ceased in 2003. Calder Hall Power Station is licensed to British Nuclear Group Sellafield Limited. (See the entry on Sellafield for further information about the site and surrounding area).

Region 3 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£24.3 million	£22.7 million	£23.8 million

**Location**  
Cumbria

**Type of site**  
Reactor Site

**Status of Operation**  
Defuelling, Decommissioning  
& Termination

**Site Licence Company**  
BNG Sellafield Limited

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
1

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
0

**Environmental Non-compliance**  
0

*RoSPA awarded Calder Hall a gold medal for safety performance.*

### Key Milestones & Deliverables

*Accelerated work brought forward from future years includes:*

- New work on the feasibility of accelerating the removal of heat-exchangers and proving that there is a route for recycling a large proportion of the metal removed. If proven, this will assist in accelerating overall decommissioning of the site;
- Work is progressing to respond to the application for buildings at Calder Hall to be listed.

Key Milestones & Deliverables		
Annual Plan 2005/6	Status	Progress Report
Preparations for defuelling.	Ongoing	Expected to be completed on time in March 2007.
Cooling Tower demolition.	Ongoing	The project is behind schedule. The programme is being refocused to deal with the issues that resulted in the delay and to determine a new schedule for completion.
Fuel removal and transfer.	Not started	This project depends on the completion of preparations for defuelling. Forecasted to start on time in March 2007 dependent on next update of the Magnox Operating Plan.
Asbestos removal from Heat Exchangers.	Ongoing	The project is behind schedule and over budget.
Secure Environmental Impact Assessment for Decommissioning (EIAD) approval via regulators.	Complete	On schedule and below cost.



## Capenhurst

Capenhurst is located near Ellesmere Port in Cheshire, adjacent to Urenco (the Uranium Enrichment business), and has an area of 32 hectares covered by the nuclear site licence. It was home to a uranium enrichment plant and associated facilities that ceased operation in 1982. Capenhurst is licensed to BNG Sellafield Limited.

Region 2 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£25.5 million	£25.7 million	£24.1 million

### Location

Cheshire

### Type of site

Uranium Facility

### Status of Operation

Decommissioning & Termination

### Site Licence Company

BNG Sellafield Limited

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

1

#### RIDDOR Dangerous Occurrence

0

#### INES Incident

1

#### Environmental Non-compliance

1

*RoSPA awarded Capenhurst a gold medal for safety performance.*

### Key Milestones & Deliverables

*The site has accelerated work from future years that equates to 16% of the original scope:*

- Several building demolition projects have been brought forward from the programme for future years;
- The disposal of 700 cubic metres of waste has been brought forward from the programme for future years.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Enriched uranium complete by 29 November 2005.	Ongoing	A further 1000 cubic metres of material that requires processing has been identified and will delay the completion of this work until end December 2006.
2000 cubic metres of available characterised LLW disposed off site.	Complete	2700 cubic metres of characterised LLW were disposed off site.
2000kg uranium recovered.	Ongoing	863kg of uranium recovered.
Capable to receive 3700 drums of uranium.	Complete	



## Chapelcross

Chapelcross Power Station is located near Dumfries in southwest Scotland and has an area of 96 hectares covered by the nuclear site licence. It was the first nuclear power station in Scotland. Electricity generation started in 1959 and ceased in June 2004. Chapelcross Power Station is licensed to Magnox Electric Limited. The area around the site is environmentally sensitive.

Region 4 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£59.8 million	£60.4 million	£56.7 million

### Location

Dumfries & Galloway

### Type of site

Reactor Site

### Status of Operation

Decommissioning & Termination

### Site Licence Company

Magnox Electric Limited

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

2

#### RIDDOR Dangerous Occurrence

0

#### INES Incident

3

#### Environmental Non-compliance

0

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Preparation for defuelling – a) NII licence granted for Post-operational Safety Case (POSC); b) NII Licence granted for Defuelling Safety Cases.	Complete	a) Ahead of target.
	Ongoing	b) On schedule for NII approval by March 2007.
Approval of Environmental Impact Assessment for Decommissioning (EIAD).	Complete	Ahead of target.
Fuel route modifications – Reactor 1 Discharge Machine 1 modifications completed and commissioning started.	Complete	
Removal and transfer of 93 tonnes of pond fuel to Sellafield.	Complete	
Magnox Depleted Uranium (MDU) drum processing and export to Capenhurst (c.1700 drums).	Complete	Target exceeded.
Packaging and export of Intermediate Level Waste (ILW) to Sellafield.	Complete	16 Flasks of ILW arising from non Chapelcross Production Plant (CXPP) plants packaged and consigned against a target of 15 flasks.
	Ongoing	Zero Flasks of ILW arising from CXPP plants exported due to the lack of an ILW Flask Licence for this flask package type. The target was 36 flasks.



## Dounreay

Dounreay is located in Caithness, Scotland and has a total site area of 55 hectares. It was established in the mid-1950s as a research reactor site with fuel production and processing facilities. There were three reactors, the last of which ceased operation in 1994. Dounreay is licensed to UKAEA and, after Sellafield, is our second largest site.

