



Department for  
Business, Energy  
& Industrial Strategy

# Departmental Review

Nuclear Decommissioning Authority

June 2021



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# Contents

1. Glossary & Key Terms	4
2. About this Report	7
3. Executive Summary	8
4. Recommendations	13
5. The NDA's Purpose and Function	18
5.1 Introduction	18
5.2 Strategic Coherence and Alignment with Government Priorities	23
5.3 Classification & Form	45
6. Oversight by Central Government	50
6.1 Oversight and Sponsorship	50
6.2 The Department's Understanding of the NDA's Key Risks	64
6.3 Overall Level of Scrutiny of the NDA by Government	67
7. The NDA's Internal Governance and Structure	72
7.1 Structure of the Strategic Authority and Group Businesses	72
7.2 The Parent Body Organisation Model versus Wholly-Owned Subsidiaries	76
7.3 Responsibilities and Accountabilities Across the Group	84
7.4 "One NDA"	94
7.5 NDA's Performance Against the Governance Code	97
8. The Operational Health and Effectiveness of the NDA	98
8.1 Spending Approvals for Major Programmes	98
8.2 The NDA's People Strategy	104
Annex A: Terms of Reference	118
Annex B: The NDA's Operating Businesses	123
Annex C: Principles of Corporate Governance	127
Annex D: Summary of Recommendations from the Public Accounts Committee	136
Annex E: People and Organisations Consulted	144

# 1. Glossary & Key Terms

AO	Accounting Officer
ARAC	Audit and Risk Assurance Committee
AGR	Advanced Gas-cooled Reactor
BEIS	Department for Business, Energy and Industrial Strategy
BNFL	British Nuclear Fuels Ltd
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNPP	Combined Nuclear Pension Plan
CO	Cabinet Office
CSRP	Cyber Security and Resilience Programme
CV-19/ COVID-19	Coronavirus-19
DIT	Department for International Trade
DRS	Direct Rail Service Ltd
DSRL	Dounreay Site Restoration Ltd
EA	Environment Agency
ExCo	Executive Committee
FBC	Full Business Case
FOI	Freedom of Information
FRC	Financial Reporting Council
GDF	Geological Disposal Facility
GIAA	Government Internal Audit Agency
HMG	Her Majesty's Government
HMT	Her Majesty's Treasury
HR	Human Resources

HSE	Health and Safety Executive
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
LLW	Low Level Waste
LLWR	Low Level Waste Repository Ltd
MOD	Ministry of Defence
MPM	HM Treasury's "Managing Public Money"
NAO	National Audit Office
NDA	Nuclear Decommissioning Authority
NDPB	Non-Departmental Public Body
NED	Non-Executive Board Director
NLF	Nuclear Liabilities Fund
NRW	Natural Resources Wales
ONR	Office for Nuclear Regulation
ONS	Office for National Statistics
P&PC	Programmes and Projects Committee
P&R	Performance and Risk Committee
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PBO	Parent Body Organisation
PNTL	Pacific Nuclear Transport Ltd
PO	Partner Organisation (term used in BEIS for Arm's Length Body)
PPP	Programme and Project Partners model at Sellafield
PQ	Parliamentary Question
QPR	Quarterly Performance Review
R&D	Research and Development

RACI	Responsible, Accountable, Consulted, and Informed
REMCO	Remuneration Committee
RWM	Radioactive Waste Management Ltd
S&SC	Safety and Security Committee
SEPA	Scottish Environment Protection Agency
SFL	Springfields Fuels Ltd
SGHWR	Steam Generating Heavy Water Reactor
SIRO	Senior Information Risk Owner
SLC	Site Licence Company
SME	Small and Medium-sized Enterprise
SO	Strategic Outcomes
STEM	Science, Technology, Engineering and Mathematics
SRO	Senior Responsible Officer
THORP	Thermal Oxide Reprocessing Plant
UKGI	UK Government Investments
VfM	Value for Money

## 2. About this Report

- 2.1 This report summarises the findings and recommendations of the Departmental Review of the Nuclear Decommissioning Authority. In 2020 the Government decided to end the Tailored Review<sup>1</sup> programme of Arm's Length Bodies, and to replace it with a new programme, the details of which will be finalised in due course. BEIS took the decision to continue the evidence-gathering under the auspices of a departmental, rather than Tailored Review, given long-standing public commitments made to carry out and publish an assessment of the form, function and effectiveness of the NDA.
- 2.2 Although this is a review carried out by a team housed within BEIS, its contents should not be taken necessarily as a statement of Government policy. BEIS will respond formally to its recommendations in due course. The review team were organisationally independent of the Energy and Security Group, with the lead reviewer reporting directly to the BEIS Chief Operating Officer, and with independent challenge provided by one of the departmental Board non-executive directors.
- 2.3 The fieldwork for the review was concluded before the publication of the final Magnox Inquiry<sup>2</sup> Report, which looked into the award of the Magnox decommissioning contract by the NDA, and its subsequent termination. The Inquiry focused on a particular and distinct set of events and circumstances, so this report does not directly address its findings; however, where there are obvious points of commonality, it makes reference to them.
- 2.4 The Terms of Reference for the review are at Annex A.

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<sup>1</sup> <https://www.gov.uk/government/publications/tailored-reviews-of-public-bodies-guidance>

<sup>2</sup> <https://www.gov.uk/government/collections/magnox-inquiry>

## 3. Executive Summary

- 3.1 The NDA was created in 2004 to manage the clean-up of the UK's earliest nuclear sites and release them for their next planned use. This fundamental mission remains a pressing one. NDA manages risks and hazards that are among some of the most challenging in the world. It does so on 17 sites across England, Scotland, and Wales, covering more than 1000 hectares of land designated as nuclear licensed sites, and through eleven business, employing more than 15,000 people. The mission covers the decommissioning and remediation of land, the management of nuclear materials and spent fuel, and the management of nuclear waste. While there is little serious argument about NDA's core mission or the strategic policy outcomes that the NDA was created to achieve, there has been more debate about how that should be done.
- 3.2 In recent years, the NDA has been an organisation under considerable scrutiny. It has attracted significant attention at times from the media, its regulators, and Parliament, and most recently the Holliday Inquiry into the awarding of the Magnox contract was published in March 2021<sup>3</sup>. It is clear from the many interviews we undertook with NDA staff that the events surrounding that decommissioning contract in 2014 – prompting among other things the Independent Inquiry that for legal reasons was not able to report as quickly as expected, an NAO report and a PAC inquiry - have cast something of a long shadow across the organisation.

## Strategy and Functions

- 3.3 The new senior leadership recruited post-Magnox has put in train some significant reforms to the overall management of the organisation, not least a series of one-off decisions to bring businesses formerly contracted out to the private sector back in-house as wholly-owned subsidiaries.
- 3.4 The NDA has invested considerable effort in articulating a clear high-level strategy that surfaces some simplicity from a highly complex organisation, aligned with a clearly communicated and coherent set of objectives delivered by its various operating companies.
- 3.5 We conclude that the principal functions of the NDA as set out in its founding legislation are still the right ones, determining its core mission, focusing on site decommissioning and remediation of land so that the country can finally use it for a different purpose. NDA needs to continue to drive up its knowledge and understanding of the state of its sites – a task that should be made easier through a more streamlined governance structure with fewer boards and faster decision-making. It also needs to do more to explain, publicly, how through a more prioritised approach to remediation it will be able to return some sites to the country for alternative use sooner than originally planned, and at lower cost.

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<sup>3</sup> <https://www.gov.uk/government/publications/magnox-inquiry-final-report>



- 3.6 The NDA's task in managing nuclear materials and spent fuels on behalf of the state and forging an effective integrated waste management service underpinning all of the above, creates a persuasive and coherent set of strategic objectives. NDA's role as strategic advisor to Government has allowed it to influence the policy agenda appropriately – for example in helping determine a more proportionate approach to the management of waste.
- 3.7 One of the NDA's key benefits is the singular nature of its role, relying on its tightly drawn founding legislation to keep its focus on the delivery of the core mission. We do not recommend that NDA broaden its remit to acquire any new functions specifically to act as a development agency for new nuclear build, as some have suggested it should; however the changing nature of the work itself does present Government with some choices. These include whether to ask NDA to become a more commercial organisation, seeking out opportunities within its vires to offset some or all of the projected reduction in commercial income over the next few years following the ending of reprocessing at Sellafield, particularly in the context of increasing pressures on the public finances. We conclude that the NDA Board should be asked to weigh these considerations and give Ministers advice on the optimal balance between a strict focus on delivering the core clean-up mission and reducing pressure on the public purse through seeking opportunities for commercial revenue, including what synergies and trade-offs exist between the two.
- 3.8 We conclude that NDA has made considerable progress in defining its statutory role in giving support to the communities where its major sites are located. It is clear that the socio-economic support the NDA provides, despite being a relatively small proportion of its overall budget, has significant local impact and is generally highly valued. However, there is insufficient evidence that this is always fully integrated with wider Government interventions or is given by a clear line of sight from government.
- 3.9 Through its people strategies, investment in R&D, support of local communities and promotion of the UK supply chain, NDA has a considerable impact on both the supply of and demand for nuclear skills. The future skills challenges associated with new nuclear build are likely to be considerable.

## Form and Classification

- 3.10 We conclude that the role of the NDA should continue to be performed by an Arm's Length Body of Government. The need to be able to recruit the right expertise, and to site that expertise within a strategic authority charged with performance management and coordination of the businesses running its estate is essential. Creating a firebreak between the policy imperatives of central Government and operational clean-up of some of the country's highest hazards, requires the existence of a Partner Organisation. We found that although it continues to make sense for this to be constituted as a Non-Departmental Public Body (NDPB), there are significant differences when compared with other NDPBs that make the NDA unique, and later in the report we set out the need for the Corporate Centre to more clearly articulate its distinct purpose relative to its businesses.

## Oversight

- 3.11 BEIS and UK Government Investments (UKGI) combine to provide effective sponsorship and oversight of the NDA, bringing a blend of policy insight, shareholding and corporate governance expertise that draws on the skills of both organisations. We judge the overall quality of sponsorship to be good, with some exceptions. For example, there is room for a clearer explanation of the process by which the NDA's top risks are reported to central Government, and the way in which central Government considers those risks and acts on them.
- 3.12 There is also scope for improvement in the model and delivery. Too many staff in the NDA do not understand the service UKGI provides, or that it formally supports BEIS in its sponsorship role rather than operating as a separate and conflicting driver. We conclude that the distinctions between the BEIS and UKGI roles are not sufficiently rooted in the rationale for the different roles each play and appear to have developed organically over time as a product of convenience and practicality, rather than principle. This should be addressed through the Framework Agreement, which should be updated much more frequently than it has to date and be better communicated. The effectiveness of the joint working appears in large part to depend on the quality of some personal relationships, and in the mutual trust and respect that exists in them. BEIS and UKGI should maintain a careful overview of the impact on the joint working of key members of staff leaving, and of succession planning.
- 3.13 There is a clear need for Government to allow the NDA the space and time to manage its businesses and deliver against its core mission without unnecessary interruption. At present there is a considerable opportunity cost created by inefficiencies in different parts of Government interacting with the NDA in what often seems an uncoordinated fashion, contributing to sense of directionless scrutiny and duplication.
- 3.14 While the NDA is subject to significant scrutiny from a wide range of public bodies and office-holders this is not unreasonable given the degree of risk it manages on behalf of the state, and the amount of public money it spends. The NDA exerts considerable influence in its own right across other parts of central Government, for example with HM Treasury and parts of the Cabinet Office such as the Infrastructure and Projects Authority. This appears sensible, but BEIS and UKGI should be clearer about the rules of engagement, and on what occasions the NDA speaks for itself and when it needs permission from its sponsor to do so.
- 3.15 The frequency of significant interventions has in recent years been closely associated with concerns over the NDA's capability and management of risks. As the NDA is able to move on from these, reassuring Ministers through structural and capability reforms, it should experience a consequential reduction in scrutiny. As the NDA consolidates its understanding and management of its businesses and sites, and drives up the quality of its performance management, Government should actively consider ways of easing the impact of the scrutiny it applies, for example considering greater delegated authority for sanctioning and approvals of projects and programmes.
- 3.16 We see opportunity for the new NDA Chair to re-establish a closer working relationship with Ministers, developing a shared understanding of the wider policy and operational context. This could result in an increased sense of purpose in the NDA, helping turn the page on the bruising experiences that followed the Magnox contract. It would

provide an opportunity for the NDA to target interventions on behalf of ministers in particular areas of concern or priority across the NDA estate. During the course of 2020 the pressures of managing the response to the pandemic significantly reduced ministers' bandwidth for such relationship-building with Partner Organisations, but this should be a priority for 2021 and beyond.

## Internal Governance

- 3.17 Fundamental to the question of how to optimise the group of the NDA businesses is whether the current direction of travel towards wholly owned subsidiary businesses is maintained. Well-documented problems associated with private ownership of the sites has led in recent years to Government agreeing to bringing them in-house as subsidiaries of the NDA, but this decision-making has been piecemeal rather than strategic, and Government now needs to decide whether the business model is one it endorses. The Magnox Inquiry report has already recommended a review to establish whether the Parent Body Organisation model can ever adequately deliver the programme, and whether risk can effectively be passed to the private sector in this way.
- 3.18 The final position taken by Government will essentially dictate the future shape and governance of the emerging NDA Group, and will require greater clarity on how the NDA replaces contract management with other forms of performance management to ensure maximum value for money.
- 3.19 The line of sight between central Government and operational delivery by the businesses is somewhat obstructed by the current complex organisational design, with multiple subsidiaries and a plethora of boards. With the model of the NDA as Strategic Authority, Ministers should be able to rely on the NDA to provide them with assurance that public money is being spent effectively by the businesses. This will require a clear signal from central Government that the statutory NDA Board is empowered and trusted to oversee the mission on behalf of Ministers, and be held accountable for that delivery, without any erosion of the regulatory accountabilities that reside with the site licence companies.
- 3.20 The NDA's ability to satisfy Government that it has a genuine grip on efficiency across the Group and is able to give Government confidence through an integrated financial and performance reporting process – with clear, transparent and comparable data from across the Group - that picks up and mitigates the right risks, would be enhanced through a tighter and more streamlined corporate governance structure, with fewer boards and a cleaner, tauter set of relationships between the corporate centre and the businesses.
- 3.21 For this to happen a fundamental review of the accountabilities and responsibilities at different levels will need to be carried out, and agreement reached on any resetting of boundaries of the subsidiaries. Agreed conclusions will need to be actively endorsed by the UK and Scottish governments and by the Office for Nuclear Regulation, who will need to be involved throughout to ensure that the impact on the nuclear regulatory environment is not compromised.

- 3.22 The process for approving new projects involving significant spend is currently not effective and imposes unnecessary time and cost. This is in large part connected with the tensions that exist as a natural construct of the legislative and regulatory regime, but also the ambiguities that persist over roles and responsibilities between the corporate centre and the subsidiaries – referred to more than once during the review as “cobwebs and treacle”. We endorse the progress the NDA is making to reduce the duplication and inefficiencies inherent in the business approvals chain, from subsidiaries through the corporate centre, to government.

## Operational Health and Effectiveness

- 3.23 The leadership team’s efforts to create a compelling group-wide vision – “OneNDA” – is generally well received and supported by the Group’s businesses as well as external stakeholders we consulted, though concerns exist that it may over-emphasise commonality across subsidiaries and downplay legitimate differences. However, its potential to identify and realise economies of scale is clear, even though there have not been many tangible examples of doing so to date. New proposals to create a Group team that more closely integrates the executive leadership in the major subsidiaries with those in the corporate centre appear to be a sensible response to concerns that OneNDA has not yet quite found its feet. The NDA should continue to work closely and openly with the Office for Nuclear Regulation in order to respond adequately to any concerns they have in respect of the impact of OneNDA, and the creation of a Group Leadership Team, on the autonomy of site nuclear licence holders to comply with the law.
- 3.24 The leadership team have invested considerable efforts in improving the operational health of the NDA, not least given the emphasis on the NDA as a single enterprise rather than a disparate group of companies. They are developing a set of functional strategies – for example in HR, information security, and risk management – that attempt to bridge the organisational gaps between the strategic authority and the competencies that properly sit within the businesses. This is clearly work in progress, with the corporate centre still at times in a phase of discovery, piecing together the variable reporting practices in the businesses. NDA has addressed the shortcomings in its central commercial functions highlighted by the failure of the Magnox contract, establishing new capability in the corporate centre and creating clearer lines of accountability and of communication with central Government. With procurement and contract management now being carried out in smaller units, typically within the subsidiaries, the corporate centre still needs to establish the optimal balance of support and challenge, whilst assuring itself and government that it has an adequate line of sight into the commercial functions within the operating businesses.
- 3.25 There are opportunities for the NDA to achieve greater efficiencies and reduce costs via this functional approach to estate-wide activity, for example in ICT. There are opportunities too to create an integrated financial and performance reporting mechanism to give Government better visibility and more assurance of progress against the core mission and on how taxpayers’ money is being spent. Both of these will of course need to strike the right balance between achieving greater effectiveness and efficiency across the group whilst pushing down accountability for the day-to-day running of the subsidiaries to the appropriate level.

