DRAFT MINUTES OF THE NUCLEAR DECOMMISSIONING AUTHORITY BOARD MEETING, HELD ON THURSDAY 20TH SEPTEMBER 2018 AT 09.00 AT COMBE HOUSE HOTEL, HOLFORD, BRIDGEWATER, SOMERSET TA5 1RZ

Present
Tom Smith Chairman
Janet Ashdown Senior Non-Executive Director
Evelyn Dickey Non-Executive Director
Volker Beckers Non-Executive Director
Rob Holden Non-Executive Director
Candida Morley Non-Executive Director, UK Government Investments (UKGI)
David Peattie Chief Executive Officer (CEO)
David Batters Chief Financial Officer (CFO)
Adrian Simper Strategy and Technology Director

In Attendance
Alan Cumming Director of Nuclear Operations (DNO)
Paul Vallance Director of Communication and Stakeholder Relations
Neil Hewlett General Counsel and Company Secretary (GC)
Elizabeth Hodgson Board Secretary

Item 1 Procedural and Compliance
1.1 There were no apologies for absence and the Chairman noted that a quorum was present.
1.2 There were no further conflicts of interest to report.
1.3 Members had not yet had the opportunity to review and comment on the minutes of the meeting held on 8th August 2018 and they were not approved.
1.4 The CEO presented the Action Tracking Register and noted a number of actions were complete, on the agenda or are on track to be completed in the near future. Further clarity was provided in relation to the requirement for Action 1299. The regulatory view will be useful to understand but Members felt a legal opinion on any controlling mind issues is necessary.
1.5 Members noted the Decision Record from the 8 August 2018 meeting.
1.6 The Chairman observed the need to follow up on board evaluation actions and led a discussion on the value added by the effectiveness review held at the end of each meeting.
1.7 The Chairman thanked Members for attending the site visit to Hinkley Point Sites A, B and C on 19th September and for the useful discussions at the dinner on 19th September.

Item 2 Performance and Reports
2.1 Chairman’s Report
2.1.1 The Chairman provided an update on the regular meeting held with Alex Chisholm, BEIS Permanent Secretary, which covered a number of items and is proving a useful format. The CFO provided a brief overview of the next spending review process.

2.2 Performance Report
2.2.1 The CEO presented the highlights of the NDA Group Performance Report for Period 4 and observed he has had sight of the draft Period 5 report and the Group-wide accident rate (TRIR) has improved from Period 4 to Period 5, particularly for LLWR. The CEO provided some metrics for comparison with other industries, which are generally at a worse incidence rate than the NDA Group TRIR. An NDA Group Safety and Wellbeing event is taking place on 4th October.
2.2.2 The CEO highlighted the visible changes of the skyline at Sellafield Limited. However, the status of the Command Centre at Sellafield has moved from amber to red RAG status and is the subject of close Executive scrutiny. BEPPS-DIF remains red status due to ongoing contractor issues.

2.2.3 The CEO referred to the recently issued internal audit report on the Magnox run off. Members were concerned that the overall confidence rating was red-amber and agreed that a session would be useful on the key issues arising and the background context from a management perspective. It was agreed a presentation with questions and answers, offline from the Board meeting schedule, would be set up. The DNO provided an update on the recent improvements in resourcing and openness of performance.

[post meeting update – session set up on 11 October 2018]

2.2.4 The CEO noted the TUPE transfer of 26 commercial staff from INS to NDA on 1st October 2018, a step of great importance in building the new NDA and improving the commercial centre. DRS have won a number of awards including Rail Freight Group ‘business of the year’ and ‘train of the year’ at the National Rail Awards. The CEO provided an update on the PNTL vessels’ usage and the welcome development that the Japanese owners of the vessels are now willing for INS to seek out additional commercial opportunities for their use.

2.2.5 The CFO provided the forecast at the end of Period 6. Overall, Net DEL expenditure is forecast at £73 million above the main estimate as a result of IFRS15 accounting rules on contract income and a significant budget reduction. The CFO outlined a number of steps proposed to repair the deficit and set out a couple of possible opportunities.

2.2.6 The DNO explained he aims to significantly improve health and safety performance across the estate and is holding a cross-estate health and safety directors meeting to encourage collaboration. The DNO provided an update on Dounreay, noting Deloitte have started their commercial assurance work and a meeting will take place with CFP on 28th September. The IPA review of the Magnox Transition is at amber status, largely due to the start/finish point and the need for more detailed planning. The MD recruitment is ongoing.

2.2.7 The Strategy and Technology Director provided an update on steps being taken to focus on mental health and wellbeing across the estate, highlighted the nuclear sector deal development and noted the contingency plans in place for the offline Magnox reprocessing plant.