Region 4 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£146.8 million	£157.8 million	£146.5 million

**Location**  
Caithness

**Type of site**  
Former Research Reactor Site

**Status of Operation**  
Decommissioning & Termination

**Site Licence Company**  
UKAEA

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
9

**RIDDOR Dangerous Occurrence**  
2

**INES Incident**  
1

**Environmental Non-compliance**  
38

*Note: – the Scottish Environmental Protection Agency's guidelines for reporting of Environmental non-compliances differ from those issued by the Environmental Agency.*

*RoSPA awarded Dounreay a gold medal for safety performance*

### Key Milestones & Deliverables

*In addition, the following work was brought forward from future years':*

- The strategy change to the SDP operations led to the acceleration of the Prototype Fast Reactor (PFR) reactor vessel jacking up of components and a technological innovation in the design and installation of one tool instead of three for Water Vapour Nitrogen operations;
- A further 2500 drums of stored LLW were processed through the Waste Receipt Assay Characterisation and Super-compaction (WRACS) facility;
- Construction work for the interim LLW store;
- The redundant Ion Exchange Plant at the Dounreay Fast Reactor (DFR) was decommissioned;

- The glove-box design work for the DFR Breeder Fuel Removal;
- Upgrades were made to the airlock and change rooms at the Dounreay Material Test Reactor (DMTR) in preparation for decommissioning this plant;
- Decommissioning of additional fume-cupboards in the Fuel Cycle Area;
- Preparatory work for the D3900 project (New Build RHILW facility) to bring completion date in line with regulatory requirements;

The Dounreay Cementation Plant (DCP) recovery programme has been funded from savings in 2005/6.

**Key Milestones & Deliverables**

<b>Annual Plan 2005/6</b>	<b>Status</b>	<b>Progress Report</b>
Bulk NaK Destruction Plant active commissioning complete.	Ongoing	Non-active commissioning was due for completion in April 2006; active commissioning is due for completion January 2007.
Demolition of D1110.	Complete	Ahead of schedule.
Effluent Treatment Plant active commissioning complete.	Complete	
Process further 150 tonnes and complete Sodium Destruction Plant (SDP) operations.	Ongoing	153.7 tonnes processed. However, a change in strategy to reduce risk and cost to future years of the project meant that Sodium Destruction Plant (SDP) Ops were not completed this year.
Complete shaft stub tunnel reinforcement.	Complete	
Demolition of the sodium test facility.	Complete	
Demolition of criticality facility.	Complete	
Award contract for design of Active Transfer Line.	Complete	
Process further 100 cubic metres of Material Test Reactor (MTR) raffinate through the Dounreay Cementation Plant.	Complete	Ahead of schedule.
Complete Stage 2 and 3 of Particles Consultation.	Ongoing	Work delayed by access restrictions.



## Dungeness A

Located at Dungeness in Kent and with an area of 20 hectares covered by the nuclear site licence, Dungeness A Power Station started generating electricity in 1965. Dungeness A Power Station is licensed to Magnox Electric Limited. The area around the site is environmentally sensitive, is designated as SPA, SAC and SSSI, is proposed as RAMSAR and is home to the largest shingle peninsula in Europe. Continuous shingle replenishment is in progress to maintain the reactor site and British Energy's Dungeness B power station.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£53.7 million	£56.6 million	£50.9 million

<b>Location</b> Kent
<b>Type of site</b> Reactor Site
<b>Status of Operation</b> Generating
<b>Site Licence Company</b> Magnox Electric Limited

Safety & Environmental Performance
<b>RIDDOR Lost Time Accident</b> 0
<b>RIDDOR Dangerous Occurrence</b> 0
<b>INES Incident</b> 1
<b>Environmental Non-compliance</b> 1

### Key Milestones & Deliverables

*Several enabling projects to facilitate accelerated decommissioning have been launched, including:*

- An electrical overlay scheme (£0.5 million);
- An alternative effluent discharge line (£0.1 million);
- Managed withdrawal, ground contamination surveys and early deplanting of the Main Water Treatment Plant (MWTP) (£0.146 million);
- Increase in plant reliability investment to protect generation and efficient defuelling. The manufacture of new offload discharge chutes is underway;
- Modification of the Magnox Dissolution Plant (MXD) to cater for lug Fuel Element Debris (FED) dissolution and completed construction and inactive commissioning of the vault retrieval facility.

Key Milestones & Deliverables		
Annual Plan 2005/6	Status	Progress Report
Generate 2.85 TWh of electricity.	Complete	Above target.
Submit safety cases to support generation until 31 December 2006 on both reactors.	Complete	
Submit defuelling safety case to NII.	Complete	
Despatch 70 tonnes of spent fuel.	Ongoing	41.8 tonnes dispatched against a revised target of 60 tonnes. Shipments were limited by reprocessing constraints at Sellafield.
Deliver Reactor Pressure Vessel (RPV) Safety Case to NII.	Complete	Ahead of schedule.
Return to Full Power after Outage.	Complete	



## Electricity Sales and Trading Site (ES&T)

Electricity, Sales and Trading (ES&T) supports the operation of the generating Magnox power stations, including the hydro-electric power station, Maentwrog, by administering their electricity sales and trading costs. In addition to these costs, ES&T also administers the costs of funding the deficit in the Magnox Electric Limited. Pension Scheme.