## 4. Recommendations

### Form and Function

#### Recommendation 1

- 4.1 The NDA should work with government to ensure that the formally agreed definition of “value for money” as applied to nuclear decommissioning is clearly communicated and used consistently by all parties.

#### Recommendation 2

- 4.2 BEIS should consider how it can work with the NDA to help it measure and evaluate: (i) the impact of its socio-economic activities, including the benefits to the delivery of the NDA’s core mission; and (ii) NDA’s net zero targets; ensuring that the overall strategic approach aligns with wider socio-economic priorities as well as the Energy Act requirements, and are given the right level of challenge and support by central government.

#### Recommendation 3

- 4.3 The NDA should maintain its current approach of pursuing active collaboration with overseas partners, including supporting international promotion of the UK supply chain, and where appropriate, and by agreement with BEIS, supporting broader UK interests. It should be able to demonstrate that none of these activities impact negatively upon, or distract the NDA from, its core mission. We recommend that the government periodically review how effectively these arrangements are working.

#### Recommendation 4

- 4.4 The NDA Board should keep under regular review, the appropriate balance between core clean-up and decommissioning and pursuing new commercial opportunities to secure additional revenue on the other, and report its findings to BEIS, who may then wish to give the NDA a clearer steer as to the desired policy outcome. This should consider: the skills, expertise and capacity available to the NDA; the level of additional risk any new commercial activity would create for the Government; the extent to which the Board and executive team would be able to dedicate appropriate oversight and control to such activity; and the direct and indirect opportunities it might create for the delivery of the core mission.

### Oversight by Government

#### Recommendation 5

- 4.5 BEIS and UKGI should consider ways of simplifying the current multi-channel engagement with – and therefore reducing unnecessary transactional burdens on - the NDA.

## Recommendation 6

- 4.6 BEIS and UKGI should carefully consider succession plans in place to mitigate the risks to the good working relationship with the NDA associated with the turnover of key staff; and that BEIS and the NDA work together to develop a light-touch process to enable staff in both organisations to spend time working in one another's teams, either through work shadowing or secondments, in order both to create a stronger sense of shared context, and to develop a practical understanding of one each other's roles and the challenges they face.

## Recommendation 7

- 4.7 The Framework Document should be kept under regular review, and formally updated to a frequency set by BEIS/UKGI, at least every two years.

## Recommendation 8

- 4.8 The department and the NDA should consider how to facilitate more frequent and more direct conversations on matters of strategy and policy implementation. This could be led by the Chair. This would allow on the one hand the Secretary of State and junior ministers to share their priorities, insights, and expectations of the NDA, referencing their wider policy and delivery vision as appropriate, and on the other give the NDA a forum to explain both their progress and surface any challenges they wish to bring to ministers' attention.

## Recommendation 9

- 4.9 BEIS and UKGI should establish a clearer, more transparent mechanism for identifying those NDA top-level risks that merit formal reporting to BEIS' Performance and Risk Committee, and to the BEIS Director General.

## Recommendation 10

- 4.10 The revised Framework Agreement should make clear that all of the NDA's wholly-owned subsidiaries should work towards full disclosure of salaries above the normal transparency threshold for publication, from a point in time agreed between the NDA and BEIS to allow the necessary time to implement, recognising that there may be contractual or other legal matters to resolve before doing so. In addition, Government should introduce a group-level pay control total, agreeing the total number of staff that may be paid above a certain threshold across all of the NDA's subsidiaries, with the corporate centre working with the subsidiaries to allocate the roles, and Government reviewing the effectiveness of this change every year.

## Recommendation 11

- 4.11 As the NDA consolidates its understanding and management of its businesses and sites, and drives up the quality of its own performance management, Government should actively consider ways of easing the impact of the scrutiny it applies. This is likely to be over a period of several years. For example setting higher levels of delegated authority for sanctioning of projects and programmes, in recognition of measurable progress made by NDA in developing transparent, comparable management and financial information from all Group businesses.

## Internal Governance

### Recommendation 12

- 4.12 Board Effectiveness Reviews should take place at a frequency in line with current best practice (ie an externally facilitated review every three years, and an internal review annually). BEIS and UKGI should work with the Chair to set the terms for a skills audit to complement the externally facilitated Board Effectiveness Review in order to assess whether the Board has the right mix of skills given the evolving nature of the group model and the merits of recruiting further additional nuclear expertise. The outcome of the Board Effectiveness Review and the skills audit should be shared in writing with BEIS / UKGI.

### Recommendation 13

- 4.13 The NDA should present Government with costed and evidenced options for the streamlining of the Group, its associated boards, and Non-Executive Directors. This should include: (i) potential savings to the public purse of reducing the number of boards, (ii) justifying the presence of Non-Executive Directors on those boards that are retained; (iii) identifying opportunities to maximise collaboration across business boundaries to exploit strengths, scope and the scale of the group to deliver value for money, and (iv) demonstrating to the satisfaction of the ONR and the relevant environmental regulators that such reform comes without risk to existing safety and security obligations.

### Recommendation 14

- 4.14 In order to demonstrate their continued value to the NDA group, and test whether the same level of service could be provided by the private sector at lower cost and / or more effectively and without additional risk, NDA should review the transport solutions that are likely to be required to deliver the mission over the coming years and consider make/buy options in line with operational requirements, value for money and the risk profile. The Board should ask for a first pass on this within two years and regularly thereafter.

### Recommendation 15

- 4.15 NDA should look carefully at the staffing structure in the corporate centre with a view to rooting out any inefficiencies created by unnecessary shadowing of subsidiaries and providing a clear and transparent explanation of the roles and value provided by every team in the corporate centre.

### Recommendation 16

- 4.16 The NDA should carry out a fundamental review of the distinct accountabilities and responsibilities of the subsidiaries, relative to those of the NDA Corporate Centre, to ensure boundaries are clear and subsidiary boards have an appropriate remit. The implications for regulatory accountabilities of the subsidiaries of any changes proposed will need to be fully understood by the relevant regulators, and where necessary formally approved by them. When reviewing the remit of subsidiary boards, a single

group wide Remuneration Committee should be considered, to ensure more visible consistency with senior pay controls as agreed with government.

## Organisational Health and Operational Effectiveness

### Recommendation 17

- 4.17 As the proposed creation of the Group Leadership team evolves, The Infrastructure and Projects Authority should work closely with the NDA to realise the opportunities for more appropriate designation of SROs for NDA projects on the Government's Major Projects Portfolio, including considering the designation of senior members of the subsidiary executive teams to ensure formal accountabilities are sited at the right level.

### Recommendation 18

- 4.18 BEIS should review how its business case approvals mechanisms, including the PIC, can complement the NDA's assurance process rather than replicating it. BEIS and NDA should consider seconding staff into the Corporate Centre and/or a Site Licence Company to provide enhanced capability on the drafting of business cases.

### Recommendation 19

- 4.19 We recommend that the NDA produce clearly defined terms of reference for each layer of governance in the business case approvals and sanctions process that explains the roles and responsibilities of each and highlights their additive value. Unnecessary layers should be removed. Additionally, IPA should consider what further help it can provide NDA's PPM capability with a view to offering advice and support as it enhances its capability.

### Recommendation 20

- 4.20 As part of the improvement plan being developed to raise the NDA's Equality, Diversity and Inclusion standards, we recommend that NDA review the availability, promotion and effectiveness of formal mechanisms for workers in all parts of the Group to raise concerns about bullying, harassment and discrimination in the workplace, including provision of whistleblowing helplines.

### Recommendation 21

- 4.21 The NDA should consider what changes to the workforce structures and ways of working adopted during the Covid pandemic could become permanent features. Additionally, the NDA should work with its businesses to agree where there is scope for further workforce efficiencies given the likely increase in home-working.

### Recommendation 22

- 4.22 Given the changing business model which now sees the corporate centre's commercial role more focused on assurance of the commercial activities of its subsidiaries, as well as its role in developing and managing revenue opportunities and contracts, we recommend that the NDA keep under careful review the range of core skills and competencies in the centre, as well as those of the subsidiaries' commercial teams.



This should include a mechanism for giving BEIS assurance on subsidiaries' understanding of and compliance with all relevant public sector procurement rules and standards.

### Recommendation 23

- 4.23 The NDA should continue its drive to improve and standardise financial reporting by the subsidiaries, in order to create, as soon as possible, a fully-functional Integrated Financial Framework to give the NDA Board full confidence in the corporate centre's ability to allocate, prioritise and monitor spend across the whole group.

## 5. The NDA's Purpose and Function

This Chapter introduces the NDA and gives an overview of the NDA's mission, statutory functions and budget. It looks at how the NDA is aligned with government priorities, the classification and form of the NDA and its approach to strategy.

### 5.1 Introduction

- 5.1.2 The creation of the Nuclear Decommissioning Authority in 2004 marked the start of a new approach by the UK Government by transferring all of the country's state-owned civil nuclear liabilities to the responsibility of a single strategic authority, and charging it with the task of cleaning up the country's earliest nuclear sites safely, securely, and cost-effectively.
- 5.1.3 The NDA is responsible for 17 sites in England, Scotland, and Wales. The most significant of these is Sellafield, the UK's largest nuclear site. The NDA and its Site Licence Companies are responsible for keeping the sites safe and secure, whilst ensuring their clean-up and whilst managing large quantities of uranium, plutonium and nuclear waste. Current plans indicate that this mission will take over 100 years to complete, with an estimated cost over that period of at least £130 billion.
- 5.1.4 Many of the facilities owned and managed by the NDA are in poor condition, and are the legacy of the development of nuclear technologies that reflect the prevailing culture and approaches of the 1940s, and which present a set of challenges for the NDA that are unique in the world. The task set by Government for the NDA is to deliver its core clean-up mission whilst upholding safety and adherence to environmental standards and reducing costs and accelerating progress wherever possible.

### Creation of the NDA

- 5.1.5 Following publication of the Government's 2002 White Paper, "Managing the nuclear legacy: A strategy for action" the Energy Act 2004 created the NDA, giving it a range of functions and duties. The Act and subsequent Directions from the Secretary of State gave the NDA responsibility for most of the assets of British Nuclear Fuels Limited (BNFL), which included the Sellafield site, and the waste disposal site at Drigg in Cumbria, and those parts of the UKAEA that were left in public ownership when it was privatised (including the sites of prototype reactors at Winfrith, Windscale, and at Dounreay). In addition, the NDA inherited ownership of and responsibility for other businesses providing essential services to these sites, including specialist nuclear rail and shipping services and assets. At the time of the NDA's creation, the total undiscounted costs of these liabilities were estimated to be around £50bn.
- 5.1.6 Since its creation in 2004 the NDA has evolved through several different approaches to managing this legacy, including some key developments in respect of the management of its businesses during the period of evidence-gathering for this review.
- 5.1.7 The NDA owns and oversees a number of subsidiaries carrying out decommissioning and other nuclear and ancillary activities. Broadly speaking, the NDA has evolved from

its original character as a relatively small strategic authority operating on a client / contractor model to one more akin to a parent / subsidiary model. Indeed, the process of subsuming all of the Site Licence Companies responsible for clean-up of the designated sites within the NDA “group” of businesses is nearing completion, with Sellafield and Magnox having become wholly-owned subsidiaries in 2016 and 2019 respectively.

- 5.1.8 The main operating businesses are Sellafield Ltd (11,000 employees), Magnox Ltd (2,400 employees), Low-level Waste Repository Ltd (335 employees), Radioactive Waste Management Ltd (180 employees), Dounreay Site Restoration Ltd (1,200 employees), International Nuclear Services (a public corporation involved in international nuclear transport – 120 employees), Direct Rail Services (a public corporation involved in national nuclear transport – 500 employees).
- 5.1.9 Aspects of this evolution will be covered later in this report, but currently NDA’s estate comprises:
- 17 nuclear sites
  - Site Licence Companies: Sellafield Ltd and Magnox Ltd (both wholly-owned subsidiaries of the NDA and between them accounting for 13 of these sites), plus Dounreay Site Restoration Ltd (a wholly-owned subsidiary of the NDA), and Low Level Waste Repository Ltd (also a PBO-run business, and also due to become a wholly-owned subsidiary in 2021);
  - Decommissioning contracts with two further businesses where the NDA retains liabilities: Springfields and Capenhurst
  - Six specialist subsidiaries: Direct Rail Services and International Nuclear Services (rail and shipping services respectively); Radioactive Waste Management (responsible for siting and developing a long-term Geological Disposal Facility); plus, other subsidiaries responsible for archives management, insurance, and property.
- 5.1.10 With the current direction of travel moving away from a business model where businesses were owned and run by private sector consortia under contract to the NDA, towards a position where most will soon be wholly-owned subsidiaries, we have chosen to use “the NDA” in its widest sense. For the purposes of this report, “the NDA” describes the grouping of businesses, plus the Strategic Authority – the “Corporate Centre” – that sits between them and central Government and acts as enabler and performance manager. Where the review has needed to focus in more detail on one part of the organisation – for example, in the section looking at Government oversight and sponsorship, where the legal, financial and procedural relationships are between the Government and the Corporate Centre – we make that clear.

## The NDA’s Statutory Functions

- 5.1.11 The Energy Act 2004 (referred to in this report as “The Energy Act”) establishes the NDA’s functions, duties and powers. Its responsibilities have been expanded through directions made under section 3 of the Energy Act 2004. These legal provisions and directions are binding on the NDA and establish the extent of its powers and duties. In summary, they are as follows:

- responsibility for **designated sites** across the UK, including facilities which were developed during the 1940s – 1960s to support the then-Government’s nuclear generation and defence research programmes;
- responsibility for the **wastes, materials and spent fuels** produced on these sites and by these programmes. In addition, the NDA’s operations support the management of spent nuclear fuel from operational power stations in the UK (using facilities at Sellafield).
- the fleet of **Magnox nuclear power plants** (NB none are now generating power) that were built during the 1960s and 1970s, and the facilities at Sellafield created in order to reprocess Magnox fuel, material and waste;
- **promoting effective competition** for contracts in respect of the decommissioning and clean-up operations described above. Much of the NDA’s expenditure is on capital projects with around half of expenditure in the UK supply chain consisting of UK based engineering, construction and service companies.
- securing **geological disposal of higher activity waste**, a UK-wide **nuclear low-level waste strategy**, and plans and creating **one organisation capable of taking a strategic view through all stages of the waste management chain** whilst providing transparency and accountability to regulators and to Government (both UK and devolved). This additional responsibility was given to the NDA by Ministers in 2006, and includes working with the Scottish Government to implement its policy for the long-term management of higher activity waste in near-surface facilities; and
- providing **advice to Ministers in relation to nuclear new build** – specifically, the decommissioning plans of operators. In effect this entails scrutinising the decommissioning plans of EDF Energy, who own the operating fleet of Advanced Gas Cooled Reactor (AGR) nuclear power stations, and providing assurance to the Secretary of State that that the proposals of EDF Energy in relation to those costs borne by the Nuclear Liabilities Fund are ones that would be made by a “reasonable prudent operator”.

5.1.12 In addition, The Energy Act gives the NDA some additional, supplementary functions and duties in respect of supply-chain development, R&D, skills development, socio-economic support to its local communities, and stakeholder engagement:

- carrying out **research** into matters relating to the decommissioning of nuclear installations, the cleaning-up of nuclear sites and the other activities in relation to which it has functions. The NDA invests in pure and applied research linked to decommissioning. Current examples include advanced robotics and thermal

treatment of nuclear waste. Much of this expenditure is near or on the NDA sites so has synergies with the NDA's statutory responsibilities for "levelling up" (see below).

## International Comparisons

- 5.1.14 As one of the pioneers of civil nuclear energy during the middle of the last century the UK has established a model for managing the legacy of the first nuclear sites that is unlike those found elsewhere in the world.
- 5.1.15 Several countries have established individual organisations or companies that bear comparison with the NDA's assets and responsibilities, but none has a direct equivalent in overall responsibilities and capabilities.
- 5.1.16 Below we summarise two of the main points of comparison – the USA and France – whose nuclear legacies have some shared features with those of the UK.
- 5.1.17 *USA:* The Office of Environmental Management within the US Department of Energy, is the closest comparable body to the NDA. Alongside that organisation, the Office of Nuclear Energy is responsible for geological disposal, while the National Nuclear Security Administration maintains the US nuclear stockpile. The NDA's original contracting model – that is the contracting of Parent Body Organisations (PBOs) to own and clear up the NDA's sites – was in effect based on the model developed in the USA.
- 5.1.18 *France:* France has a very similar decommissioning challenges to those found in the UK, but the very different approach taken by previous governments has not led to the same degree of restructuring. Therefore state-owned (or where the state is a significant shareholder) companies have tended to retain responsibilities for different parts of the decommissioning mission. The equivalent NDA responsibilities are therefore split between several organisations. Waste management and disposal is through a government-owned corporation – ANDRA – while decommissioning is carried out by the owners of the facilities: EDF SA, the nuclear generator, Orano, a part private part public company, and CEA, the national R&D organisation.