2.2.8 Members noted the reports.

2.3 Committee Reports

2.3.1 The Chair of the Safety and Security Committee noted the DNO’s actions to rebuild the NDA’s health and safety function and confirmed that a new Interim HSSE Director is being appointed until a permanent recruitment is found. Concerns remain regarding the indicators at Sellafield Limited and meetings have taken place with the Chair of the Safety and Security Committee of Sellafield Limited. Cultural issues remain around appropriate behaviours in following rules. Members felt more union engagement would be helpful in addressing such issues. It was agreed additional KPIs and benchmarking would be useful to provide an industry context. The DNO confirmed that additional indicators had already been added to the Quarterly Performance Review meetings.

2.3.2 The Chair of the Audit and Risk Assurance Committee explained the Committee had concerns regarding three risks in the areas of cyber security and business resilience which are ranked red even after mitigation. Additional mitigation measures have been requested.

2.3.3 It was noted that a transition in leadership is ongoing in both risk and assurance areas of the business and provides opportunities. The Committee Chair also noted the work undertaken on the risk deep dive schedule with the input of each of the other Committee Chairs. He provided a summary of the successful two-day Estate Wide Internal Audit Conference in Manchester in early September and the potential for model change. The Chair of the Audit and Risk Assurance Committee noted the internal controls action summary should be circulated to the whole Board.
2.3.4 The Chair of the Programmes and Projects Committee explained the focus of the last meeting had been on the two sanctions brought to this Board, namely the Magnox Reactor Dismantling and Sludge Handling and Export Strategic Outline Business Cases. The Committee was supportive of the direction of travel but had proposed additional work be done on the papers to provide further clarity, for example, that the Sludge Handling and Export Strategic Outline Business Case refers to export and treatment not just storage and to strengthen the economic arguments for the Magnox Reactor Dismantling case. Members agreed a logbook approach would save time by informing the Board which areas of discussion had already been subject to focus. Members discussed how NDA best adds value to the governance of Sellafield Limited papers. It was noted that the Sellafield Programme Director remains SRO for a significant number of projects but that some responsibilities will in future be shared with the DNO and the Heads of Programmes.

2.3.5 The Chair of the Remuneration Committee explained the Committee had endorsed the revised Executive Objectives for 2018/19 and that the objectives were less focused on ‘day job’. There is a heavy weighting towards personal objectives and the Committee will discuss in November whether there is a case to adjust the corporate/personal weighting across different seniority levels.

2.3.6 The Committee Chair observed that the 2015-18 LTIP scheme payment continues to be deferred until after the Magnox Inquiry and provided an update on the latest position regarding pension allowance.

2.3.7 The Committee Chair also explained the Committee had reviewed the targets proposed for the 2018-21 LTIP scheme, which have been submitted to the Board for final approval. Members queried the LTIP Target Date of 1st September 2019 for the Magnox Transition. It was pointed out that 1st September 2019 is a critical date in the programme and this is only one of three targets for the Magnox Transition. Members also felt that a single Organisational Health Index target for the Way Ahead Target may not represent fully the significance of the project to the organisation. It was noted that this is a tough target to achieve and failure of the one target could be demotivating to the team. The Chair of the Remuneration Committee noted the objectivity of the target as it is measured by survey of all employees with the ability to benchmark results externally. Members requested additional detail on the mapping of the Sellafield Transformation measures and targets and a better explanation of the number of Full Time Equivalent work.

Action 01: CEO to amend 2018-21 LTIP scheme targets in line with comments received by Members and circulate for approval by email.

2.3.9 Members noted the Committee reports.

Item 3 Main Board Topics

3.1 Sanction: Timing of Magnox Reactor Dismantling Strategic Outline Business Case (SOBC)

3.1.1 The Strategy and Technology Director noted that current NDA strategy is to leave all Magnox reactor cores in a state of care and maintenance for several decades before undertaking final reactor dismantling. Recent work has shown that the assumptions underpinning that strategy are no longer valid and the case for earlier reactor dismantling had therefore been examined. The SOBC recommended moving to a site specific decommissioning strategy, under which dismantling would be done on a progressive and continuous basis across the Magnox fleet. The SOBC set out a number of advantages in such a strategy, including a significant economic benefit of at least £500 million. The two stations that lend themselves best to consider early decommissioning are Dungeness A and Trawsfynydd.