	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£38.9 million	£38.8 million	£38.2 million

### Location

Gloucestershire

### Type of site

N/A

### Status of Operation

Operational

### Site Licence Company

N/A

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

0

#### RIDDOR Dangerous Occurrence

0

#### INES Incident

0

#### Environmental Non-compliance

0

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Sale of all electrical generation from Magnox sites, Fellside power station (Sellafield) and Maentwrog Hydroelectric site.	Complete	
Deliver Business Improvement Programme by December 2005.	Complete	
Complete trading strategy review by February 2006.	Complete	
Submit Lifetime Plan detailing the last 6 years of Lifecycle to the end of generation by March 2006.	Complete	
Complete planned outage of Maentwrog Hydroelectric generating station by August 2005.	Complete	Ahead of schedule and under budget.
Manage the trading risk within a volatile energy market, thereby minimising the risk to NDA income.	Complete	



## Harwell

Harwell is located in Oxfordshire and was established in 1946 as Britain's first Atomic Energy Research Establishment. The campus, of which the designated site forms a part, is home to a wide range of research organisations and businesses. The NDA has responsibility for 110 hectares of land – approximately one-third of the total area. The nuclear site licence is held by UKAEA.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£59.3 million	£68.0 million	£61.2 million

**Location**  
Oxfordshire

**Type of site**  
Former Research Reactor Site

**Status of Operation**  
Decommissioning & Termination

**Site Licence Company**  
UKAEA

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
4

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
0

**Environmental Non-compliance**  
0

### Key Milestones & Deliverables

*In 2005/6 a significant amount of work was accelerated from future years, including:*

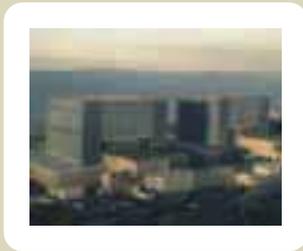
- Demolition of Hangar 8 in the Eastern Area Facility (EAF), containing the GLEEP Reactor, and earlier clearance;
- Demolition of the Trade Effluent Tanks;
- Demolition of the Hydrocarbon Boiling Rig facility;
- Earlier processing and shipment of 10 Remote Handled Intermediate Level Waste (RHILW) packages; and
- Asbestos removal from Medical and Health Physics building

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Commence Wastes Requiring Additional Treatments (WRATS) & radium can processing.	Ongoing	WRATS work being reprogrammed. Radium can processing has been delayed awaiting Letters of Comfort (LOCs) which are now in hand.
New Groundwater (G/W) plant pollution permit & control application submitted to EA.	Deleted	Milestone cancelled. Plan revised to use existing waste management licence.
New G/W plant planning application submitted to Oxfordshire County Council (Oxon CC).	Complete	
B3 mound demolition complete.	Complete	
Drumming of liquors and shipment to storage area complete.	Complete	
First Fingal vessel received (Fingal Vessel 2).	Ongoing	Safety Case (SC) has had to be revised and work is expected to be complete this year but may be delayed owing to RM2 commissioning.
Detail design of Retrieval Machine 2 (RM2) complete.	Complete	

### Key Milestones & Deliverables (continued)

Annual Plan 2005/6	Status	Progress Report
Ripple SC submitted to Nuclear Installations Inspectorate.	Complete	
Ripple Package Movement Safety Case (PMSC) submitted to NII.	Complete	
Contract for new G/W plant placed.	Complete	
Fingal Rigs processing completed.	Ongoing	SC has had to be revised and work is expected to be complete this year but may be delayed owing to RM2 commissioning.
Ripple IP2 Half-Height International Standards Organisation (HHISO) commissioned.	Ongoing	Work reprioritised for 2006/2007.
Ripple B462 SC submitted to NII.	Complete	SC was Cat. D and not required to go to NII.
RM2 Pre-Construction Safety Case Report (PCSR) submitted to NII for approval.	Deleted	Milestone cancelled. NII agreed that the PCSR does not have to be submitted to them for approval.
Contract for unsaturated zone remediation placed.	Complete	
Commence drumming for sludge and shipping to B462.	Ongoing	Treatment of sludges will not start until 2006/7.
PCSR submitted to NII for B462 Waste Encapsulation Plant (WEP).	Ongoing	Not critical. NII will not call in the PCSR or the Pre-Commissioning Safety Report (PCmSR). Construction programme is on track.
Western Storage Area (WSA) 'difficult wastes' sampling and disposal contract awarded.	Complete	
National Disposal Service (NDS) sources completed (Co, Cs, Am / Be only).	Complete	Ahead of schedule.
Thoria processing facility commissioned.	On hold	ICI is the owner of this liability and has elected not to proceed with the UKAEA Harwell option.



## Hinkley Point A

Hinkley Point A Power Station is located at Hinkley in Somerset and has an area of 19 hectares covered by the nuclear site licence. It started electricity generation in 1965 and ceased operations in 2000. Hinkley Point A Nuclear Licensed Site is licensed to Magnox Electric Limited. Several SSSI, NNR, SPA and NRA are situated around the site.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£46.3 million	£59.6 million	£56.8 million

**Location**  
Somerset

**Type of site**  
Reactor Site

**Status of Operation**  
Decommissioning & Termination

**Site Licence Company**  
Magnox Electric Limited

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
1

**RIDDOR Dangerous Occurrence**  
1

**INES Incident**  
0

**Environmental Non-compliance**  
1

*RoSPA awarded Hinkley its tenth successive gold medal for safety performance*

### Key Milestones / Deliverables

*In 2005/6, the following work was accelerated from future years:*

- The contract award for and work on, deplanting the Turbine Hall;
- Commissioning of equipment and removal of contaminated 'pond skips' from the storage building;
- Complete removal of the battery building.

Excavations for the new ILW store have been delayed due to it taking longer than planned to agree the lease for spoil storage.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Completion of the transition from defuelling to decommissioning.	Complete	Ahead of schedule.
Commence ILW store site preparatory works.	Ongoing	Work has started but is behind schedule.
Design and commence installation of skip decontamination facility.	Complete	
Commission new LLW facility.	Ongoing	Construction complete. Active commissioning on plan for early 2006/7.
Removal of conventional safety hazards – asbestos in blower halls and boiler houses.	Ongoing	Ahead of schedule.