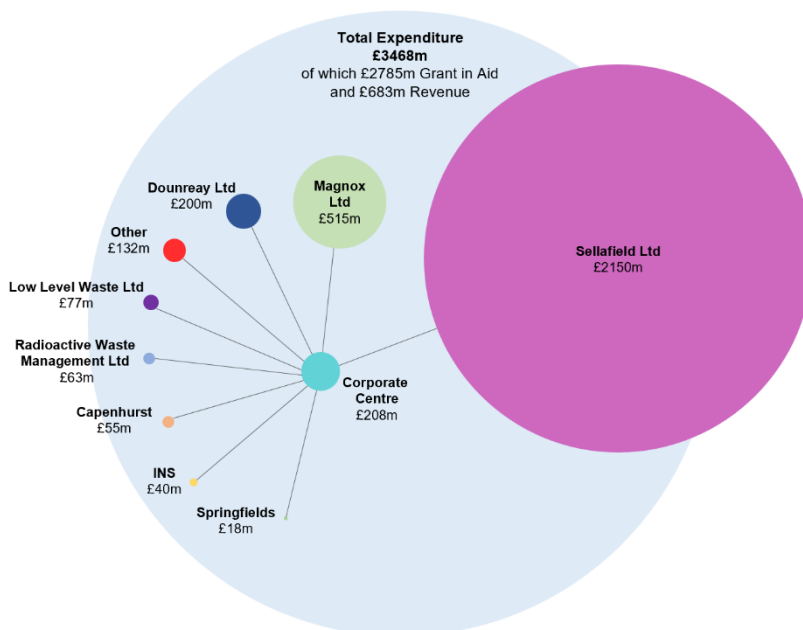
- **education and training** in respect of these matters;
  - promoting, maintaining and developing a skilled workforce able to undertake the work of decommissioning and cleaning up nuclear installations and sites;
  - giving “encouragement and other support” to activities that benefit the social or economic life of, or produce environmental benefits for, communities living near the NDA sites. The NDA expenditure is mainly in remote regions of the UK (e.g. Sellafield in West of Cumbria, Dounreay in the far north of Scotland, two sites in NW Wales). The NDA estimates that around 45,000 jobs are supported directly and indirectly by decommissioning, most in relatively high skilled work. Approximately 1 job in every 6 in Cumbria is dependent on Sellafield.

## International Comparisons

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## Overview of NDA’s Budget

5.1.19 Overall funding and expenditure across the NDA Group for 2020/2021 is shown below.



## 5.2 Strategic Coherence and Alignment with Government Priorities

5.2.1 The NDA Strategy sits as part of a family of formal key documents the organisation produces over a five-year life cycle, of which three (the Strategy, Business Plan and Annual Report and Accounts are requirements of the Energy Act). Others are produced to give more operational information. Other public documents are also produced at the corporate level – for example, the NDA’s Socio-Economic Strategy - The table below provides a summary.

Document	Frequency	Energy Act Requirement?	Covers
NDA Strategy	Every five years; subject to public consultation	Yes	High-level overview of how the NDA proposes to deliver its mission
NDA Mission Progress Report	Annual	No	Detailed progress report on delivery against the Strategy
NDA Business Plan	Annual; subject to public consultation	Yes	Sets out plans for next three years, with detail of

Document	Frequency	Energy Act Requirement?	Covers
			funding available for the next year
Mid-Year Performance Report	Annual	No	Progress update against Business Plan and sets out the NDA Group Targets
Annual Report and Accounts	Annual	Yes	Covers key achievements and spending; contains overall progress update against mission

5.2.2 We spoke to colleagues in Government as well as external stakeholders about these publications, two of which are subject to formal consultation. Broadly, the extent to which the NDA consulted on them was welcomed.

## The NDA’s Approach to Strategy

5.2.3 The sheer complexity of the total effort involved in delivering the NDA mission provides a challenging backdrop for the development of a pithy, succinct single top-level strategy. The NDA told us that they have devised a “Strategy Management System” which is essentially a decision-making process with formal gateways which allows them to engage with stakeholders, including their operating companies, government, the regulators and so on as they develop it; allows it to deal with its numerous inter-dependencies; and provide justification for any preferred options the organisation chooses to advance.

5.2.4 The Strategy sets out, at the highest level, how NDA plans to deliver its mission. It does this by essentially boiling everything it does down to four key components, or strategic themes, which, underpinned by “critical enablers” such as transport, that contribute to the delivery of the mission.

5.2.5 Under these strategic themes, the NDA has developed 47 Strategic Outcomes (SOs), which describe discrete deliverables, brigaded under the first four themes above, and then cross-checked against the nine NDA businesses (Sellafield, Magnox, Dounreay, LLWR, RWM, INS, DRS, Capenhurst and Springfields) indicating where the deliverable has already been achieved.

5.2.6 This gives a clear, easy-to-understand summary not just of the totality of the core components of the mission and how they relate to one another, but a useful at-a-glance scorecard of the implications and involvement for the wider set of operating companies.



## Value for Money

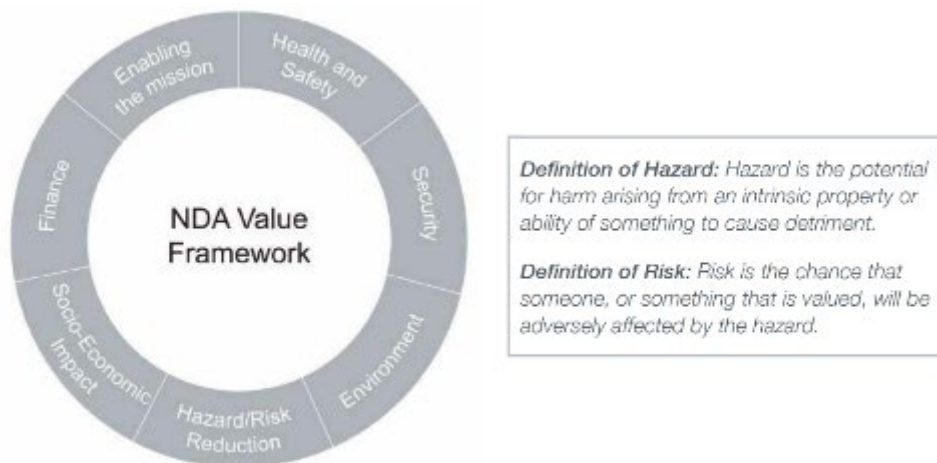
5.2.7 The concept of achieving value for money on behalf of the taxpayer runs through the full array of corporate reports, such as the Strategy (where it is mentioned 22 times) and the Business Plan, as well as featuring in the targets and milestones set for the delivery of the core mission by the NDA's businesses, and in specific statements of strategy and operational policy such as the Supply Chain Strategy. "Achieving Value for Money" is the first of the stated benefits of the OneNDA approach.

5.2.8 Managing Public Money<sup>4</sup> defines ensuring value for money as:

*"ensuring that the organisation's procurement, projects and processes are systematically evaluated to provide confidence about suitability, effectiveness, prudence, quality, good value judged for the Exchequer as a whole, not just for the accounting officer's organisation"*

5.2.9 However, we heard from several interviewees, both in central Government and the NDA, that the concept of value for money in the context of managing and reducing some of the country's most dangerous risks, needed to be considered as a special case.

5.2.10 A decade ago, the NDA devised a "Value Framework"<sup>5</sup> (see graphic below) - revised several times since - to show how the NDA assesses a range of common factors in its decision-making, considering different options against them. This provides some visibility of how social value, affordability and sustainability, among other things, are taken into account. However, the relationship between this approach and the concept of Value for Money as it is deployed by the NDA in its options appraisal and monitoring of outcomes is not entirely clear.



5.2.11 Value for Money is an area where central Government, via Chairs letters from the Permanent Secretary, has encouraged the NDA to set an estate-wide standard in order to improve requests for sanction or to support decision points.

<sup>4</sup> <https://www.gov.uk/government/publications/managing-public-money>

<sup>5</sup> <https://www.gov.uk/government/publications/nda-value-framework-how-we-make-decisions>

5.2.12 Demonstrating value for money of action taken now over a period of 100+ years is clearly challenging; however, a better understanding of the metrics inherent in deciding whether something represents good value for money, taking into account the unique circumstances of the sector, would be helpful.

#### Recommendation 1

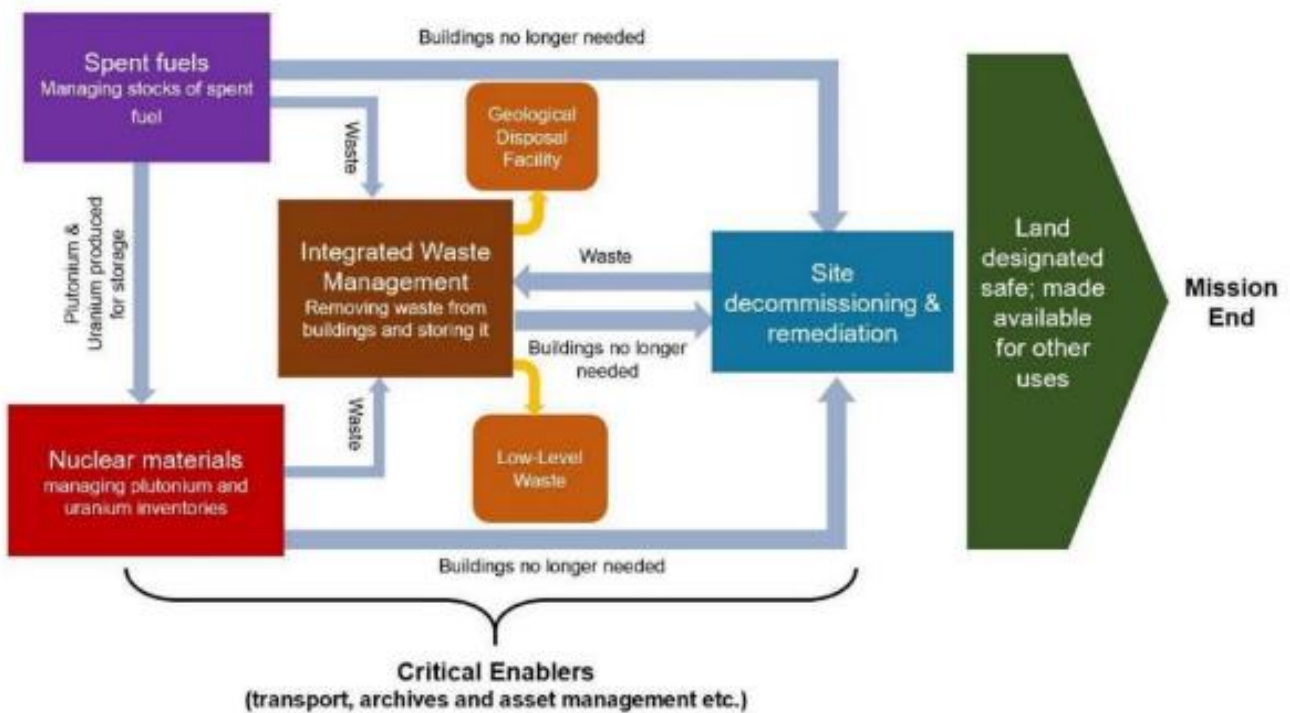
5.2.13 The NDA should work with government to ensure that the formally agreed definition of “value for money” as applied to nuclear decommissioning is clearly communicated and used consistently by all parties.

### The NDA’s Activities and Alignment with the Core Mission and Government Priorities

5.2.14 Rather than assess the alignment of each of the NDA’s businesses and / or principal sites to its core mission and the priorities of government, we chose to approach the subject by following the NDA’ own top-level themes, summarised in the table below.

Strategic Objective	Encompassing
Site decommissioning and remediation	This covers the decommissioning of infrastructure: facilities that are no longer needed and ensuring that land is safe and suitable for different new purposes. This is, in effect, the principal strategic aim, since once it has been achieved the mission will essentially have been completed. The other strategic themes effectively support it.
Spent Fuel Management	This sets out the NDA’s approach to its management of a range of spent nuclear fuels, including significant quantities of oxide fuels, lesser quantities of Magnox fuel, and some fuel types known as “exotics” which are non-standard.
Nuclear Materials	This covers the NDA’s approach to management of the inventories of uranium and plutonium currently on some sites.
Integrated Waste Management	Covering the NDA’s management of waste in all its forms produced as a result of its activities. This includes the Low Level Waste Repository and the work of Radioactive Waste Management Ltd to develop a Geological Disposal Facility, for long-term storage of waste.
Critical Enablers underpinning the above	Includes but is not limited to: the NDA’s transport businesses, information governance, cyber security, research and development, people, asset management, socioeconomics, stakeholder engagement and international relations

5.2.15 The chart below, created by the Review Team provides a simple overview of the way the various activities undertaken within these key strategic themes combine.



5.2.16 In the sections that follow, we summarise the NDA’s current activities under the main strategic themes and assess whether they engage the key components of the core mission and pick up on wider Government priorities.

### Site Decommissioning and Remediation

5.2.17 There are eight Strategic Outcomes directly associated with this theme. (These encompass: completing decommissioning and demolition or re-use of buildings as planned; making all planned necessary new buildings operational and functioning; and ensuring that selected sites are in deferred decommissioning status, all contaminated land remediated, and all land re-used or de-designated (i.e. no longer designated nuclear sites).

5.2.18 As discussed above, the set of activities under this heading are at the heart of the NDA’s core mission. This work includes activity to decontaminate, dismantle and demolish facilities that are no longer used or needed, and in turn treating and / or removing anything that could cause contamination. The NDA told us that while this is core work, it is also some of the most inherently challenging. Much of the infrastructure is old and deteriorating – more than sixty years in some cases – and it is not clear that it was originally built with an eye on making future decommissioning easy. The NDA also has the role of defining both the desired outcome and its timing (we were told that the role of the Corporate Centre was to determine priority and pace, and the Site Licence Company was responsible for determining how to deliver this, consistent with the expectations and requirements of regulators).

5.2.19 The NDA told us that they apply the principles of “proportionality and optimisation” – in other words, seeking to make the most effective use of resources, balancing both benefits and detriments and making decisions proportionate to the risk. The NDA sets out a description of an “end state” for a facility – i.e. the description of the site at the point at which all decommissioning and clean-up has been done and it is ready for new use – and a number of interim states along the way towards that end state. Working with regulators, The NDA (both the corporate centre and the SLCs) work with some key characterisations of risk, from “intolerable” where urgent action to reduce the risk is the overriding concern, through “tolerable” to “broadly acceptable” where the main driver is the completion of the mission.

### The NDA’s Understanding of its Sites

5.2.20 A source of sustained criticism of the NDA by successive NAO and PAC reports has been its imperfect understanding of the state and conditions of all of its sites. Indeed, the mismatch between the scope of the work tendered for, and the actual clean-up requirements on the sites was at the root of the cancellation of the Magnox contract in 2017. The most recent Public Accounts Committee report<sup>6</sup>, following the NAO Inquiry into the Management of the Magnox contract, notes that the NDA’s understanding of the sites continues to be a challenge for the organisation. The Magnox Inquiry itself, however, concluded that:

*“the NDA has made significant progress over recent years against its key objectives of decommissioning and hazard reduction, and at the same time has achieved meaningful cost savings”.*

5.2.21 The NDA told us that they were determined, working with site licence companies to continually improve their granular knowledge of the state of the sites. This will need to involve working with BEIS and UKGI to ensure robust lifetime plans – for example for Magnox and Dounreay – in order to measure incremental progress made on sites into the medium and long term.

5.2.22 Decommissioning challenges across the NDA estate include old nuclear reactors, reprocessing plants, research facilities and fuel manufacturing plants. The NDA told us that many were built at a time when society’s expectations were in stark contrast to those today; there had been relatively little thought given to future decommissioning needs, and this had created particular uncertainties over the nature of the work needed before it could begin. One of the most obvious examples of site decommissioning and remediation is the retrieval of high-hazard materials from the ponds and silos at Sellafield. The NDA told us that they are by some distance the highest risk hazards on the whole the NDA estate, one of its top priorities, and having been built in the early days of the nuclear era probably represent the most significant decommissioning challenges in the world.

5.2.23 For the 12 Magnox sites, the NDA has now established a prioritised approach to decommissioning, meaning that assumptions about site end states can be revised and, in some cases, brought forward.

### Spent Fuels

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<sup>6</sup> <https://www.nao.org.uk/report/terminating-the-magnox-contract/>

- 5.2.24 There are 15 Strategic Outcomes associated with this theme, covering spent Magnox and Oxide fuels (from commercial power production reactors, with all of the oxide fuel coming from EDF's existing Advanced Gas-cooled Reactors (AGR) fleet) and exotic fuels (typically from earlier innovative, prototype research reactors). Depending on the fuel this variously involves completing the defueling of sites, retrieval of legacy fuels, completing reprocessing, and interim storage and final disposal.
- 5.2.25 The NDA has a key role in making strategic decisions – engaging Government and regulators - about whether to reprocess or store spent fuels, considering potential costs associated with both approaches, including potentially declaring it as waste for long-term storage in a Geological Disposal Facility. Storage of fuels takes place at Sellafield.
- 5.2.26 A significant area of activity in relation to spent fuels for the NDA is the management of spent fuel from EDF's AGR fleet. It is anticipated that by the early 2030s all existing AGR stations will have stopped generating electricity, and the remaining spent fuel will be transported to Sellafield for consolidation. The NDA currently expects eventually to dispose of all this fuel in a Geological Disposal Facility.