3.1.2 Members challenged whether the new assumptions underpinning the SOBC were themselves robust. It was explained that the assumptions have changed due to additional technological advances and experience, for example, the marine environment at Dungeness A has led to asset degradation at a significantly faster rate than the original assumption. Members queried whether it was the right time to consider a change in strategy, given the imminence of the transfer of Magnox
to the subsidiary model of ownership, and what the latest date was by which a change of strategy could be decided. The Strategy and Technology Director confirmed the review was started prior to termination of the contract and the review is an explicit deliverable under the contract. Implementation will be well after model change takes place. Members queried some of the financial assumptions in the SOBC relating to costs. It was confirmed that all costs data was consistent but in places there is different treatment of inflation (in line with HMT Green Book rules). In response to a question, it was confirmed that the estate would have sufficient storage capacity to accommodate a strategy of early reactor dismantling. Members also discussed the importance of appropriate communications with affected communities, who would all have views on the consequences of the new strategy for their area.

3.1.3 The Board endorsed the Strategic Outline Case and noted the intentions for early stakeholder engagement and noted the next steps to produce the Outline Business Case.

The Sellafield Programme Director, [Minute redacted: s.40 Personal], and Sellafield Limited’s Programme Manager, [Minute redacted: s.40 Personal], joined the meeting by telephone.

3.2 Sanction: FGMSP Sludge Handling and Export Strategic Outline Business Case

3.2.1 The Sellafield Programme Director explained the Sludge Packaging Plant No 1 Buffer Tank provides the capacity to store radioactive sludge recovered from the pond prior to treatment and packaging for long term storage. The necessary plant for treatment and packaging has yet to be built. In a review of options Sellafield had concluded a different approach to the current baseline plan would have cost and schedule advantages. The proposal presented in the SOBC was to build a handling and export plant adjacent to the buffer tank and to make use of an existing waste encapsulation plant to package sludge prior to storage.

3.2.2 Members queried the need for encapsulation and it was confirmed the sludge is a very mobile waste form and would not be compatible with storage in the Geological Disposal Facility without encapsulation. Members queried the actual saving and the net savings in the diagram on page 13 were explained. In further discussion it emerged that sanction would be sought for the project in three elements that would require investment at different times within the overall programme. Members stressed that all sanction requests should cover the need for, scope, cost estimates, etc of all three elements.

3.2.3 The Board approved the FGMSP Sludge Handling and Export Strategic SOBC subject to subsequent sanction requests being presented as set out above.

The Sellafield Limited Programme Manager left the meeting.

3.3 Update on PPP

3.3.1 The Sellafield Programme Director explained the PPP and Sellafield Model Change projects had been reviewed by the Project Investment Committee (PIC) in BEIS and by IPA. The Major Projects Review Group meeting takes place on 16th October.

3.3.2 The Sellafield Programme Director summarised the outcome of the PIC and noted that all members of the PIC had been briefed prior to the meeting. The PIC had noted the progress on model change and the plan to revert to business as usual governance and had approved the PPP award. Recommendations were made around: review of the intelligent client performance and commerciality; an independent review of critical spreadsheets; and a ‘break glass’ plan for the contract award period. PIC requested a further update on PPP for April 2019.

3.3.3 The Sellafield Programme Director provided an update on the outcome of the IPA review. The model change aspects of the Sellafield Model Change are green with the forward transformation and NDA oversight aspects amber, primarily due to the length of the transformation project and the need to create an enabling environment. PPP was awarded green status for contract award with amber status for realisation of benefits due to the length of the term. The ‘break glass’ plan
was reiterated and recommendations made on succession planning to ensure a strong executive team.

**Action 02:** Sellafield Programme Director to provide the Board with sight of the ‘break glass’ plan prior to MPRG on 16 October.

3.3.4 The Board discussed whether all projects would be within the PPP framework and it was clarified that there is a value for money decision and some reasons for exclusion from PPP are set out though it is predicated on including all projects.

3.3.5 The Board was pleased with the positive news on the reception of Sellafield Model Change and PPP by PIC and IPA.

**Action 03:** Sellafield Programme Director to consider assessment criteria to use after year one and share thinking on commercial assurance statement with the Board.

The Sellafield Programme Director left the meeting.

3.4 Sanction Forward Plan

3.4.1 The CFO noted there are a number of key full business cases coming for sanction in the next few months and work is being undertaken on appropriate PIC dates. The Sellafield Limited programme for ICT services has moved from red to green RAG status as the governance dates have been provided. The CFO explained he is now accountable for the sanction process and will be strengthening the team including business case writer resources. The Board noted the Sanction Forward Plan.

The Board noted the Sanction Forward Plan.

The Head of Supply Chain Optimisation, [Minute redacted: s.40 Personal] joined the meeting.