## Hunterston A

Hunterston A Power Station is located in Ayrshire, South West Scotland and has an area of 15 hectares covered by the nuclear site license. It started electricity generation in 1964 and ceased production in 1989. Hunterston A Power Station is licensed to Magnox Electric Limited. The surrounding area of coastal mudflats is designated as SSSI.

Region 4 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£45.5 million	£49.1 million	£45.4 million

**Location**  
Ayrshire

**Type of site**  
Reactor Site

**Status of Operation**  
Decommissioning & Termination

**Site Licence Company**  
Magnox Electric Limited

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
0

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
1

**Environmental Non-compliance**  
0

*RoSPA awarded Hunterston a gold medal for safety performance*

### Key Milestones & Deliverables

During the course of the year, the site accelerated around £2.5 million of additional work to secure savings, plus completed an additional £1.5 million of scope using available funding from elsewhere within NDA.

*This work scope included:*

- Delagging of 8 Boilers in Reactor 1;
- Accelerated ILW store civil construction work;
- Additional Pilecap deplanting activities;
- Accelerated manufacture of Modular AETP;
- Contaminated land characterisation activities;
- A review of the impact of NDA Strategy on Hunterston A's Lifetime Plan.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
ILW Store design complete and Package Handling Machine manufacture complete.	Complete	
Solid ILW Retrieval Design complete and start implementation.	Ongoing	The functional specification is nearing completion, with the contract award late in 2006.
Weather Envelope Design complete.	Complete	
Precipitator Building plant removal and demolition complete.	Ongoing	Significant hazard of Carbonation Tower has been removed. Deplanting and demolition of remaining structures is ongoing.
Modular Active Effluent Treatment Plant (AETP) manufacture complete.	Ongoing	Manufacture is well advanced. Modules are due to be delivered to site early in 2006/7.



## Low Level Waste Repository near Drigg

The Low Level Waste (LLW) Repository is located near Drigg in Cumbria and has an area of 98 hectares covered by the nuclear site licence. It has operated as a disposal facility since 1959. Wastes are compacted and placed in containers before being transferred to the facility. The LLWR is licensed to British Nuclear Group Sellafield Limited. The area around the site is environmentally sensitive and is designated as SAC and SSSI.

Region 3 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£19.3 million	£19.1 million	£19.5 million

### Location

Cumbria

### Type of site

Waste Repository

### Status of Operation

Operational

### Site Licence Company

BNG Sellafield Limited

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

0

#### RIDDOR Dangerous Occurrence

0

#### INES Incident

0

#### Environmental Non-compliance

0

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Bulk Material Handling Facilities – complete detailed design (FEL3 Stage)	Ongoing	Following discussions with the planning authorities and other stakeholders, the contractor is now working to a revised strategy of planning applications for the facilities. The detailed design is now due for completion in 2006/7.
PCM Drum and Magazine Retrievals – transfer of containers to Sellafield to plan	Complete	Target exceeded.
LLW Disposal – process customer requirements to plan	Complete	
Extend Disposal Capacity – complete the design of the modular vaults	Ongoing	Following discussions with the planning authorities and other stakeholders, the contractor is now working to a revised strategy of planning applications for the facilities. The design is now due for completion in FY 06/7.
Vault 8 Disposal Availability – retrieve, process and export the LLW backlog waste in Vault 8 to plan	Complete	Ahead of schedule.



## Oldbury

Oldbury Power Station is located at Oldbury in Gloucestershire and has an area of 51 hectares covered by the nuclear site licence. It started electricity generation in 1967. Oldbury Power Station is licensed to Magnox Electric Limited. The area around the site is environmentally sensitive and has been designated as SPA and SSSI locations.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£56.0 million	£62.1 million	£57.5 million

**Location**  
Gloucestershire

**Type of site**  
Reactor Site

**Status of Operation**  
Generating

**Site Licence Company**  
Magnox Electric Limited

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
1

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
2

**Environmental Non-compliance**  
1

### Key Milestones & Deliverables

Oldbury had its site funding limit increased by £4 million.

This funding has allowed emergent safety-related work on the graphite core of reactor 2 to be carried out and has provided funds for the acceleration of defuelling preparations and the acceleration of decommissioning planning. As a result of this acceleration of work, we are ahead of programme by two years and expect to enter the care and maintenance stage ahead of schedule.

Key Milestones & Deliverables		
Annual Plan 2005/6	Status	Progress Report
Generate 1.75 TWh of electricity.	Not Achieved	Despite the shut down of one reactor in August 2005 for essential safety work and the site only running at 50% output for the remainder of the financial year, the site still generated 1.45TWh of electricity.
Complete Reactor 2 outage within 60 days.	Complete	On schedule and under budget.
Transfer 45 tonnes of spent fuel to Sellafield.	Ongoing	Five tonnes of fuel was shipped from Oldbury. Major operational issues at Sellafield limited the amount of spent fuel that could be reprocessed and other reactor sites were prioritised before Oldbury for the remaining capacity.
Complete Technical Baseline for Decommissioning by March 2006.	Complete	
Provide Core Graphite Safety Case by December 2005.	Ongoing	A satisfactory safety case review was delivered for Reactor 1. The work for Reactor 2 was deferred due to safety investigations associated with the reactor core.
Refurbishment of Turbo Alternator 1 by 31 July 2005.	Complete	Ahead of schedule.