#### Nuclear Materials

- 5.2.27 There are ten Strategic Outcomes associated with this theme, covering the production, consolidation, repackaging and storage – and then re-use or disposal – of the NDA's stockpiles of plutonium and uranium.
- 5.2.28 The NDA manages significant volumes of both uranium and plutonium arising from civil use. While some of these have the potential to be re-used in nuclear fuel for generating electricity in the future – others will require long-term disposal. It should be noted that the NDA also manages a smaller quantity of nuclear materials on behalf of overseas partners, under contract. These do not form part of the longer-term liabilities that the NDA manages on the UK's behalf.
- 5.2.29 All of the plutonium is stored at Sellafield, given the very strict requirements governing its management. The NDA is working up options for meeting the Government's stated priority of putting plutonium "beyond reach" – in other words placing it in a state which reduces the security risks associated with its storage, potentially in a Geological Disposal Facility. The NDA's uranium is stored on a number of sites. The NDA is considering options, including interim storage leading either to sale or re-use where it is practical to do so, or ensuring that it is ready for permanent disposal.

#### Integrated Waste Management

- 5.2.30 The NDA has set 14 Strategic Outcomes – split between the three categories of low level waste, intermediate-level waste, and high level waste – that describe the production, retrieval, treatment, storage and disposal of waste products in a manner "that protects people and the environment, now and in the future, and in ways that comply with government policies and provide value for money".
- 5.2.31 Site decommissioning and remediation plus the by-products of spent fuels and nuclear materials management rely upon a functioning waste management system that is capable of integrating with the entire NDA estate. The NDA told us that this waste management infrastructure needed to evolve to underpin the core mission of

decommissioning and remediation of sites. As time passes, this is likely to produce a higher proportion of waste that is “lower activity” radioactive, and non-radio-active, in nature, which in turn will drive up opportunities for sustainable methods of managing it, such as recycling and re-use. The NDA is now applying a “waste hierarchy”, encouraging its site licence companies to focus efforts to retain as much value as possible from waste, and minimise environmental impacts, with disposal of waste essentially being a last (but essential) resort only when other options are inappropriate. The first and preferred approach is waste prevention, then minimisation, re-use, and recycling before disposal.

- 5.2.32 The NDA told us that the past decade had seen a profound change in the use of vaults for long-term storage of low-level waste. In 2008 around 95% of low-level waste was placed in vaults; now approximately 95% of waste is diverted and recycled before it reaches the repository.
- 5.2.33 As noted later, plans for governance changes exist in respect of the NDA’s discharge of its waste management obligations. Two operating businesses, Low Level Waste Repository Ltd and RWM Ltd, are currently charged with managing the full life cycle of waste, from planning and preparation through treatment and packaging, to storage and disposal.
- 5.2.34 The NDA told us the role they play in giving both the UK and devolved governments strategic and technical advice as they develop their radioactive waste management policies. The policy of the Scottish Government for the management of Higher Activity Waste is to ensure long-term storage in near-surface sites, as distinct from the policy of the UK and Welsh Governments which is to implement a Geological Disposal Facility – a contained area deep underground which prevents harmful amounts of radioactivity ever reaching ground level.
- 5.2.35 In Scotland, current policy is to manage nuclear waste at or near surface, which means that Higher Activity Waste from Scottish sites cannot be placed in the proposed Geological Disposal Facility. We understand that the Scottish Government expects to carry out a policy review of this in 2021.
- 5.2.36 Radioactive Waste Management Ltd described to us the process by which the search for a suitable site is being undertaken, working closely with communities that could potentially host it, and considering the longer-term socio-economic impacts of doing so.
- 5.2.37 The creation of the new Integrated Waste Management operation, and the development of a new Integrated Waste Programme, is being led by a Director in the Corporate Centre. During the review fieldwork phase the Outline Business Case was being prepared, designed to identify what the NDA expected to be significant savings from bringing the businesses together, with around 10% in shared services and 5% in overheads. We were told that efficiencies would be achieved through, for example, standardising encapsulation wherever possible.
- 5.2.38 It is in waste management that the NDA have the most obvious need to manage their relationships with the three environmental regulators in England, Scotland and Wales. From evidence we saw they manage these interfaces well; there is a good level of joint working between the regulators, and where there are policy differences associated with the competences of devolved Governments, the NDA manage these effectively and without obvious disruption to delivery.

- 5.2.39 We heard several views on the development of the GDF itself. It is not for this review to make policy recommendations, and we note that the UK and Welsh Governments have endorsed the need for a GDF, and have made a tactical decision to ask the NDA to lead on its siting and delivery. However, the NDA clearly feel some nervousness about the potential for the project to be slowed down still further given concerns of some stakeholders. At the point at which a decision on a site is taken, and build becomes operational, it will be a huge project, and one that is likely to attract considerable attention. The NDA expressed the view that they hoped that the Government at the time would be able to maintain support for the project, for as long as they supported the policy. Clearly there is some risk to delivery should Government policy supporting the need for a GDF change.
- 5.2.40 The current approach is to work with communities to identify areas that may be interested in hosting the facility. This is ongoing at present. Following this there will be an extensive evaluation to determine the suitability of sites against a number of siting considerations.
- 5.2.41 RWM's technical capability is good; they understand the waste and technological challenges of packing and storing it. The newly appointed CEO of RWM is now focused on ensuring they have the right experience and capability in running a major programme to deliver the GDF. We heard from some stakeholders who thought that either RWM or the NDA Corporate Centre would benefit from members of staff adept at steering a course through England's planning and consent laws, arguing that the NDA sometimes had a tendency to discover a regulatory hurdle too late in the process.

## Obligations under the Energy Act

- 5.2.42 Overall, we found that the NDA has been proactive and consultative in seeking to align its overall strategy as delivered through its businesses, and that it has taken care to ensure that it meets its core legal responsibilities in doing so.
- 5.2.43 We considered the range of activities undertaken by the NDA and its operating businesses, brigaded under the four strategic themes above, and concluded that they clearly discharge the following legal obligations:
- formal responsibility for designated sites across the UK;
  - responsibility for the wastes, materials and spent fuels produced on these sites;
  - responsibility for the fleet of Magnox [former] nuclear power plants;
  - securing geological disposal of higher activity waste
- 5.2.44 Within these four duties above, the NDA's responsibility for a further Energy Act duty - *promoting effective competition for contracts in respect of decommissioning and clean-up* - has begun to change from managing large-scale contracts (from competition to performance management) as the organisation has moved away from the "Parent Body Organisation" model to one of wholly-owned subsidiaries.
- 5.2.45 Thus, instead of the NDA contracting with private sector consortia to manage – as a Site Licence Company - whole sites or groups of sites, the approach now being followed is one where the work is contracted in smaller contracts by the relevant operating company.



5.2.46 Despite these changes, the NDA is still ultimately responsible, via its Site Licence Companies, for promoting effective competition for contracts; albeit in a different way to that envisaged at the time of its creation. While the management of supply chains supporting individual the NDA businesses such as Sellafield and Magnox remains a key focus and responsibility for those businesses, the NDA told us that the development of the concept of “OneNDA” (see later chapter) allowed the Corporate Centre to spot links and synergies across the group of businesses. One such example would be the development of a tool for all the NDA’s operating businesses to use in better understanding supply chain risks. Some of the contractors we spoke to saw a stronger role for this cross-NDA approach that would enable particularly small and medium-sized businesses to identify commercial opportunities across the Group. The NDA told us that each of its businesses is asked to publish both current and future tender opportunities in order to encourage new market entrants and give the supply chain greater certainty and visibility of opportunities from the wider estate.

➤ *Socio-Economic Obligations*

5.2.47 One of the key critical enablers in the top-level NDA strategy include formal legal duties under the Act to take account of its activities on communities living near its sites and grant-giving powers to promote economic, social and environmental benefits locally. The NDA uses its grants to promote economic diversification and ensure local benefits accrue from decommissioning activity. Grant-giving currently represents around 0.5% of the NDA’s total budget.

5.2.48 From examining contemporary papers and speaking to those inside and outside (and advising) Government at the time of the creation of the NDA, we understand that the creation of such a duty recognised at the same time two facts. These were firstly that the concentration of nuclear decommissioning activity in necessarily remote, coastal areas could have significant beneficial socio-economic impacts locally, and secondly that the very long-term nature of the activities created an opportunity for long-term, sustainable, high-skilled and well paid employment clustered around the NDA’s main sites, in areas often offering relatively little comparable employment.

5.2.49 Several stakeholders thought that the wording of the Energy Act allows for a considerable degree of possible interpretation. We were told that before 2018 there was less clarity, at least at the Corporate Centre level, on how the NDA’s businesses should discharge this obligation. In 2018 the Public Accounts Committee recommended that the NDA should “*strengthen and publish its socio-economic strategy, outlining the opportunities for the wider economy and how it will realise those opportunities.*”

5.2.50 The NDA appear to have responded positively and with ambition to this recommendation. In early 2020 it consulted on, and in mid-2020 published, the NDA Local Social and Economic Strategy<sup>7</sup>, which sets out a consolidated summary of the key activities and areas of spend by the NDA businesses, as well as an explanation of the way in which they take socio-economic considerations into account in their decision-making. In general, external stakeholders representing communities have welcomed this strategy, their opportunity to contribute to it, and the grant funding it describes. The Scottish Government have written to the NDA inviting them to consider

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<sup>7</sup> <https://www.gov.uk/government/collections/working-with-our-communities>

further ways of evolving the socio-economic strategy, and clearly it is of importance that NDA continues to take account of that Government's input.

5.2.51 We were told by the NDA that when thinking through the socio-economic impact of decisions, and evaluating alternative options, they considered:

- the direct impact on creating or maintaining employment;
- indirect impacts such as those on:
  - local infrastructure – e.g. schools and public transport
  - business sectors – e.g. tourism, those involved in the decommissioning supply chain (transport, hospitals, schools)
  - the delivery of national policy interventions, given the location of so many nuclear sites being in areas of low alternative employment, noting Government policy to *“to unite and level up across the whole United Kingdom”*.

5.2.52 The NDA told us that consideration of wider socio-economic impact should be included as specific criteria worth a minimum of 10% of the total of all the NDA stand-alone procurement. The NDA's commercial procurement teams are considering the best way for its businesses to report on social value and socio-economic impact.

5.2.53 In addition to the above, the NDA also spends money directly through a grants process. Budgets for socio-economic funding have historically been decentralised across the NDA group of businesses, consisting of separate pots for Sellafield, Magnox, Dounreay, LLWR and the corporate centre. These budgets total in excess of £14m per year.

5.2.54 The NDA's socio-economic strategy summarises the key areas of spend (which in the six years to 2020 have averaged £11.7m) and makes clear their view that while budgets are best delegated to individual businesses to prioritise, and not amalgamated, for transparency purposes they should be summarised in a single publication, and spent in line with some over-arching principles.

5.2.55 The NDA have invested considerable effort in working with local partners such as local authorities, the English Local Enterprise Partnerships, Highlands and Island Enterprise, Scottish Enterprise, and with the Scottish and Welsh Governments. Several local partners told us of their ambition to maximise the impact of the NDA's socio-economic activity, whether through finding alternative uses for the NDA land, or partnering on projects to promote low-carbon and new nuclear technologies. It is clear that the socio-economic support the NDA provides, despite being a relatively small proportion of its overall budget, has significant local impact and is generally highly valued.

5.2.56 It is clear that the NDA have, since the PAC recommendation, made considerable progress in defining and articulating a strategy, and driving a process, that delivers against the Energy Act duty. However, it also appears that the NDA have been left by the UK Government to do this in a relatively autonomous manner, with little obvious direction or challenge.

## Climate Change and Clean Growth

- 5.2.57 The NDA told us that they are keen to ensure that while the Energy Act imposes clear duties and constraints on them in delivering their core mission, they are able to develop their strategy to reflect wider policy imperatives such as the focus on sustainability and net zero. For example, the NDA told us that they were seeking to encourage the wider nuclear sector to speed up progress on decarbonisation within the NDA's supply chain and were rolling out a Net Carbon Zero project to give this the disciplines of project delivery, with milestones. More broadly the NDA sees the discharge of its legal responsibilities as including advising Ministers in both the UK and Scottish governments on potential changes to the waste policy framework, for example an update to the policy in respect of radioactive substances management.
- 5.2.58 While environmental remediation is, of course, at the heart of NDA's purpose, some in the organisation were candid in their view that the notion of environmental sustainability was a relatively new priority for the organisation. In 2019 the corporate centre set a new "Beacon Project"<sup>8</sup> on net zero, creating a roadmap for the NDA to contribute to a net zero 2050 target. This will cover internal carbon footprints and those of the supply chain. The plan is largely focused on energy use across the NDA estate.
- 5.2.59 Both Sellafield and Magnox are already making progress; both produce sustainability reports and the activity being led out of the corporate centre now appears to be an attempt to widen to collective commitment and achieve a group-wide, rather than business-by-business, focus.
- 5.2.60 We asked about the extent to which central Government was driving the NDA's strategy on net zero. The NDA's view was that they were largely making the running at this stage, but that BEIS were giving them the space to create the roadmap. At that stage there would be a set of metrics that could be challenged. We note that UKGI has an overview of the extent to which Boards across its portfolio consider the 'E&S' of Environmental, Social, and Corporate Governance matters, and so is in a position to suggest benchmarks for relative involvement against similar businesses.

## Recommendation 2

- 5.2.61 BEIS should consider how it can work with the NDA to help it measure and evaluate: (i) the impact of its socio-economic activities, including the benefits to the delivery of the NDA's core mission; and (ii) NDA's net zero targets; ensuring that the overall strategic approach aligns with wider socio-economic priorities as well as the Energy Act requirements, and are given the right level of challenge and support by central government.

## Education and Skills

- 5.2.62 Several reports, including those from the NAO and Public Accounts Committee, have identified a shortfall in the right skills both within the NDA and in the sector more broadly. The dual challenges of decommissioning and new nuclear build combine to create significant demand for skilled workers across the UK.

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<sup>8</sup> Beacon Projects, rolled out as part of "OneNDA", are designed to bring together people from across the group to tackle a common challenge or pursue a collective opportunity.

5.2.63 The NDA has a “supplemental function” under the Energy Act 2004 defined as “educating and training persons” in relation to its core function. This links closely with its separate function in relation to the socio-economic life of the communities that host its sites (see below), which include an assessment of the potential beneficial impact on skills and training of the NDA’s activities.

5.2.64 The NDA told us that it has a strong focus on skills and education, for the benefit both of the core mission and of the wider health of the UK nuclear skills base. In its draft Strategy it says it:

*“needs a diverse range of individuals and organisations to provide the capability and capacity to deliver effectively, so having the rights skills at the right time within the NDA group and our supply chain is a priority”*

5.2.65 The NDA told us that it does this through, among other things:

- *Its own People Strategy*, ensuring it attracts the right calibre of people, is able to develop future skills, and develops existing talent within the organisation. This is explored in more detail in the last section of the report, looking at operational health and effectiveness. Key amongst these is the Nuclear Graduates Scheme, which is already having a positive impact on the proportion of female graduates in the sector;
- *Active participation in the wider nuclear skills agenda*. The NDA is a member of – indeed one its Directors chairs - the Nuclear Skills Strategy Group, which brings together Government, major employers, and other organisations to identify sector skills gaps and priorities, and develop a skills plan that deals with critical skills gaps it identifies in the industry. We noted also that the NDA’s has recently announced a partnership with the Nuclear Institute’s Young Generation Network, part of the Nuclear Institute<sup>9</sup>, to young people into a career in the nuclear industry. The NDA and its subsidiaries also support, and formally sit on the governance of, the National Skills Academy for Nuclear;
- *Its ownership of “Energen”* – which provides a conference centre and provision of training and education and is itself a “flagship” for the National Skills Academy for Nuclear.

5.2.66 We recognise that the NDA takes its commitment to the provision of education, training and skills development seriously. Rather than treat it as a stand-alone function, it has chosen to see it as a critical enabler of its operations, which appears a sensible and pragmatic approach.

5.2.67 The advent of new nuclear build raises significant questions about the right balance and supply of skills in the UK available to the nuclear sector, and through its sponsorship, employment, supply chain and R&D activities the NDA is well placed to play its part in helping meet this challenge.

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<sup>9</sup> <https://www.nuclearinst.com/Communities/NI-Young-Generation-Network>

5.2.68 We note that the PAC has recently recommended that BEIS and the NDA jointly publish a plan for meeting the skills of the UK nuclear industry over the next decade, so make no further recommendation in this regard.

➤ *Research and Development*

5.2.69 The NDA has a statutory function to carry out research in relation to nuclear decommissioning and to encourage other organisations to do so<sup>10</sup>. They told us that they have transformed their approach to Research and Development (R&D) functions since the NDA was formed. The function has matured, and they are dealing with a greater diversity of technical challenges, which is driven by the need to decommission on a broader scale.