3.5 Facilities Management (FM) extension

3.5.1 The Head of Supply Chain Optimisation reminded the Board of its endorsement in May 2018 of the Outline Business Case for estate-wide provision of FM and security personnel. Crown Commercial Services (CCS) has put in place a new framework for FM. The Head of Supply Chain Optimisation briefed the Board on a couple of emerging issues; a slight delay in the mini-competition process due to running additional internal workshops around the award criteria and the fact that fewer than anticipated bidders had come forward. The Head of Supply Chain Optimisation explained RWM wishes to use a smaller, SME friendly CCS lot and could have a standalone arrangement. Bidders’ days have taken place for Sellafield Limited and Magnox Limited and an FM Programme Board is reporting to the Executive team, to ensure individual decisions are transparent and appropriately communicated to bidders. Members explored the legal and reputational issues around the strategy and the GC confirmed the NDA legal team is fully engaged.

3.5.2 [Minute redacted: s.43 Commercial]

3.5.3 The Board agreed that the FM and security personnel extensions can be managed under NDA’s normal sanction process. The Board requested that if there are any material variations to the approved OBC then it should be brought to their attention, an example being, if we lose bidders before or during the mini competitions process, which could undermine the project’s ability to demonstrate value for money.

3.6 Estate-Wide update from Commercial

3.6.1 [Minute redacted: s.43 Commercial] The Board noted the work undertaken and requested that it be completed thoroughly and reported back to the Board.

The Head of Supply Chain Optimisation, [Minute redacted: s.40 Personal] left the meeting.

The Head of Strategic Enablers, [Minute redacted: s.40 Personal], joined the meeting.

3.7 Way Ahead Update

3.7.1 The CEO summarised the package of measures being put in place under the umbrella of the Way Ahead and the reasons for doing so, notably the changes in the portfolio, the external perception of NDA and the internal survey results. The Head of Strategic Enablers summarised the Way Ahead
journey. The Executive team workshop in early October will look at detailed design and implementation and engagement with staff and stakeholders. McKinsey support will continue until November 2018.

3.7.2 The Head of Strategic Enablers presented the four cornerstones of the new NDA which clearly lay out the vision, role, how we behave and how we work. The Way Ahead team is currently very focused on ‘our role’ and the concept of one NDA corporate group. The organisational design is being revised, for example, with a single multi-disciplined business facing team, a flatter structure and less overlap. There will be dotted line functional reporting across the Group. Members requested that there is a clear end point to the project and that existing talent is utilised.

3.7.3 The Board noted the update.

*The Head of Strategic Enablers, [Minute redacted: s.40 Personal], left the meeting.*

*The DNO left the meeting.*

3.8 [Minute redacted: s.36 Policy]

3.8.1 [Minute redacted: s.36 Policy]

3.8.2 [Minute redacted: s.36 Policy]

3.8.3 [Minute redacted: s.36 Policy]

3.9 Rutherford Insurance briefing

3.9.1 The CFO briefed the Board on the wholly owned captive insurance company Rutherford Indemnity Limited (Rutherford). BEIS have recently approved changes to the policy wording that will enable Rutherford to increase their retention of risk to £75m.

3.9.2 The Board noted the overall insurance programme and the extent to which this is self-insured through Rutherford, the governance arrangements and financial performance of Rutherford including the capital requirements, and the introduction of the Paris Brussels reforms expected in 2020. The Board noted the insurance issues being managed by the NDA Insurance Team, and the reduced external insurance costs due to an indemnity secured from Government for nuclear related losses above £50m, up to the statutory insurance limit. The diagram on p169 clearly outlines the risk carried by Rutherford and the external market.

**Action 04:** CFO to confirm RIL is covered by Group Internal Audit and to advise the Board when the last audit took place and whether any issues arose

3.10 Modern Slavery Act statement

3.10.1 The CFO presented the Modern Slavery Act statement for 2018 explaining the work is undertaken by a cross-functional team. The document builds on statements from previous years but the branding and values have been refreshed in line with current NDA standards. Members queried the work undertaken on the supply chain risks and proposed a focus on auditing for future years.

3.10.2 The Board noted the progress with the document and approved the Modern Slavery Act statement for 2018 and authorised it to be signed by the CEO and published on the NDA website.

**Item 4 Matters for Noting**

4.1 Forward Agenda

4.1.1 The Board noted the forward agenda.

4.2 Any Other Business

4.2.1 It was noted that the Board had received since the last meeting the following documents:

- DG Energy and Security Announcement (email, 10th August)
- Chair’s letter compared with NDA priorities (email, 10th August)
- Media response for Sellafield CEO advert (email, 10th August)
• Sellafield Ltd ONR Prosecution Update (email, 17th August)
• TV coverage (email, 24th August)
• P4 Performance Report (email, 3rd September)
• CEO Update to the Board (email, 4th September and 18th September)
• DNO Update to the Board (email, 18th September)
• NDA Board brief on key areas of interaction with EDF (email, 18th September)

4.2.2 There being no other business the meeting closed at 15.00.

Chairman