## Sellafield

Sellafield is located in Cumbria and has an area of 262 hectares covered by the nuclear site license. It is a large, complex nuclear chemical facility that has supported the nuclear power programme since the 1940s, and has undertaken work for a number of organisations including UKAEA and MoD. Operations at Sellafield include processing of fuels removed from nuclear power stations; Mixed Oxide (MOX) fuel fabrication; and storage of nuclear materials and radioactive wastes. Sellafield is licensed to British Nuclear Group Sellafield Limited. The area around the site is environmentally sensitive.

Region 3 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£1,016.9 million	£1,026.7 million	£984.0 million

### Location

Cumbria

### Type of site

Nuclear Chemical Site

### Status of Operation

Operations and Decommissioning

### Site Licence Company

BNG Sellafield Limited

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

29

#### RIDDOR Dangerous Occurrence

5

#### INES Incident

4

#### Environmental Non-compliance

10

#### Notes:

1. LTA excludes 4 major injuries which did not breach the LTA criteria
2. EA Non compliances from 3 events

### Key Milestones & Deliverables

A large amount of work area originally programmed for future years has been successfully completed this year in the sites legacy plants. Of particular note is the acceleration of £18 million of work in the Legacy Ponds and Silos area, which alleviated significant NII concerns concerning the hazard on the site.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Sellafield MOX Plant (SMP) application for consent to operate.	Not Achieved	SMP operational performance has improved but not as much as expected. One consequence of this is that the plant has not reached a position where it can formally apply for consent to operate.
Reprocess spent nuclear fuel.	Not Achieved	THORP reprocessing operations have been suspended following a major plant failure in April 2005. Magnox reprocessing operations have been affected by an extended maintenance outage and plant reliability issues.
Continue removal and processing legacy Magnox spent fuel from the Fuel Handling Plant.	Not Achieved	Reprocessing of legacy Magnox spent fuel has been constrained by the requirement to concentrate on current fuel following the Magnox reprocessing difficulties.
Achieve planned progress in decommissioning and demolition of legacy operations plants. Further develop plans for waste retrievals from legacy ponds and silos.	Complete	Demolition of the pile chimneys is on hold pending conclusion of the HSE investigation.
Reduce liquid HLW stocks in accordance with regulatory commitments.	Complete	Ahead of plan.



## Sizewell A

Located at Sizewell in Suffolk and with an area of 14 hectares covered by the nuclear site licence, Sizewell A power station started generating electricity in 1966. Sizewell A Nuclear Licensed Site is licensed to Magnox Electric Limited. The area around the site is environmentally sensitive and is designated SPA, SAC, RAMSAR, SSSI and NNR.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£48.7 million	£53.9 million	£50.2 million

**Location**  
Suffolk

**Type of site**  
Reactor Site

**Status of Operation**  
Generating Site

**Site Licence Company**  
Magnox Electric Limited

### Key Milestones & Deliverables

- Procurement of contractor to build new office complex successfully achieved;
- Project to formulate approach to 'non ISB' demolition progressed;
- Managed staff release;
- Access monitor improvements implemented.

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
1

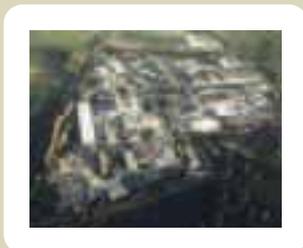
**RIDDOR Dangerous Occurrence**  
1

**INES Incident**  
0

**Environmental Non-compliance**  
1

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Generate 2.88 TWh of electricity	Complete	Target exceeded.
Despatch 57 tonnes of fuel	Ongoing	47.65 tonnes of fuel dispatched due to operational issues at Sellafield.
R2 Statutory Outage	Complete	Ahead of schedule.



## Springfields

Springfields is located near Preston in Lancashire and has an area of 81 hectares covered by the nuclear site licence. It manufactures nuclear fuel and fuel products for the UK's nuclear power stations and for international customers. The site is licensed to Springfields Fuels Limited. Several environmentally sensitive and protected areas are situated close to the site, including the Ribble Estuary.

Region 2 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£145.8 million	£134.6 million	£133.9 million

<b>Location</b> Lancashire
<b>Type of site</b> Nuclear Fuel Manufacturing Site
<b>Status of Operation</b> Operational
<b>Site Licence Company</b> Springfields Fuels Limited

### Safety & Environmental Performance

<b>RIDDOR Lost Time Accident</b> 4
<b>RIDDOR Dangerous Occurrence</b> 0
<b>INES Incident</b> 0
<b>Environmental Non-compliance</b> 0

*This site achieved Highly Commended in the Manufacturing Sector of the RoSPA annual safety awards.*

### Key Milestones / Deliverables

*The main areas in which commercial activities at Springfields have exceeded the plan are:*

- New business has been secured to supply a uranium conversion service to an overseas customer for the next 10 years providing significant income to NDA. As a result the UO<sub>3</sub> to UF<sub>6</sub> production plant will now remain operational.
- The production and sales of UF<sub>6</sub> and enriched intermediate products exceeded the plan.
- Uranium and components have been purchased and manufacture started of additional Magnox fuel for use at Wylfa should its operations be extended in 2010.
- The processing of natural uranic residues was behind plan. This was mainly due to two export process routes becoming unavailable during the year. Alternative plans have been made for processing these residues starting in 2006/7.