5.2.70 In 2018/19 the NDA spent circa £90million on R&D, the majority of which was undertaken by the site licence companies and the subsidiaries working with their supply chain and directed at site specific challenges. Approximately 80% of the funding was spent on technical challenges at the Sellafield site.

5.2.71 The NDA gave us examples that demonstrate the type of R&D projects they fund:

- Research associated with the chemical behaviour of radioactive waste stored in the Magnox Swarf Storage Silo at Sellafield<sup>11</sup>.
- Development of a laser-cutting robotic snake to support the dismantling of a nuclear reactor at Winfrith<sup>12</sup>.

5.2.72 The R&D programme is reviewed by the NDA Independent Research Board (NDARB) which reports into the NDA Board. NDARB oversees the coordination of R&D in nuclear decommissioning across a range of interested organisations in the UK. BEIS and the NDA told us that there was strong capability and internal governance around the NDA's R&D spend. Although we've seen little evidence that the OneNDA model has had any impact on the R&D functions at present, the NDA told us that they could see the benefits and opportunities of using this model to take a group-wide approach.

5.2.73 NDA appears to us to have good governance in place to ensure well-targeted investment in R&D that designed to serve its own purposes effectively. However, it is not clear to what extent this is, or should be, shaped by broader strategies such as the UK's R&D road map.

## Advice to Government on New Nuclear Build

5.2.74 Not explicitly covered by the Strategy or Strategic Objectives is the future-facing aspect of the NDA's statutory duties: providing advice to Ministers in relation to nuclear new build, with a focus specifically on the decommissioning plans of operators. The Energy Act 2008 protects the taxpayer from having to meet the waste and decommissioning costs of new nuclear power stations. Under the Act, operators of all new nuclear power stations are required to have a Funded Decommissioning Programme approved by the

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<sup>10</sup> <https://www.legislation.gov.uk/ukpga/2004/20/part/1/chapter/1/crossheading/other-functions-of-nda>  
<https://www.gov.uk/government/publications/nda-5-year-research-and-development-plan-2019-to-2024/nda-5-year-rd-plan-2019-to-2024>

<sup>11</sup> <https://www.gov.uk/government/news/research-breakthrough-to-accelerate-sellafield-decommissioning>

<sup>12</sup> <https://www.gov.uk/government/news/snake-slithers-through-to-tackle-dragon>

Secretary of State before nuclear-related construction can begin and to comply with that programme thereafter. We were told that the NDA plays a key role in the provision of advice to senior officials and ministers in relation to these obligations.

- 5.2.75 The NDA also has a formal role in advising the Nuclear Liabilities Fund (NLF) - a segregated pot which has been set up to meet the decommissioning costs of the nuclear power stations currently owned and operated by EDF. The fund is managed by an independent Trust. The Secretary of State has the power to set and amend the investment policy of the fund after consultation with the Trustees. The Board of the NLF regularly meets representatives of the NDA to discuss applications for payment from EDF of “qualifying liabilities”; thus the advice the NDA provides is a key enabler of the NLF’s obligation to demonstrate proper stewardship of the fund.
- 5.2.76 As Government’s in-house nuclear decommissioning specialists, the NDA should continue to give Ministers high-quality strategic advice on future implications for decommissioning of new nuclear infrastructure, with an emphasis on ensuring proper consideration is given to technical specifications designed to minimise the safety and security associated with decommissioning later and spreading the burden of cost so that it is not left entirely to future generations to pay for.

## Other Potential Functions

- 5.2.77 As noted above, the core functions of the NDA are reasonably tightly drawn and arguably constrain the ability of the organisation to expand its remit or operations, even in the Government wished them to do so.
- 5.2.78 During the review, several distinct opportunities for the NDA to expand its “public utility” to the Government were brought up by stakeholders, and they are summarised below:
- Opportunities to play a stronger role in promoting UK skills and expertise in overseas markets;
  - New commercial opportunities; and,
  - A series of smaller opportunities to support the delivery of UK certain Government policy objectives but where the NDA is constrained by its vires (i.e. legal powers) to do so including non-NDA liabilities.

## Promotion of UK Skills and Expertise in Overseas Markets

- 5.2.79 Since its creation in 2005, the NDA has played an active role internationally. Its experience and capability make it a valued partner for other governments’ decommissioning programmes, and it participates in the development and exchange of best practice and in formal collaboration, where there is a clear benefit to its core mission.
- 5.2.80 The NDA gave us some examples of key international collaboration:
- *Working with international partners on waste management, including geological disposal.* The NDA signed a trilateral agreement with the US Department of Energy and Atomic Energy of Canada Ltd in March 2020 to share experience and thinking on near-surface disposal, and in-situ disposal – in order to jointly influence international

guidance on both. Similarly, RWM works with counterparts overseas to explore academic and technical studies and experience of the development of geological disposal options.

- *International collaboration on benchmarking* where the NDA has recently contributed to an OECD report recommending an international benchmarking system and the creation of a database to establish cost bases for nuclear decommissioning.
- *Active collaboration with the US on several fronts:* including joint research on ageing infrastructure and the management and disposition of the inventory of separated plutonium.
- *Relationship with Japan:* which is longstanding, the first reactor built in Japan in the 1960s having been based on a Magnox design. Since the Fukushima Daichii incident in 2011, the NDA has continued to support Japan, sharing experience to assist with decommissioning challenges and facilitating access to the Japanese market by UK-based supply chain.

5.2.81 These examples all show the NDA leveraging its experience in support of Government objectives, but in the main can be shown to relate to its mission delivery. The NDA told us that justifying these activities - defining their scope, how they are carried out, and the cost/benefit analysis, are, for the most part, in the NDA's view within its gift and within its vires. We are not, however, aware of any cost-benefit analysis that draws a clear correlation between commercial activity in overseas markets and enhancement of the NDA's core mission; NDA might find it helpful to commission such a study in order to demonstrate the value of this activity.

5.2.82 NDA told us that as a result of being identified as an 'expert partner' in the Nuclear Sector Deal, and its success in international collaboration more generally, more is being asked of it by Government that is starting to create some friction with its underlying purpose as set out in legislation. This could be resolved by a clearer collective ask and mandate from across the UK Government.

5.2.83 Several stakeholders impressed on us the unique opportunity the NDA has – through its commercial links with and understanding of the UK supply chain and through its assets – to showcase UK skills and expertise in the decommissioning sector to overseas markets. We noted that it is already the case that the NDA uses sites such as Sellafield to act as shop window to the world for visiting overseas delegations.

5.2.84 However, we were told that the notion of the NDA playing a more active role promoting "Nuclear UK" overseas raised questions of its legal vires. Activity that is not clearly in support of the NDA's principal or supplementary functions could be, we were told, difficult to reconcile with the Act given that the NDA's basic purpose is to deal with the UK's nuclear legacy. (Section 10 of the Energy Act 2004 gives it a power to "do all such things as appear to it to be likely to facilitate the carrying out of its functions, or to be incidental to carrying them out").

5.2.85 Even if the legislation were to be amended to give the NDA a discrete function to promote the UK nuclear industry overseas, Government would need to have carefully weighed the potential risks associated with the distraction from UK clean-up and decommissioning, potentially creating a separate, ring-fenced organisation to ensure resources and Board oversight were not distracted from the core mission. During the

course of the review, we did not see persuasive evidence of the potential economic value to the UK economy of the NDA taking on such a role.

### Recommendation 3

- 5.2.86 The NDA should maintain its current approach of pursuing active collaboration with overseas partners, including supporting international promotion of the UK supply chain, and where appropriate, and by agreement with BEIS, supporting broader UK interests. It should be able to demonstrate that none of these activities impact negatively upon, or distract the NDA from, its core mission. We recommend that the government periodically review how effectively these arrangements are working.

### Nuclear Sector Deal

- 5.2.87 The NDA's activities in support of the development of skills and education, its socio-economic impact, and its management of the supply chain also need to be viewed alongside the Nuclear Sector Deal<sup>13</sup>, published in 2018. The Sector Deal's ambition is to ensure that the UK's nuclear sector remains cost-competitive with other forms of low-carbon technologies in order to support the UK Government's Clean Growth Strategy. It picks out the UK's expertise in nuclear decommissioning specifically as a key aspect of achieving cost reductions to ensure that the nuclear sector remains competitive with other low-carbon generation technologies. In particular it sets a target of achieving savings of 20% in the cost of decommissioning, when compared with current estimates, by 2030. We understand that this is taken to be a target across the supply chain (the NDA's budget is set through the spending review process, so any savings targets would be separate to this figure). The NDA told us that it participates in working groups alongside BEIS supporting strands under the nuclear sector deal. NDA's CEO-Designate, Waste, currently leads the Future Workforce Working Group of the Nuclear Sector Deal. Since February 2021, she has also been co-Chair of the Working Group on legacy cost reduction.

### Commercial Opportunities

- 5.2.88 The NDA's businesses have in the past generated income, offsetting the cost of decommissioning and therefore the burden on the taxpayer, from four main sources: reprocessing contracts electricity generation; nuclear fuel production; and other smaller sources such as transport contracts and inter-site services. Significant revenue from electricity generation ended with the closure of the Wylfa site in 2016, and the closure of THORP reprocessing led to an approximate £300m per annum reduction in revenue.
- 5.2.89 The NDA's commercial operations currently include the provision of decommissioning spent fuel and nuclear materials management services to UK and overseas customers. This currently generates just under £800 million of revenue. Income from this activity has, in recent years, contributed around a third of the NDA's total annual expenditure requirements.

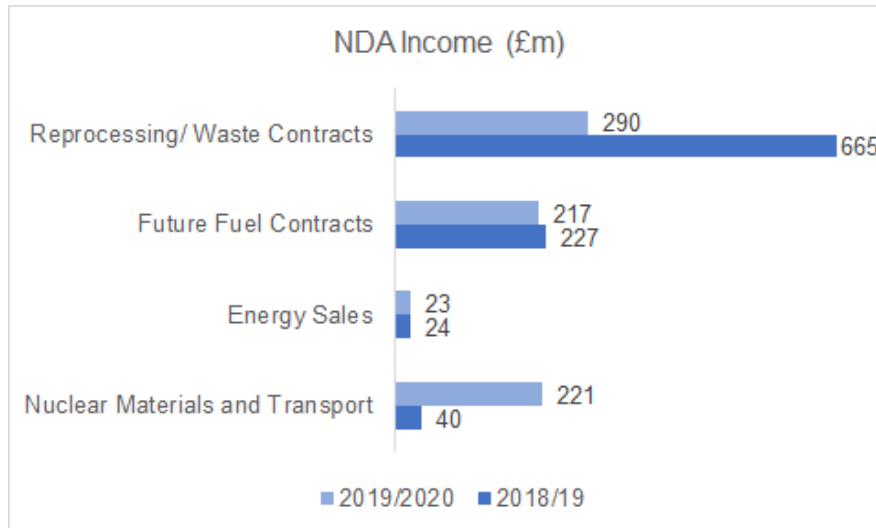
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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/720405/Final\\_Version\\_BEIS\\_Nuclear\\_SD.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720405/Final_Version_BEIS_Nuclear_SD.PDF)



5.2.90 The chart below shows how estimated income from reprocessing and waste contracts was projected to reduce from 2018/19 to 2019/20, as a result of one-off, non-recurring items (NB estimates pre-dated the impact of the coronavirus pandemic), although partially offset by an increase in income from nuclear materials and transport.



- 5.2.91 The Government’s recognition of the importance of the NDA’s mission has resulted in recent years in an increase in the proportion of grant funding as the percentage represented by income has declined. The NDA pointed out to us that the very old and frail state of many of their assets represented a risk to the public purse; failure to tackle them quickly could result in cost increases to do so over a slower timeframe.
- 5.2.92 The NDA has agreed to look for ways of decreasing its decommissioning costs, in line with the Nuclear Sector deal (see above), but the pressure on public finances have also provided an impetus for the organisation to identify alternative sources of commercial income for the future.
- 5.2.93 We heard from several stakeholders who argued strongly that in order to preserve the long-term viability of the NDA and the positive impact of its decommissioning work on local communities and the UK skills base, offsetting the loss of commercial revenue was essential. We also heard from stakeholders who argued that the NDA’s core mission was paramount, and that becoming a more commercially minded organisation risked distracting it from its primary focus.
- 5.2.94 We note that among the criticisms being made of BNFL prior to the creation of the NDA was a concern that its emphasis on commercial activity was hampering its ability to focus the right management time and oversight on the critical clean-up work for which it was responsible at Sellafield.
- 5.2.95 Our understanding is that the examples below would in theory be possible without needing to amend the Energy Act powers and duties under which the NDA operates. Other examples of commercial opportunities likely to require amendments to the NDA’s vires are listed further below.

#### Commercial Opportunities from the AGR Fleet

- 5.2.96 EDF Energy is currently the licence-holder for the decommissioning of the AGR fleet. As the company meets decommissioning milestones in relation to each of their sites, they are able to receive revenue from the Nuclear Liabilities Fund, which across all sites and encompassing all decommissioning activity amounts to around £6.2 bn.
- 5.2.97 As noted elsewhere, BEIS are leading discussions with EDF in relation to exercising Ministers' option to take on the AGR sites as the NDA's liability, once they have been defueled. The NDA told us that the potential opportunities to the NDA could amount to an undiscounted revenue figure ranging between £4.1bn and £6.2bn, depending on the timing of the transfer. This would be likely to include the recovery of overhead costs from the Nuclear Liabilities Fund and decommissioning services revenue. It should be noted that exercising this option would of course create an additional liability on the NDA balance sheet.

#### Commercial Opportunities from Land and Waste Services Contracts for Advanced and Small Modular Reactors

- 5.2.98 BEIS has provided financial support to help determine the feasibility of the design and development of Advanced Nuclear Technologies. These are either Small Modular Reactors, smaller versions of current nuclear technology, or Advanced Modular Reactors which would use innovative next-generation technologies. One of the key attractions of Advanced Nuclear Technologies is their potential to work alongside other low-carbon energy sources, creating a decarbonised and more affordable energy system (and create a new market for high-skilled jobs).
- 5.2.99 The NDA recognise that until the sector develops further its role will inevitably be limited but sees potential opportunities to develop commercial relationships - potentially in the provision of its expertise and assets in relation to waste management.

#### Commercial Opportunities from Centralised Storage

- 5.2.100 There may be a role for the NDA in providing a centralised fuel storage facility, taking advantage of new nuclear build (there is an argument that centralised storage may be a more cost-effective means of managing fuel from reactors and reducing the capital expenditure requirements on individual sites, thus reducing the liabilities for Funded Decommissioning Programmes on each site). The NDA suggested that one option would be for them to take early payment to construct such a site as part of a consortium with private sector developers, and which may provide income revenue opportunities of around £0.5bn.

#### Commercial Opportunities Requiring Amendments to the NDA's legal powers and duties and / or UK Government Policy

- 5.2.101 *Virtual re-processing.* The UK Government has agreed that for some small quantities of remaining spent fuels from overseas held in the UK, where it is not economic or not possible to reprocess them, they can be held in interim storage pending disposal, taking ownership where necessary. In order to ensure that the UK avoids becoming a net importer of nuclear waste, the NDA would undertake what is known as "virtual reprocessing" – i.e. a radiologically equivalent amount of waste would be allocated and then returned to the overseas customer as if the fuel had in fact been reprocessed.

5.2.102 However, there is no existing Government policy on “virtual reprocessing” for future deliveries to the UK. Government approval would be required for offering such a service. The NDA estimates that there may be commercial opportunities here particularly with Japan as a customer.

5.2.103 *Taking title to overseas waste (in distressed situations)*. Returns of existing waste to Japan, Germany and Australia are well advanced, with Italy the last of the NDA’s “customer countries” expected to have its waste returned after 2025. The NDA told us that given possible delays to the plan, there may be commercial opportunities associated with taking title to the waste. However, this would currently contravene UK Government policy.

## Non-NDA Liabilities

5.2.104 While the NDA’s foremost function is the discharge of its obligations to clean up and decommission its sites, some of those sites are host to facilities and materials that belong to third parties. These, along with current and future liabilities that belong to other nuclear operators in the UK – principally the Ministry of Defence and EDF Energy – but some of which are managed under contract by the NDA, as referred to as “Non-NDA Liabilities”. Also included within this term are those liabilities that are in some way being managed by the NDA whilst belonging to other countries. The sections above have already described some of these.

5.2.105 The NDA has a number of contracts to manage these liabilities; in addition, the NDA has duties to provide advice to the Secretary of State and third parties (such as the Nuclear Liabilities Fund) in respect of non-NDA liabilities.

## The Defence Estate

5.2.106 A clear and long-standing distinction exists in the UK between the management and oversight of the civil and military nuclear sectors. At the same time, cross-sector collaboration to reduce the future cost burden of nuclear decommissioning on the taxpayer is enshrined in the Nuclear Sector Deal. MoD and the NDA have committed to work together to manage their respective nuclear liabilities in the best way, and in the UK national interest.

5.2.107 As a result, the NDA undertakes a limited number of contractual services for the MoD – for example the planned treatment and management, at Sellafield, of some of the Higher Activity Waste belonging to the Atomic Weapons Establishment. This has some demonstrable cost savings for the public purse (through the use of existing waste treatment facilities at Sellafield), and makes use of existing workforce skills.

5.2.108 We were told that BEIS and MoD officials have regular working group to ensure that civil and defence nuclear decommissioning opportunities and synergies are understood and, where appropriate, exploited.

## Recommendation 4

5.2.109 The NDA Board should keep under regular review, appropriate balance between core clean-up and decommissioning and pursuing new commercial opportunities to secure additional revenue on the other, and report its findings to BEIS, who may then wish to give the NDA a clearer steer as to the desired policy outcome. This should consider:

the skills, expertise and capacity available to the NDA; the level of additional risk any new commercial activity would create for the Government; the extent to which the Board and executive team would be able to dedicate appropriate oversight and control to such activity; and the direct and indirect opportunities it might create for the delivery of the core mission.

## Other Opportunities to Maximise the NDA's Public Utility

- 5.2.110 We were made aware during the review of instances where pressure to support the delivery of wider Government objectives sometimes risked the NDA engaging in activities that would take it beyond its original purpose, defined in law (the NDA's "vires"). For activities which BEIS or other departments are keen to see the NDA undertake, the NDA (in discussion with their policy sponsors) have relied on the flexibility provided by the Energy Act – particularly Section 7, which alongside giving the NDA its wider socio-economic functions allows it to provide expert advice to Ministers on a range of issues associated with their core mission.
- 5.2.111 We heard concerns, however, that relying on this provision could sometimes allow Departments and the NDA to side-step some of the scrutiny associated with giving the NDA specific functions through a Secretary of State direction made under the Act. We also heard concerns that it was not always straight forward to reconcile what Government asked the NDA to do with its strictly-defined legal functions, and as a result the NDA and BEIS expend considerable legal efforts in establishing the extent to which cover exists for these activities. This clearly presents an opportunity cost.
- 5.2.112 Broadly speaking, such additional activity supporting general public utility where there are doubts over the NDA vires can be categorised either as work within the ambit of managing radioactive waste, and work with a broader social purpose.
- 5.2.113 Some recent examples of the former include decommissioning of equipment used by other parts of the public sector in hospitals and at ports.
- 5.2.114 Several stakeholders are keen to see the NDA become involved in promoting the UK's expertise in nuclear decommissioning abroad, and potentially selling the NDA services abroad, including for example intellectual property rights. Given that the purpose of the NDA is to manage the UK's own nuclear legacy, these activities appear difficult to reconcile with the NDA's vires.
- 5.2.115 The NDA has a unique set of skills and capabilities that have clear wider application to the delivery of Government policy. To date it appears that whenever required to do so, the Government and the NDA have managed to find a workable solution enabling the organisation to support the delivery of government priorities that may extend beyond those of the core mission. However, this has come with an opportunity cost – we were told that considerable legal effort and protracted discussion, including the commissioning of external legal advice – had been necessary. However, it is clear that any additional flexibilities in law that would enable the NDA more readily to operate outside its core mission carry the risk of the organisation becoming distracted, and staff and resources diverted, from that core mission, so would need to be accompanied with clear safeguards, such as the need for explicit ministerial direction to undertake certain activities.

## 5.3 Classification & Form

5.3.1 The purpose of this section is to set out the series of tests central Government applies in deciding whether to classify a management unit as an Arm's Length Body of Government ("Partner Organisation" in BEIS term), and subject to those tests the form that the ALB should take. It will describe the extent to which the NDA's role and activity justifies its classification as an NDPB, sets out alternatives (functions subsumed into central Government; classification as an Executive Agency, Non-Ministerial Department, or GovCo).

5.3.2 Findings in overview:

- The NDA continues to meet the formal tests as an ALB. Although it could in theory be run as part of a central government department, the cost of disruption to business would require very significant tangible benefits to justify a change. This could also raise significant questions of sponsorship and governance in respect of the role of Scottish ministers;
- Classification as a Non Departmental Public Body remains the closest match in terms of formal classification, but we note that the significant complexities of its corporate structure mean the NDA is somewhat unique, with the vast majority of staff and the bulk of its operations falling outside the narrow confines of the NDPB.

5.3.3 The review team considered a range of alternative classification models, as set out in the table below.

5.3.4 When an arm's length body (ALB) is established, there are certain criteria that must be satisfied. This process is managed by central government<sup>14</sup> and when the NDA was created it was clearly determined that it met the necessary tests to be established as a central government body, and was administratively classified as an NDPB under the Cabinet Office classification framework<sup>15</sup>. This acknowledged the specialised delivery function of the NDA and the need to delegate a degree of operational freedom to the organisation to perform its functions.

*"NDPBs have a role in the process of national government but are not part of a government department. They operate at arm's length from ministers, though a minister will be responsible to Parliament for the NDPBs."*

5.3.5 We undertook an evaluation to consider whether the NDA continues to meet the requirements to be an arm's length body. The guidance is clear on the operationally independent role an ALB plays and the need for at least one of the following suggests the use of an ALB:

- Provision of a technical function which needs external expertise to deliver; or
- Delivering Government policy with absolute political impartiality; or

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<sup>14</sup> [The approvals process for the creation of new arm's-length bodies](#) (Cabinet Office 2018)

<sup>15</sup> [Classification of public bodies: guidance for departments](#) (Cabinet Office 2016)

- Or where work needs to be delivered independently of Ministers to establish facts and figures with integrity.
- 5.3.6 Based on the guidance and the NDA's highly technical and expert mission to manage the UK's nuclear legacy, we considered that the NDA clearly continues to meet the conditions needed to continue as an ALB.
- 5.3.7 As part of the evaluation, we identified other options for the future classification of the NDA which ranged from moving the NDA back into core government as an office within BEIS to other classification models (see table below). After careful consideration of these alternate options we came to the conclusion that changing the status of the NDA from an NDPB would bring limited benefits. Moving the NDA closer to the department, as either an EA or as an Office of the Department may achieve some efficiencies, we did not think that the significant upheaval and associated costs would likely negate any savings.
- 5.3.8 Our consultation with stakeholders confirmed the general view that there is value in retaining the NDPB model that allows the NDA operational freedoms that a model such as an Executive Agency would not provide.
- 5.3.9 The NDA has an important role in the process of national government, but it is not part of a government department. NDPBs operate at arm's length from ministers and are not under their day-to-day ministerial control. The NDA's NDPB status:
- allows it to operate with a degree of operational autonomy which gives the NDA the freedom to design and establish a bespoke delivery approach appropriate to the goals of managing the UK's nuclear legacy;
  - avoids the risk of any perception that ministers can direct its day to day activities; this is particularly important given the significant amounts of public money required to complete the NDA's mission, and the hazardous nature of its work;
  - enables it to operate as a Strategic Authority (as required by the Energy Act 2004), siting clear accountability with its Board for a range of decision-making powers and liabilities, including the power to buy and sell assets; enter into contracts; and be prosecuted;
  - makes it easier to attract and retain specific capabilities not readily available in government, such as technical and commercial skills, particularly at a senior level;
  - provides some flexibility from government controls. While subject to pay and spend controls NDPBs can make the case for certain exemptions.
- 5.3.10 The NDA has a complex corporate structure and a significantly challenging mission, which inevitably requires more attention and oversight from government, as has been set out in other sections of this report, than smaller ALBs responsible for lower risk activity<sup>16</sup>

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<sup>16</sup> [Managing Public Money \(HMT 2012\)](#), Chapter 7

## Classification of Public Bodies

Entity	Specific Aspects of Category	Advantages and Disadvantages of each Category in Relation to the Classification of the NDA	
		Advantages	Disadvantages
<b>Executive Agency</b>	EA's are clearly designated (and financially viable) business units within departments which are responsible for undertaking the executive functions of that department, as distinct from giving policy advice. They have a clear focus on delivering specified outputs within a framework of accountability to Ministers. While they are managerially separate, they are independently accountable within their home department, which also reports to Parliament on their agency-specific targets. Due to this close working relationship, EAs are part of their department, and do not have the same level of legal separation from their home departments that other categories of public bodies often possess.	<ul style="list-style-type: none"> <li>Allows closeness to the home department while set up as a semi-independent body with CEO.</li> </ul>	<ul style="list-style-type: none"> <li>This model would not allow the NDA any operational control over strategy or policy delivery.</li> <li>It would not be classed as a separate legal entity.</li> <li>Would be challenging to maintain operational and commercial freedoms needed to effectively run subsidiary companies.</li> </ul>
<b>Non Departmental Public Body</b>	NDPBs have a role in the process of national government but are not part of a government department. They operate at arm's length from ministers, though a minister will be responsible to Parliament for the NDPBs.	<ul style="list-style-type: none"> <li>Own separate legal personality, outside of the Crown. Provides the organisation with greater independence and operational freedoms to run subsidiary companies, as they are the delivery experts.</li> <li>Provides the NDA some operational control over policy.</li> <li>Creates distinct accountabilities and decision-making, which can help to surface tensions between different government objectives and / or help to maintain focus on the specific outcome required.</li> </ul>	<ul style="list-style-type: none"> <li>Potential inefficiencies / duplication with having a corporate centre outside of the Department.</li> </ul>
<b>NDPB with Advisory Function</b>	These NDPBs consist of external (non-civil service) experts who operate in a personal capacity to form boards or committees to advise ministers on particular policy areas. They are often supported by a small secretariat from the sponsoring department, which also provides funding. They provide independent specialist advice (free from political control) to departments.	Given the specific advisory function of this type of entity it would not be an appropriate classification for the NDA given the governance and operational oversight role of the organisation.	
<b>Independent Monitoring Board</b>	IMBs are statutory public bodies established by the Prison Act 1952 (and the Armed Forces Act 2006 for the sole military IMB) to monitor the welfare of prisoners in the UK to ensure that they are properly cared for within Prison and Immigration Centre rules, whilst in custody and detention. They are responsible for the state of prisons (and some detention centres), including their administration and the treatment of prisoners. Given the specific nature of IMBs they are better classed as Department specific.	Given the specific nature of this type of entity and that it is Department specific, it would not be an appropriate classification for the NDA.	
<b>Non Ministerial Department</b>	NMDs operate similarly to normal government Departments in the functions they perform (though usually they are more specialised and not as wide ranging in the policy areas they cover). They generally cover matters for which direct political oversight is judged unnecessary or inappropriate. They are usually headed by a senior civil servant as Chief Executive, with an independent Chair and non-executive directors for the board. Some are headed by a permanent office holder, such as a Permanent Secretary or Second Permanent Secretary.	<ul style="list-style-type: none"> <li>This classification is rarely appropriate due to the limited accountability to Parliament<sup>14</sup>.</li> </ul>	
<b>Office of Department</b>	These are distinct entities that form part of government departments. They are usually set up for a specific project or initiative, with dedicated teams with Departments. They do not have executive agency status (and do not have the governance structures or the operational autonomy of an executive agency). They are staffed by civil servants and work	<ul style="list-style-type: none"> <li>Where there is political or operational control exercised over advisers</li> <li>Potential efficiencies could be made by delivering the functions of the NDA within the Department.</li> </ul>	<ul style="list-style-type: none"> <li>Challenges in recruiting and retaining specialist technical skills.</li> <li>Less operational and commercial freedoms, would create challenges managing</li> </ul>

Entity	Specific Aspects of Category	Advantages and Disadvantages of each Category in Relation to the Classification of the NDA	
		Advantages	Disadvantages
	<p>within the rules and processes of their relevant home department.</p> <p>A small number of offices and taskforces are cross-cutting (and bring together staff and policy responsibilities from different departments). Some offices have non-executive Chairs and/or members who provide strategic direction, advice and leadership. These are usually appointed by ministers.</p> <p>Smaller, variable duration though usually limited to less than three years, easier to set up (usually not requiring legislation, Parliamentary authorisation or estimate funding), with far more direct ministerial control and accountability than there would be for other types of public bodies like NDPBs.</p>		<p>commercial subsidiary companies.</p> <ul style="list-style-type: none"> <li>This type of entity is usually of shorter duration (less than 3 years) and the NDA has a significant horizon.</li> </ul>
<b>Working Group</b>	<p>Working groups are part of government departments. They are not independent advisory entities such as Advisory NDPBs or Expert Committees (both of which are operationally independent in terms of the advice they gather, analyse and present). Working groups comprise of Stakeholder and Public Sector groups.</p> <p>Smaller, more specific with flexibility on duration (it does not have to be time limited), easier to set up (not requiring legislation, Parliamentary authorisation or estimate funding), far more direct ministerial control and accountability than there would be for other types of public bodies like NDPBs.</p>	<p>Given the specific advisory function of this type of entity it would not be an appropriate classification for the NDA given the delivery and operational oversight role of the organisation.</p>	
<b>Expert Committee</b>	<p>Usually non-statutory groups, providing independent expert advice on key issues from within the department. Like many of the NDPBs that possess an advisory function, Expert Committees comprise of external (non-civil service) specialists that form committees to advise ministers on particular policy areas. However, they are not ALBs like NDPBs. They are funded from within a department budget, administrated and resourced by civil servants from within the department, and are not subject to the same levels of review or scrutiny that ALBs require.</p> <p>It is important to note however that they and the advice they provide are still politically and operationally independent.</p>	<p>Given the specific advisory function of this type of entity it would not be an appropriate classification for the NDA given the delivery role and operational oversight role of the organisation.</p>	
<b>Statutory Office Holder (Departmental / Parliamentary)</b>	<p>A statutory office is a position established under legislation (in some instances by a prerogative Order in Council) and sometimes as a separate legal entity or corporation sole, with a specific remit to conduct activities or deliver services within the public sector but which is an individual and not an organisation. The statutory office is a position held by one person, the statutory office holder, though the office may be provided powers to request additional resources if required (these would usually be provided by a department or by Parliament) or to employ staff.</p> <p>They can be set up by a ministerial department or on Parliament's behalf.</p>	<p>Given the specific nature and role of this type of entity, it is not an appropriate model for the NDA.</p>	
<b>Parliamentary Body</b>	<p>These are public bodies set up by, and usually reporting directly to, Parliament (typically via one of its Committees) and not to a government department or minister. They often deliver functions or services that are viewed as of particular importance to Parliament, or requiring even greater distance from ministerial control. They are often set up with similar structures and powers as other public bodies, though their governance processes are usually more</p>		<ul style="list-style-type: none"> <li>Reports directly into Parliament and often established to provide scrutiny function.</li> </ul>



Entity	Specific Aspects of Category	Advantages and Disadvantages of each Category in Relation to the Classification of the NDA	
		Advantages	Disadvantages
	focussed on political independence and accountability to Parliament. Usually they will be staffed by public servants, with senior appointments made by or with Parliamentary involvement or oversight.		

## 6. Oversight by Central Government

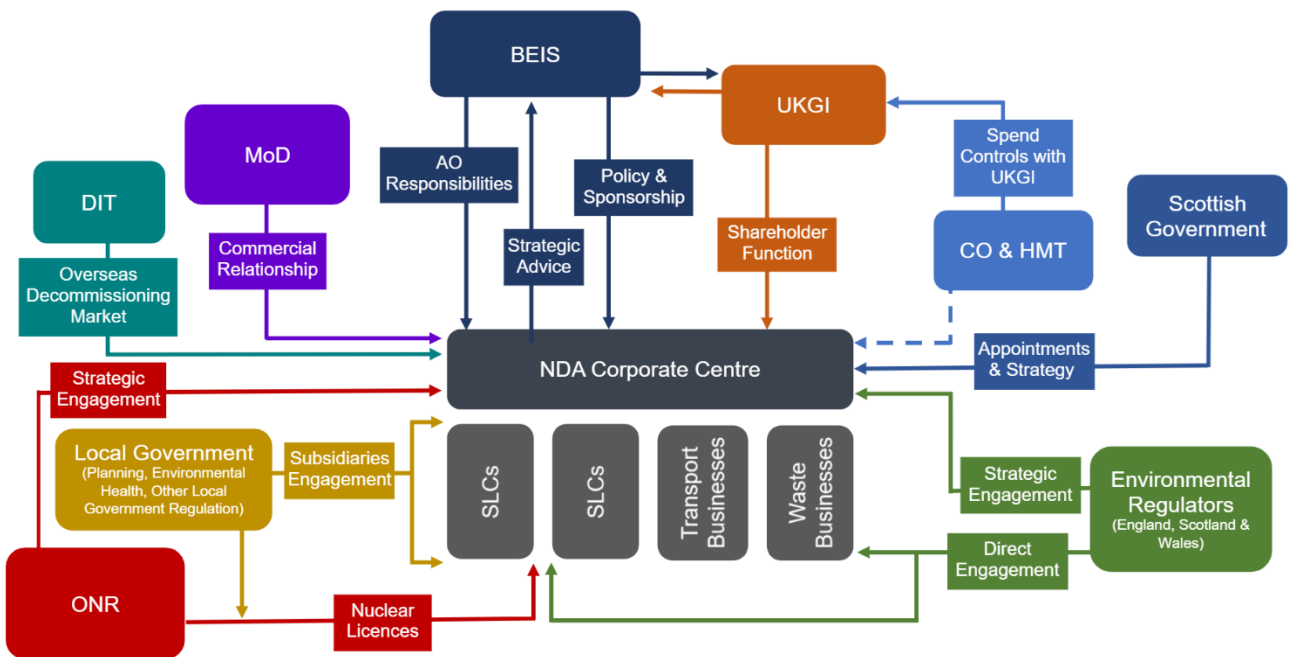
This Chapter looks at the oversight role of central government. This includes the day-to-day sponsorship of the department and the shareholder management role, an overview of pay and spend controls and how central government applies scrutiny to the NDA and understands the NDA's key risks.