### Non Accounting Financial Measures (Earned Value):

The NTWP has changed during the year resulting in a revised BCWS of £137 million. The largest change was £9.45 million of scope for capital work which was transferred to years 2 and 3 of the NTWP. Efficiency savings have allowed Springfields to include additional scope in the plan to realise several commercial opportunities. Through these activities Springfields has generated over £10 million extra income for the NDA, this income is not reflected in the above measures.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Supply Magnox Fuel against the contractual obligations in line with customer demand.	Complete	Target exceeded.
Supply Oxide Fuel against the contractual obligations in line with BE customer demand.	Complete	
Timely completion of the associated plant enhancement activities required to refurbish Enriched Uranium Residues Reprocessing Plant (EURRP) facility and accelerated recovery of enriched uranium residues. This will lead to early closure of the recovery plant and a reduced final cost base.	Complete	
Decommissioning plan and associated plant closures.	Complete	
Completion of NDA transition activities.	Complete	



## Trawsfynydd

Trawsfynydd Power Station is located at Trawsfynydd in Gwynedd, North Wales and has an area of 15 hectares covered by the nuclear site licence. It started electricity generation in 1965 and ceased generating in 1991. Trawsfynydd Nuclear Licensed Site is licensed to Magnox Electric Limited. The site is situated in the Snowdonia National Park near to a number of SSSI, NNRs and SACs. The NDA also has designated powers to manage and operate the Maentwrog hydro-electric power station, which was opened in 1928 and is situated near the site.

Region 2 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£45.7 million	£53.8 million	£50.1 million

### Location

Gwynedd

### Type of site

Reactor Site

### Status of Operation

Decommissioning & Termination

### Site Licence Company

Magnox Electric Limited

### Safety & Environmental Performance

#### RIDDOR Lost Time Accident

0

#### RIDDOR Dangerous Occurrence

0

#### INES Incident

0

#### Environmental Non-compliance

0

### Key Milestones / Deliverables

- Work has been accelerated on commencement of preparations for safestore capping roof, further deplanting of safestores and commencing fill of the fourth box of FED;
- During the year three FED boxes, seven sludge packages and 172 resin drums were produced. Ponds scabbling and MAC projects commenced active commissioning and three of the nine cells in the active waste vaults were emptied.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Civil work for North Vault Fuel Element Debris (FED) complete.	Complete	East side works completed 3 months ahead of schedule.
Design and Safety Case for South Vault FED complete.	Not Complete	Preliminary Safety Report (PSR) completed and received INSA 5B. Detailed trials of vacuum system in progress to underpin design.
Resin retrieval from Resin Vault 1 and preparations for deplanting complete.	Not Complete	Behind schedule due to unexpected waste characterisation issues.
Boiler deplanting on Reactor 1 complete.	Not Complete	First boiler completed January 2006; work rescheduled and parallel working now with Reactor 2.
Construction works on new ILW store commenced.	Complete	Work commenced October 2005 on schedule, foundations are now complete.



## Windscale

Windscale is a separate licensed site located on the Sellafield site in Cumbria. The site area is 14 hectares. It comprises three reactors, two of which were shutdown in 1957. The third was closed in 1981. Windscale is licensed to UKAEA. A fire damaged one of these reactors (Pile 1) in 1957, making its decommissioning a significant challenge.

Region 3 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£27.5 million	£27.8 million	£22.4 million

**Location**  
Cumbria

**Type of site**  
Reactor Site

**Status of Operation**  
Decommissioning & Termination

**Site Licence Company**  
UKAEA

### Key Milestones & Deliverables

- A study is ongoing to assess acceleration of decommissioning of the Windscale Piles by 45 years.
- Acceleration of decommissioning activities in B52.

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
2

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
1

**Environmental Non-compliance**  
2

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Clean out of Advanced Gas-Cooled Reactor (AGR) examination caves (B52).	Complete	Ahead of schedule.
Completion of Windscale Advanced Gas-Cooled Reactor (WAGR) concrete bioshield characterisation.	Complete	
Confirm the reference scheme to enable detail design to progress for Pile 1 fuel and isotopes removal.	On hold	Scheme design completed on time. Further work on hold pending outcome of acceleration study for Piles decommissioning (July 2006).
Complete Integrated Waste Strategy for Windscale Site.	Ongoing	Interim Integrated Waste Strategy completed which is being optimised through Best Practicable Environmental Option (BPEO) study, currently in stakeholder consultation stage.
Delivery of site wide Periodic Safety Review	Complete	
Delivery of Decommissioning Safety Case for B14.	Ongoing	Limited operations continuing in the facility. Dry Storage Cell (DSC) will be completed by June 2007.



## Winfrith

Winfrith is located near Poole in Dorset and has a total site area of 88 hectares. It was established by the UKAEA in 1958 as an experimental reactor research and development site. Winfrith is licensed to UKAEA. The coast south of Winfrith is a World Heritage Site and the surrounding heathland and chalk ridges are environmentally sensitive.

Region 1 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£36.6 million	£40.3 million	£35.2 million

**Location**  
Dorset

**Type of site**  
Former Research Reactor Site

**Status of Operation**  
Decommissioning & Termination;

**Site Licence Company**  
UKAEA

### Key Milestones / Deliverables

- Decommissioning work for the SGHWR and Dragon reactors was brought forward from future years and Contract 1 for decommissioning Dragon was awarded.

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
7

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
0

**Environmental Non-compliance**  
0

*RoSPA awarded Winfrith a gold award for safety performance.*

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Award Contract 1 for Steam Generating Heavy Water Reactor (SGHWR) decommissioning.	Complete	
Transfer 360 drums of cemented SGHWR sludge to store.	Ongoing	Inactive commissioning of treatment plant continuing.
Complete decommissioning of B21.	Complete	
Complete decommissioning of B22.	Complete	
Complete inactive commissioning of thorium grout plant.	Ongoing	Revised strategy adopted, following opportunity to use existing plant.



## Wylfa

Wylfa Power Station is located on Anglesey in North Wales and has an area of 21 hectares covered by the nuclear site licence. Commencing electricity generation in 1971, it was the last and largest power station of its type to be built in the UK and consequently, radioactive doses during decommissioning are considered to be lower than at other sites. The area around the site includes several areas of environmental importance. Wylfa Power Station is licensed to Magnox Electric Limited.

Region 2 site	Budget cost of work scheduled	Budget cost of work performed	Actual cost of work performed
Earned Value	£84.3 million	£91.4 million	£84.6 million

**Location**  
Anglesey

**Type of site**  
Reactor Site

**Status of Operation**  
Generating

**Site Licence Company**  
Magnox Electric Limited

### Safety & Environmental Performance

**RIDDOR Lost Time Accident**  
0

**RIDDOR Dangerous Occurrence**  
0

**INES Incident**  
0

**Environmental Non-compliance**  
1

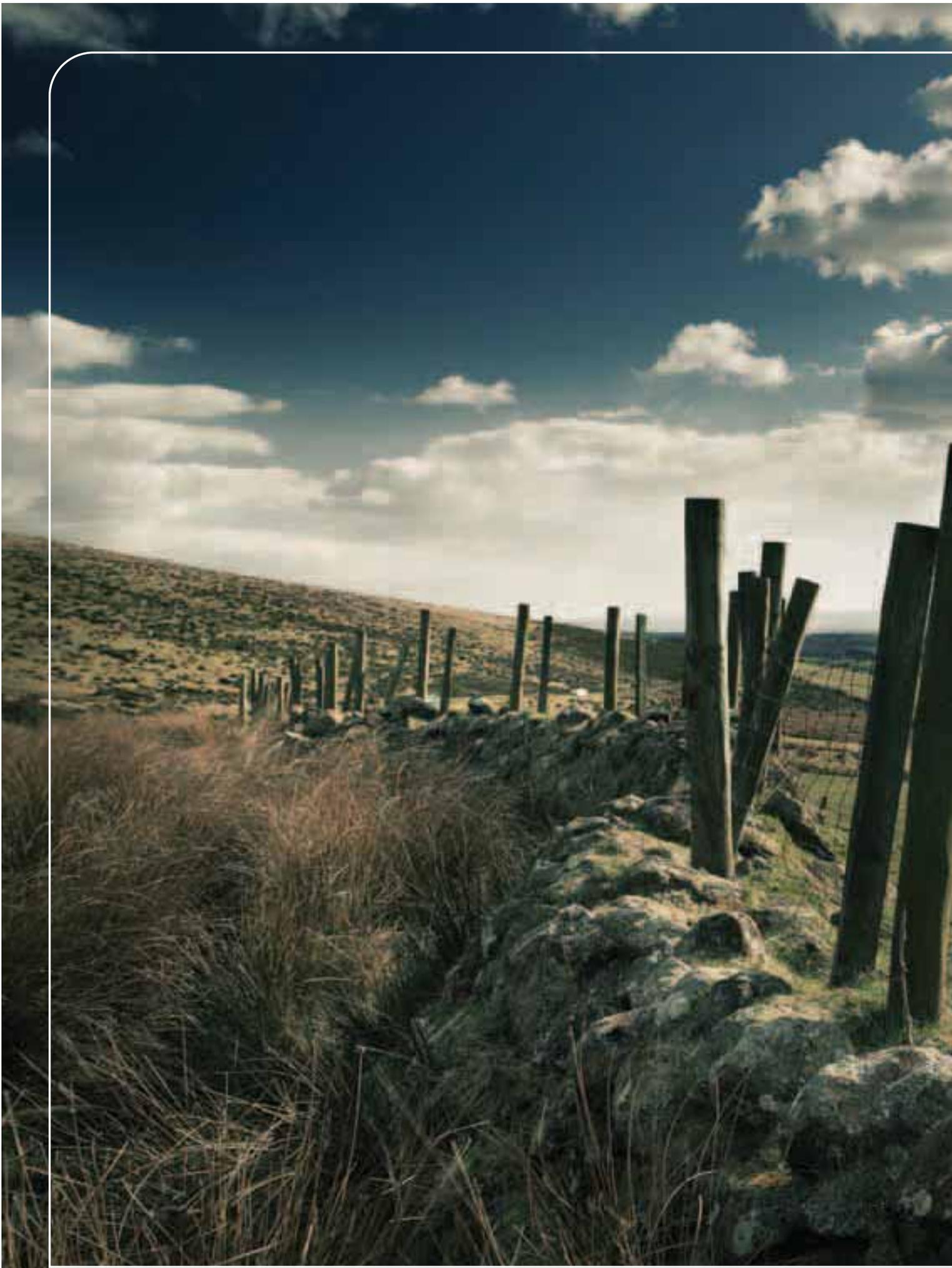
### Key Milestones & Deliverables

Work has been started from future years to accelerate regulatory enhancement projects and further work on decommissioning plans. In addition, further work has been required on graphite analysis to support the operational safety case and additional fuel has been purchased to provide the opportunity to continue to generate until December 2010. 280 tonnes of spent fuel were dispatched to Sellafield compared with a start of year target of 266 tonnes.