### 6.1 Oversight and Sponsorship

- 6.1.1 The NDA is sponsored by the UK Government's Department for Business, Energy and Industrial Strategy (BEIS). The Scottish Government also has a significant governance role, working closely with BEIS to ensure its expectations are met. Scottish Ministers have a right to be involved or consulted where the NDA has responsibilities in respect of nuclear installations, sites or materials in Scotland. Scottish Ministers and the Scottish Parliament also have procedural rights and duties in respect of for example the NDA's strategy and annual plan and the appointment of the NDA's members.
- 6.1.2 UK Government Investments (UKGI) provides strategic oversight of the NDA's corporate governance and corporate performance, working closely with and reporting directly to BEIS senior officials and providing advice to Ministers. The formal agreement between the NDA and BEIS and the Scottish Government is set out in a Framework Document, supported by a Memorandum of Understanding between NDA and BEIS/UKGI.
- 6.1.3 The Cabinet Office oversees the application of policy in areas such as Spend Controls, the role of the Infrastructure and Projects Authority (IPA) in respect of major projects, and via the Government Property Agency in relation to use of publicly-owned property; and HM Treasury are ultimately responsible for decisions in relation to the NDA's funding envelope.
- 6.1.4 The NDA sites are only able to operate with both a nuclear site licence, regulated by the ONR, but also a range of relevant radioactive and non-radioactive permits and authorisations which are regulated by the relevant environment agencies in England, Scotland and Wales respectively<sup>17</sup>.
- 6.1.5 The graphic below, produced by the review team illustrates the various relationships the NDA has with key stakeholders.

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<sup>17</sup> The Environment Agency in England, Scottish Environment Protection Agency in Scotland, and Natural Resources Wales in Wales



## Day-to-Day Sponsorship and Shareholder Management

6.1.6 In practice most of the day-to-day oversight arrangements for the NDA are performed by BEIS and UK Government Investments. The table below sets out the current split in responsibilities.

6.1.7 This division has evolved in recent years, but broadly speaking works as follows.

- **UKGI** perform their traditional shareholder function for the NDA, on behalf of BEIS, leading:
  - the Government’s relationship with the NDA Board
  - monitoring and reporting on the organisation’s delivery and financial performance, including the implementation of spend controls
  - advising on the composition of and appointments to the Board and taking the seat on the Board.
- **BEIS** have
  - policy responsibility for civil nuclear decommissioning, and are therefore responsible for coordination of policy delivered by the NDA, as well as involving the NDA in aspects of policy development; and,
  - the sponsor role in respect of the NDA, covering among other things coordination and liaison with ministers, with Parliament, and with other parts of Government (for example with HMT on Spending Reviews); business cases, Accounting Officer advice and the discharge of functions such as communications.

- 6.1.8 When the NDA was created in 2004, governance oversight responsibilities originally sat – alongside policy responsibility – in the Department of Trade and Industry. In 2008 they were transferred from what was then the Department for Business, Enterprise and Regulatory Reform to the then Shareholder Executive. In November 2017, a UKGI Director was appointed to the NDA's Board in order to provide more direct advice to the Board in relation to government priorities, and to act formally as the BEIS Ministerial representative as shareholder.
- 6.1.9 In that capacity, the UKGI NED is one of six on the NDA Board, and, like those NEDs, is expected to challenge management, including the CEO, on performance and operating issues and the strategy to execute the NDA's objectives.
- 6.1.10 Following the October 2018 PAC report on the Management of Sellafield<sup>18</sup> changes were made in May 2019 to address that report's finding that oversight arrangements still appeared complex. These essentially involved slightly enlarging the BEIS Sponsorship team and transferring functions to it from UKGI; specifically moving responsibility for overseeing the Business Case approvals process. This addressed an issue that was subsequently identified in the Holliday Inquiry Report as creating a potential conflict at the time, namely that UKGI both championed and challenged business case development:
- ShEx/UKGI was expected to both challenge the NDA's performance, and help the NDA navigate its way around Government in seeking approvals. In my opinion this resulted in a blurring of its oversight role, and compromised the rigorous independence required for successful oversight.*<sup>19</sup>
- 6.1.11 BEIS is now responsible, working with the NDA, for (i) identifying which business cases require approval by BEIS and other HMG bodies; (ii) guiding the NDA on the submission of business cases through BEIS and other HMG approval processes (e.g. BEIS Project and Investment Committee, Treasury Approval Point, Major Project Review Group and Cabinet Office); (iii) challenging the NDA as it develops its business cases for major projects, strategic procurements and other commercial transactions to assist the NDA in raising the quality of its cases; and (iv) for providing related advice to the Accounting Officer and BEIS Ministers.
- 6.1.12 Over the course of 2019 the capability of the team was strengthened to give it the appropriate technical skills and capacity to provide the NDA with the support to maintain the positive trajectory of improvements on business case quality. Until this change was made, a clear perceived conflict existed between UKGI having on the one hand a role in obtaining HMG approvals for the NDA business cases for major projects, strategic procurements and other commercial transactions, whilst on the other, holding the NDA to account on performance. This perceived conflict has now been resolved.

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<sup>18</sup> <https://www.nao.org.uk/report/the-nuclear-decommissioning-authority-progress-with-reducing-risk-at-sellafield/>

<sup>19</sup> Report of the Holliday Inquiry: Inquiry into award of the Magnox decommissioning contract by the Nuclear Decommissioning Authority, related litigation and its subsequent termination, p.23, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966572/The\\_Holliday\\_Inquiry.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966572/The_Holliday_Inquiry.pdf)

## Split of NDA Oversight and Sponsorship Functions

BEIS	UKGI
Policy engagement	HMG Shareholder function
Overall decommissioning policy and co-ordination of the NDA's involvement in nuclear policy development	Leading the Government's relationship with the NDA Board (including providing a shareholder appointed director on the NDA Board)
Chair Quarterly Policy Meetings	Chair Quarterly Governance Meetings, and advise ministers and NDA on effective and appropriate governance structures
Geological disposal policy and policy for other disposal infrastructure	Chair Monthly Governance Meetings
Exotics	Advising the BEIS Permanent Secretary and Secretary of State on the composition of the board and any appointments that may be required; oversight of appointments process, jointly with BEIS public appointments team.
Security, Safety and Resilience	Monitoring and reporting on all aspects of performance, including financial
Waste Policy	Capability reviews / Board effectiveness reviews / NDA remuneration
Pension Reform and Redundancy Cap	Monitoring and reporting on commercial performance
Spent fuel	Supporting the NDA's reporting of risks and delivery
Uranics	Providing advice to BEIS Permanent Secretary and Ministers on all the above
Plutonium	
Other Government and Parliamentary Business	
Parliamentary or Ministerial Correspondence; Parliamentary Questions, other Parliamentary business	
Visits Briefing	

BEIS	UKGI
Communications, including coordination of BEIS/NDA press office interaction	
Corporate Sponsorship (BEIS lead with UKGI support)	
Setting the NDA's budget and supporting Spending Review negotiations.	
Approval of NDA Strategy / NDA Annual Business Plan /NDA Annual Accounts	
Approval for changes in organisational structure and corporate strategy and changes in management model (including related changes in contractual arrangements)	
Development and approval of the NDA's Framework document	
Lead on the Government interaction with the Magnox Inquiry	
Annual Pay remit and ad hoc HR matters/establishment/CO controls	

6.1.13 We have noted the recommendation in the Holliday Inquiry report, focused on the events surrounding the Magnox procurement exercise, that UKGI be removed from day-to-day oversight of the NDA. Without prejudice to BEIS' consideration of that recommendation, based on the evidence gathered in 2020 in support of this review our conclusion is that the current shared oversight arrangements broadly work, but could be sharpened up and made more effective and the delineations in responsibility clearer. The current governance model allows UKGI complement BEIS in its policy delivery and sponsorship role. UKGI is able to draw on its organisational expertise in corporate governance and, specifically, to apply the experience that it gathers from oversight across the full portfolio of assets to deliver best practice to the NDA. This is complemented by diversity within the UKGI shareholder team, allowing them to deliver effectively against their responsibilities, whilst retaining flexibility to manage changes to the organisation as they emerge.

6.1.14 We conclude therefore that no fundamental changes are needed to the status quo. However, for completeness we considered arguments for and against alternative options.

#### Possible Alternative Oversight Arrangements

6.1.15 The current approach that broadly-speaking splits out BEIS' role as policy sponsor and UKGI's as strategic overseer of corporate governance and performance is not the only possible model.

6.1.16 Two principal alternative approaches could be:

- (i) for BEIS to absorb the role and functions currently undertaken by UKGI. Of BEIS' 41 Partner Organisations, seven are managed by UKGI (in addition to the NDA, these are: Post Office Ltd, HM Land Registry, British Business Bank, Ordnance Survey, National Nuclear Laboratory, and Nuclear Liabilities Fund). Of those managed entirely from within BEIS, several are organisations with

- significant levels of spend (for example UK Research and Innovation) and relatively complex corporate structures; or
- (ii) A hybrid model, whereby UKGI retain their role as sitting on the NDA Board and providing strategic corporate and governance advice and challenge via that forum, but all other aspects of day-to-day oversight are returned to BEIS

Option	Potential benefits	Arguments against
All current UKGI functions performed by BEIS	<p>A simpler, more streamlined model, avoiding risk of confusion over boundary between organisations</p> <p>Allows for tighter coordination of information exchanges with the NDA, reducing duplication in information requests</p> <p>Clarity of communication with central Government for the NDA; significantly reduces risk of second-guessing which part of Government to approach</p> <p>The DG responsible for the policy has complete command of the teams involved in oversight, challenge and performance</p>	<p>Would require the capability, experience and expertise provided by UKGI to be replicated by BEIS. Unclear whether this could be done easily or quickly</p> <p>Would require a separate function to be created within BEIS to ensure the continuation of the principle that policy sponsorship and performance management should sit separately in order to surface the trade-offs of Government's different interests</p> <p>Would result in the loss of UKGI's current ability to capture and exploit learning and experience from its management of other HMG assets, an approach deliberately built into UKGI's current approach</p> <p>HMG-provided Director representing the Shareholder on the Board would no longer be drawn from the UKGI pool of experienced corporate governance specialists</p>
Hybrid: all current UKGI functions other than membership of the NDA Board performed by BEIS	As above, whilst recognising the value brought by UKGI continuing to provide the HMG-provided Director on the NDA Board.	In practice may weaken both the grip and value-add of the UKGI Board Director by essentially removing their access to the analysis, briefing, insights and other support provided by the wider UKGI team

6.1.17 NAO inquiries into Magnox and Sellafield have raised concerns about the perceived complexity of the governance arrangements above the NDA and questioned the overall effectiveness of the governance regime including questioning whether UKGI “is playing any useful role.”

6.1.18 BEIS colleagues told us that UKGI brings commercial expertise which they do not have. This is undoubtedly the case, although we note also that UKGI have also recruited several policy generalists, including from BEIS. UKGI also bring broader

perspectives and learning from their experience of managing other arm's length bodies for BEIS and for other departments, all of which are, in general, large, significant spenders and which face some significant operational challenges. The BEIS sponsor team told us that they value UKGI's input, noting that on many occasions they were able to work together as though they were a single team.

- 6.1.19 While there is no legal or procedural requirement for the shareholder function to be performed by UKGI, the fact that it is clearly operationally and administratively separate from that carried out by BEIS ensures that this important distinction remains clear in the case of the NDA.
- 6.1.20 Our conclusion is that UKGI is uniquely placed, situated as it is between government departments and the private sector, to provide a valuable service to BEIS, and to challenge the NDA appropriately on their strategic plans, financial management and on their governance.
- 6.1.21 We have seen no persuasive evidence to suggest that transferring UKGI's current role to BEIS would necessarily improve the quality and effectiveness of the way in which the NDA is sponsored and performance-managed by Government, despite the fact that to do so would be likely to result in some improvements in the clarity and coordination of communication between the NDA and Government. In particular, the capability on which UKGI is able to draw in the discharge of its responsibilities would not be easily available in BEIS.

#### The impact of recent transfers of responsibility from UKGI to BEIS

- 6.1.22 The enhancement of the BEIS team has been a significant step in the right direction, helping develop an unusually close working relationship between the NDA and its policy sponsor, bolstered by the undoubted expertise provided by UKGI. However, this dual oversight function at times results in duplication and a less clear and coherent outcome than is ideal (see below).
- 6.1.23 We considered the recent transfer of responsibilities from UKGI to BEIS in respect of Business Case advice and support. While the changes were made with immediate effect, there has been a process of skills transfer between the teams to enable BEIS to build up its capacity and capability.
- 6.1.24 We conclude that this change has indeed established a clearer distinction between the UKGI and BEIS roles. In addition, UKGI, through their seat on the NDA Board, have a role in challenging the NDA's business cases up to the point of Board approval, but previously then had a second and arguably distinct challenge role at the point at which business cases were submitted to BEIS / HMT for approval.
- 6.1.25 The fact that BEIS now perform this latter role, albeit with UKGI support, has created a more coherent set of respective responsibilities and avoids further perceptions of a conflict. This has left UKGI free to continue to deliver the rest of its current functions as shareholder, including monitoring all aspects of the NDA's performance (against strategy and business plans approved by BEIS) and reporting on this to the BEIS Permanent Secretary and Ministers).
- 6.1.26 We considered whether UKGI's membership of the NDA Board provided sufficient "shareholder" representation – i.e. on behalf of the UK Government – noting the view



expressed by some that the amount of risk managed and public money spent by the organisation could justify an additional Board non-executive director from BEIS. The presence of a BEIS senior official on the Board would provide a more direct, formal link between the policy department and the NDA; however, it would also reverse the avoidance of the perception of a conflict of interests noted above. It would also mark a departure from the established approach taken in respect of UKGI membership of ALB Boards. This question could, however, be usefully considered as part of a wider review of the role and function of ALB Boards in due course.

## Distinctiveness of Roles

- 6.1.27 UKGI are clearly a trusted partner in what is essentially a service provided to BEIS Ministers and the Permanent Secretary. On the other hand, the fact that this close working on shared priorities still originates in two separate organisations, with their own line management chains and distinct organisational priorities can and does on occasion result in some confusion.
- 6.1.28 In practice the distinctions set out in table above are not always as sharp as they are in theory. While the close working has enabled a good deal of cross-team collaboration (indeed the table shows a number of areas where BEIS still rely on UKGI expertise / experience for help) care should be taken to ensure that it does not have the unintended consequence of diluting the distinct responsibilities and accountabilities that have been deliberately separated.
- 6.1.29 NDA colleagues told the review on several occasions that it was not always clear enough to them whether BEIS or UKGI were the de-facto lead on certain topics. For example, BEIS formally lead on Pension Reform and the Redundancy Cap, but arguably UKGI, with its formal role in monitoring and reporting of financial performance would more logically take this lead. (The issue here is not whether the right responsibility sat with the right organisation, but that it was not clearly explained).
- 6.1.30 Two public bodies overseen by the Department for Transport – Highways England and Network Rail – provide helpful points of comparison. Although the nature and risk of the infrastructure projects they oversee on behalf of Government are clearly different to those of the NDA, they present some of the same challenges in separating out the roles of policy, sponsor and funder. For example, in both cases the Secretary of State appoints a Director to their respective Boards, as is the case with the NDA. For Highways England, DfT has clearly distinct “shareholder” and “client” teams; and in the case of Network Rail, there are three: customer, shareholder, and “funder”.
- 6.1.31 At the time of this review’s fieldwork it was clear that UKGI and BEIS could usefully provide a clearer articulation to the NDA - not least to its Board, several of whom expressed uncertainty of the role of UKGI beyond provision of a Board Director- of the over-arching strategic benefits of their respective roles, the rationale behind the division of responsibilities, and clearer exposition of what functions constitute the exercise of the shareholder role. This lack of clarity within NDA has in part been compounded by the long delay in refreshing the Framework Document, and by a failure to keep pace with personnel changes on the NDA Board and Executive, ensuring that new appointees are given a proper grounding in the rationale for the BEIS/UKGI oversight arrangements.

6.1.32 In 2019 UKGI agreed a new Memorandum of Understanding with BEIS which sets out at a more strategic level the relationships between UKGI and the Department. This in turn has informed the new Framework Document, which has been published since the conclusion of this review's fieldwork. We understand that the process of refreshing the Framework Document has given a good airing to these issues, and that understanding of roles and responsibilities is now improved.

### Coordination between UKGI and BEIS

6.1.33 The large category of topics on which BEIS leads but is supported by UKGI creates an environment in which third parties – including the NDA – could find themselves dealing with BEIS officials, or UKGI staff, or both without any obvious logic. One clear example of this arose during the course of the review, when Cabinet Office commissioned a review of the extent to which the nine Cabinet Office Spend Controls were a) understood by Departments and Public Bodies and b) complied with. While the table above describes that management of Spend Controls as a BEIS lead, supported by UKGI, the formal response to the Cabinet Office referred to UKGI being in the lead given that the NDA's controls were "managed by UKGI".