### Key Milestones & Deliverables

Annual Plan 2005/6	Status	Progress Report
Generate 6.5TWh in 2005/6.	Complete	Target exceeded.
Request to NII for permission to start up Reactor 1 within 60 days of outage commencing.	Complete	Ahead of schedule.
Transfer 266 tonnes of fuel.	Complete	Target exceeded.
Complete Phase 2 of equipment for recovery of damaged fuel elements from Dry Store Cell 4 (DSC4) by 31 January 2006.	Complete	





SELLAFIELD, CUMBRIA, VIEWED FROM INLAND.



# Glossary

ACWP	Actual Cost of Work Performed	HAL	Highly Active Liquor	PBI	Performance Based Incentive
AECL	Atomic Energy of Canada	HHISO	Half-Height International Standards Organisation	PCP	Programme Control Procedures
AETP	Active Effluent Treatment Plant	HLW	High Level Waste	PCSFS	Principal Civil Service Pension Scheme
AGR	Advanced Gas Cooled Reactor	HSE	Health & Safety Executive	PCSR	Pre-Construction Safety Case Report
ASB	Accounting Standards Board	HSSE	Health, Safety, Security and the Environment	PCmSR	Pre-Commissioning Safety Report
BCWP	Budgeted Cost of Work Performed	IAEA	International Atomic Energy Authority	PFR	Prototype Fast Reactor
BCWS	Budgeted Cost of Work Scheduled	ICAEW	Institute of Chartered Accountants in England and Wales	PMSC	Package Movement Safety Case
BE	British Energy plc	ILW	Intermediate Level Waste	PNTL	Pacific Nuclear Transport Limited
BEP	Box Encapsulation Plant	INES	International Nuclear Events Scale	POSC	Post Operational Safety Case
BNFL	British Nuclear Fuels Plc	IP	Intellectual Property	PSA	Public Service Agreement
BNG	British Nuclear Group	IP	Investors in People	PSR	Preliminary Safety Report
BNGSL	British Nuclear Group Sellafield Limited	ITN	Invitation to Negotiate	R&D	Research and Development
BPEO	Best Practicable Environmental Option	ITT	Invitation to Tender	RAMSAR	A wetland of international importance under the RAMSAR convention
BTC	BNFL Technology Centre	IWS	Integrated Waste Strategy	RHILW	Remote Handled Intermediate Level Waste
Bulk Nak	Sodium Potassium	JET	Joint European Torus	RIDDOR	Reporting of Injuries, Diseases & Dangerous Occurrences Regulations
C&AG	Comptroller and Auditor General	KPI	Key Performance Indicators	RM2	Retrieval Machine 2
CCAB	Consultative Committee of Accounting Bodies	LCBL	Life Cycle Baseline	RPV	Reactor Pressure Vessel
CETV	Cash Equivalent Transfer Value	LHLW	Liquid High Level Waste	SAC	Special Area for Conservation
CNPP	Combined Nuclear Pension Plan	LLW	Low Level Waste	SC	Safety Case
CODA	Charge Over Deposit Accounts	LLWR	Low Level Waste Repository near Drigg	SDP	Sodium Destruction Plant
CoRWM	Committee on Radioactive Waste Management	LMU	Liabilities Management Unit	SEPA	Scottish Environment Protection Agency
CSR	Comprehensive Spending Review	LOC	Letter of Comfort	SGHWR	Steam Generating Heavy Water Reactor
CXPP	Chapelcross Production Plant	LSC	Learning and Skills Council	SLC	Site Licence Company
DCP	Dounreay Cementation Plant	M&O	Management and Operations	SMP	Sellafield Mixed Oxide Plant
DFR	Dounreay Fast Reactor	MDU	Magnox Depleted Uranium	SPA	Special Protection Area
DTI	Department of Trade and Industry	MHCA	Modified Historical Cost Accounting	SSG	Site Stakeholder Group
DfT	Department of Transport	MIG	Materials Issues Group	SSSI	Site of Special Scientific Interest
DMTR	Dounreay Material Test Reactor	MoD	Ministry of Defence	THORP	Thermal Oxide Reprocessing Plant
DRS	Direct Rail Services	MOP	Magnox Operating Plan	UKAEA	United Kingdom Atomic Energy Authority
DSC	Dry Storage Cell	MOX	Mixed Oxide fuel	WAGR	Windscale Advanced Gas-Cooled Reactor
EA	Environment Agency	MTR	Material Test Reactor	WEP	Waste Encapsulation Plant
EAF	Eastern Area Facility	MWTP	Main Water Treatment Plant	WIDRAM	Waste Inventory Disposition Route Assessment Model
EDF	Electricite de France	NDA	Nuclear Decommissioning Authority	WIG	Waste Issues Group
EFDA	European Fusion Development Agreement	NDPB	Non Departmental Public Body	WRACS	Waste Receipt Assay Characterisation and Supercompaction
EIAD	Environmental Impact Assessment for Decommissioning	NDS	National Disposal Service	WRAP	Waste and Resources Action Programme
ES&T	Electricity Sales and Trading	NII	Nuclear Installations Inspectorate	WRATS	Wastes Requiring Additional Treatments
EURRP	Enriched Uranium Residues Reprocessing Plant	NINR	National Nature Reserve	WSA	Western Storage Area
FED	Fuel Element Debris	NNIRF	NDA National Industry Regulator Forum		
FHP	Fuel Handling Plant	NRA	National Rivers Authority		
FoI	Freedom of Information	NSG	National Stakeholder Group		
FRC	Financial Reporting Council	NTWP	Near Term Work Plan		
FReM	Government Financial Reporting Manual	NUMEX	Nuclear Maintenance Experience Exchange		
		NWDA	North West Regional Development Agency		
		OCNS	Office of Civil Nuclear Security		
		OGC	Office of Government Commerce		

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