6.1.34 Whilst on the one hand, as noted above, this "single team" effort allows for the best and most effective deployment of experience and skills, as the volume of work ebbs and flows, it also risks diluting formal responsibilities and raises questions of ultimate accountability to Ministers should there be a failure to deliver effectively. Should a major failure of governance occur, it may prove too easy to accuse BEIS and UKGI in hindsight of a failure to establish clear and unambiguous roles and responsibilities.

6.1.35 Despite the fact that UKGI provides a service to BEIS in respect of the NDA's oversight, it was clear from conversations with the NDA that too often they experience this as two sets of competing – or at least sometimes poorly coordinated – demands from central Government, and that this came with a significant opportunity cost to the NDA's executive team. We have not been able to quantify this opportunity cost (the volume of information requests, informal meetings and other touch-points where the NDA is asked to undertake a task or respond in some way are too numerous and undocumented to do so) but it is clear that some form of mechanism is required to triage and coordinate the practical impact of the combined oversight role.

### Recommendation 5

6.1.36 BEIS and UKGI should consider ways of simplifying the current multi-channel engagement with – and therefore reducing unnecessary transactional burdens on - the NDA.

### Retaining Expertise and Experience

6.1.37 Despite some frustration with the volume and poor coordination of engagement with central Government, the NDA told us that they hugely value the experience and insights provided by some key members of staff. The effectiveness of the joint working – both between BEIS and UKGI, and between Government and the NDA – appears in large part to depend on the quality of some personal relationships, and in the mutual trust and respect that exists in them.

## Recommendation 6

- 6.1.38 BEIS and UKGI should carefully consider succession plans in place to mitigate the risks to the good working relationship with the NDA associated with the turnover of key staff; and that BEIS and the NDA work together to develop a light-touch process to enable staff in both organisations to spend time working in one another's teams, either through work shadowing or secondments, in order both to create a stronger sense of shared context, and to develop a practical understanding of one each other's roles and the challenges they face.
- 6.1.39 A further option that Government should consider would be to retain the valuable expertise, insights and advice provided by UKGI in support of BEIS Ministers and the Permanent Secretary in the sponsorship of the NDA, but redefine the day-to-day channels of engagement between Government and the NDA so that the BEIS sponsor teams take the lead, leaving UKGI's direct relationship with the organisation at Board level only. This could reduce some of the unintended overlap and duplication between the two teams; however it would undoubtedly place an additional burden on the BEIS team, and arguably could dilute the distinctions between the respective roles of the two teams.

## Performance Management

- 6.1.40 We asked BEIS and UKGI colleagues about the formal process for setting objectives for the NDA, which are then discussed and measured at Quarterly Performance meetings. In practice it appears that Key Performance Indicators are developed by the NDA itself as the principal areas of performance of concern to Government take place within the operating businesses.

## Group Key Targets

- 6.1.41 The principal dashboard of key performance indicators used in progress and performance management discussions with the NDA is the list of Group Key Targets, which forms the basis of the quarterly performance meetings chaired by UKGI.
- 6.1.42 The NDA largely leads in the setting of the targets, the measurement of which can be quite granular in detail. The diagram below shows the basic model, somewhat simplified. This reporting year there are 25 Group targets, brigaded under the three pillars of the NDA vision, then categorised by which of the strategic themes they most apply to, and which part of the organisation leads on their delivery. Target descriptors are high-level references, for example to individual major projects, or the publication of the new five-year strategy.

6.1.43 Success factors are set out, filtered into excellent / good / acceptable categories. The metrics here depend on the nature of the target but range from dates by which a particular target is achieved, references to sub-targets achieved, or measurable outcomes such as tonnes of material retrieved.

Vision	Lead org	Strategic theme	No	Target	Exc't	Good	Acct'le	Bonus	Year-end forecast	Year-end RAG	
Delivering our mission together safely, securely, and more creatively, transparently and efficiently	SLC	One of the five strategic themes associated with each target	1								
			2								
			3								
			4								
			5								
	SLC		6								
			7								
			8								
			9								
	SLC		10								
			11								
			12								
			13								
			14								
			15								
	SLC		16								
			17								
			18								
			19								
Corp Ctr	20										
	21										
	22										
	23										
	24										
Creating great places to work...	Corp Ctr	target	25								
			26								
Trusted to do more...	Name	target	27								
			28								

6.1.44 The quarterly performance pack also includes management information on health and safety performance over the period, security performance measured for example in numbers of breaches and supply chain assurance visits, and financial performance.

6.1.45 As a consolidation in one place of the key performance outcomes of the organisation over the previous quarter, they are readily comprehensible and surface a relatively straight-forward set of measures from a very complex organisation.

6.1.46 Scottish Government colleagues told us that they would welcome further discussion with BEIS to look at opportunities for more joint assessment and monitoring of NDA performance and major risks with respect to the three sites in Scotland.

Chair’s Letters

6.1.47 The Permanent Secretary writes to the Chair once a year setting out the Government’s over-arching priorities for the NDA during the financial year. This lists a number of high-level “success factors” for the NDA. The letter also attaches a standard explanation of the expectations of chairs of public bodies. At the time of writing of this report, Cabinet Office was leading work across Government to look at the quality and consistency of the governance arrangements of Arm’s Length Bodies, including how Chair objectives were set and appraisals conducted. NDA, UKGI and the BEIS sponsor team will need to take account of the conclusions of this exercise, consulting with the Scottish Government as appropriate.

## Framework Document

- 6.1.48 The formal Framework Agreement document between government and the NDA was, at the time of the review, six years old and in urgent need of revision (not least to include the correct name of the Department) given the significant developments in the evolution of the NDA since 2013. A revised Framework Document has now been published. The comments offered below should therefore be read in that light.
- 6.1.49 The 2013 Framework Document needs to be updated to ensure it continues to represent the expectations of Ministers (in both the UK and Scottish Governments), in particular Annex A of the Framework Document which sets out the NDA's formal delegations. At the time of the review, Cabinet Office had initiated a review of those delegations made within the framework of the Cabinet Office Spend Controls (for example, delegated spend on digital service delivery, advertising, marketing and communications, and consultancy) and the Framework Document will need to reflect the conclusions of that review insofar as they apply to the NDA.
- 6.1.50 Formal financial delegations are agreed within the Framework Document 2013 as described above. The Framework Agreement clearly sets out the responsibilities and accountabilities of the NDA Accounting Officer, to (i) Parliament; (ii) the Secretary of State; and (iii) the NDA Board. We have seen evidence of the fact that the AO understands the conditions of Managing Public Money.

## Recommendation 7

- 6.1.51 The Framework Document should be kept under regular review, and formally updated to a frequency set by BEIS/UKGI, at least every two years.

## Sponsorship and Governance Meetings

- 6.1.52 With two distinct organisations involved in the day-to-day oversight of and partnership with the NDA, inevitably pragmatic choices have had to be made in the scheduling, purpose and membership of formal and informal meetings. The box below sets out a basic summary of the formal governance and policy meetings that should occur (taking into account that the latter few sometimes have not for pragmatic reasons).
- 6.1.53 Given the formal distinction between the roles of UKGI and BEIS in relation to the NDA, there is a clear logic in distinguishing between policy and governance meetings, and a rationale for the chairing of each of those to fall to the respective organisation. We understand that in practice the monthly and quarterly policy and governance meetings respectively take place sequentially given that the cast list tends to be the same or similar for each, with the changing chairs and distinct sets of papers reflecting the distinct purpose of the meetings. This seems to us a pragmatic and sensible approach, minimising potential disruption and bureaucracy.
- 6.1.54 The more frequent monthly meetings focusing on more routine policy and governance matters give way every three months to a more strategic discussion and stock-take of both, attended and chaired at a more senior level. This again appears a sensible and proportionate approach and was generally welcomed by all parties that the review team spoke to.

6.1.55 Outside these formal meetings there are regular informal discussions at all levels between officials. The Director General for Energy has regular discussions with the Chair and Chief Executive, as do the relevant Director and other SCS colleagues in the policy and sponsor teams, and their counterparts in UKGI. At more junior levels we saw evidence of regular discussions, both of policy and governance. The NDA have appointed a senior member of staff - a former departmental senior civil servant - who reports directly into the Executive team with a broad remit including overseeing the organisation's overall relations with Government, and advising it and the Board on maximising this relationship. We saw a lot of evidence of this role in action during the course of the review and conclude that it has helped enable the quality of the relationship.

### **Recommendation 8**

6.1.56 The department and the NDA should consider how to facilitate more frequent and more direct conversations on matters of strategy and policy implementation. This could be led by the Chair. This would allow on the one hand the Secretary of State and junior ministers to share their priorities, insights, and expectations of the NDA, referencing their wider policy and delivery vision as appropriate, and on the other give the NDA a forum to explain both their progress and surface any challenges they wish to bring to ministers' attention. This would additionally allow the NDA leadership to drive reform and change within the organisation by being able to make direct reference to ministers' views and give ministers a much clearer sense of the accountability of the organisation to Government.

### Formal NDA/BEIS/UKGI Drumbeat of Meetings

Monthly Governance Meeting (MGM) – discusses general issues, performance and some finance. Led by UKGI and attended by BEIS at Deputy Director to Grade 7 level.

Monthly Major Projects meeting (MPM) – looks specifically at the major projects list (primarily Sellafield) and covers performance and issues. Led by BEIS at Deputy Director level.

Quarterly Governance Meeting (QGM) – Every quarter replaces the MGM with a QGM for a more in-depth look at performance. Chaired by UKGI Director.

Quarterly Policy Meeting (QPM) – Takes place alongside the QGM, focusing on relevant policy developments. Chaired by BEIS Director.

Permanent Secretary Meetings – The BEIS Permanent Secretary holds a quarterly meeting with the NDA CEO. UKGI provide the Permanent Secretary with a formal quarterly note on the NDA in advance of this.

Ministerial meeting – in theory take place every six months but evidence suggests that this has rarely happened with this regularity.

Secretary of State meeting – in theory scheduled to be twice a year, but in practice appears to happen less frequently. In addition, Scottish ministers have previously agreed to meet the NDA Chair at least once a year.

### Opportunities for exchange of skills and experience between the department and the NDA

- 6.1.57 While there is evidence of very strong joint-working, constructive personal relationships, a culture of openness and appropriate challenge, we did not see significant evidence of formal interchange of staff. The NDA has invested considerable effort in recruiting the strong commercial and management capabilities it needs, principally from the private sector, to ensure a tighter grip on those aspects of its performance that have previously been judged as weak.
- 6.1.58 However, it could go further in developing a better understanding of Whitehall culture and practice (if only to optimise the effectiveness of its engagement with it) and Government could go further in developing a deeper understanding of the practical realities of the complexities inherent in delivering a mission as complex as the NDA's. This would be particularly helpful in relation to those parts of delivery that require more formal joint working between the two, for example in the preparation of businesses cases requiring central Government approval. There is already good evidence of the nuclear graduates programme resulting in members of staff in the NDA's businesses spending time on secondment to central Government (for example, nuclear graduates from Sellafield have been seconded to the IPA).
- 6.1.59 This issue raises a much wider question of civil service skills, and the need for BEIS and other central Government staff to become more comfortable and familiar with the delivery of public services and the impact of the policies they design, which are not in scope of this review.

## 6.2 The Department's Understanding of the NDA's Key Risks

- 6.2.1 The Government's Code of Practice on "*Partnerships between Departments and Arm's Length Bodies*"<sup>20</sup> makes clear that the sponsor department's approach to assurance should be based on an effective assessment of the risk posed by the Partner Organisation, and there should be a mutual understanding of the key risks in each organisation. Key questions to consider include:
- Has BEIS assured itself that it is sufficiently aware of the top risks faced by the NDA?
  - Does BEIS have an understanding of risk tolerance, risk appetite, or target risk that means it can satisfy itself that it aligns with the NDA's own risk appetite?
  - Are BEIS' top risks available to the NDA for the purposes of context and visibility?
- 6.2.2 Partner Organisations operate at Arm's Length from Government for good reasons, and therefore it is only risks that could potentially impact the Department that should be reported, discussed and managed. Partner Organisations' top level risks should be reported in to BEIS Performance and Risk Committee, alerting them when assistance is required and providing assurance that top level risks are being appropriately managed.
- 6.2.3 On the point in relation to understanding common PO risks, we noted that the NDA does attend the BEIS Risk Management Network, which seeks in part to share good risk management practice among POs and align expertise and experience.
- 6.2.4 Our conclusion based on the available evidence and drawing on the internal audit report prepared by the GIAA – conducted in parallel with the preparation of this review – is that while there appears to be a good level of understanding of the issues above, there is an absence of formal reporting to underpin that understanding and provide genuine assurance to the Permanent Secretary and the BEIS Board. The GIAA report concluded that while the NDA in general had mature risk management and assurance processes, the quality and consistency of risk reporting to BEIS was patchy.
- 6.2.5 In practice the reporting of the NDA risks to BEIS appears to be done first through monthly and quarterly performance reports which are discussed within the NDA Group at Quarterly Performance Review meetings attended by the NDA Executive and the Subsidiary executive. The NDA reports into the department through an online reporting tool used by the majority of Partner Organisations. These are then communicated to BEIS' Performance and Risk Committee, usually as part of the process of updating the committee on the NDA's major project delivery.
- 6.2.6 Copies of these reports – including details of the NDA Group Strategic Risks – are submitted to UKGI, and then from UKGI to BEIS. However, the reporting at this stage is limited to project-specific risks such as budget overruns. UKGI told GIAA that they do not have sufficient in-house capacity to monitor some elements of the NDA risk, and

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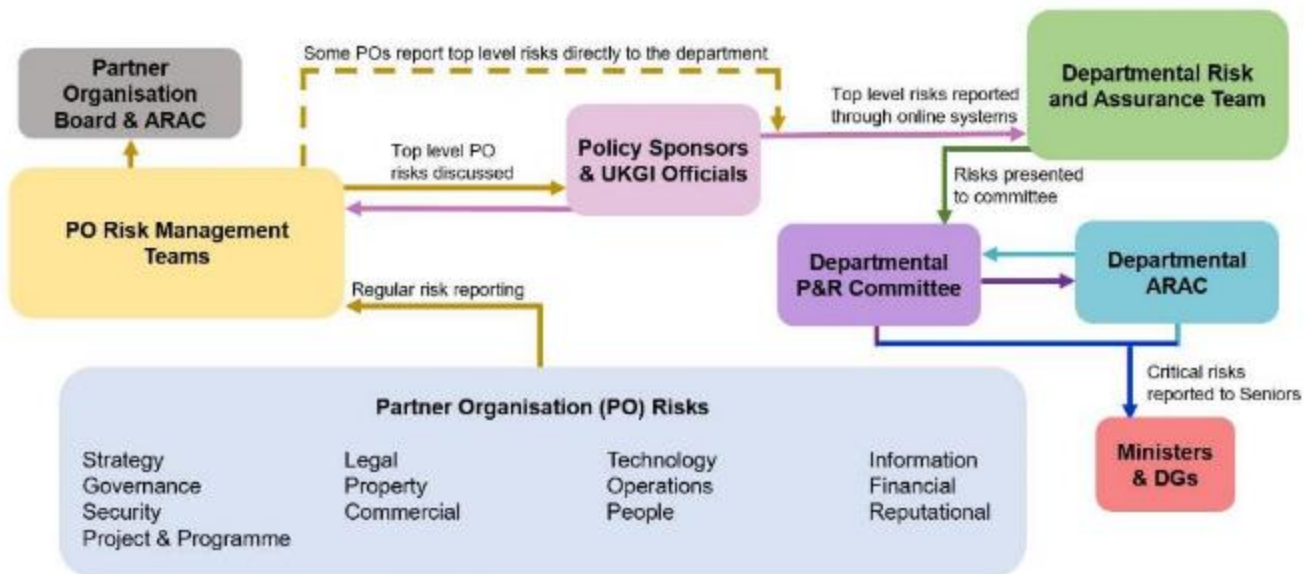
<sup>20</sup> [www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice](http://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice)



moreover that they do not see it as their primary role to brief BEIS on the NDA risks but that this should be provided directly from NDA itself.

6.2.7 In practice, and despite the absence of a formal risk reporting framework, the close working relationship between NDA and the department, and the considerable number of touch-points during the normal course of business, mean that major risks are indeed discussed and communicated. In addition, NDA currently reports risks formally through the quarterly Group Performance Review. This is clearly a strength.

## Sharing of Partner Organisation Risks with Departments



6.2.8 Best practice is illustrated in the graphic above. In this model risks are reported to the department through the interface of Policy Sponsors and UKGI Officials, ensuring that risks can be discussed with these officials and understood fully. This interface is critical in ensuring that risks are appropriately escalated, and the potential impacts are clear, as the view of the department may differ from the view of the Partner Organisation. Through an online reporting system risks are the escalated to the appropriate BEIS committees including P&R and ARAC. These committees will then notify senior departmental leaders of any critical risks.

### Recommendation 9

6.2.9 We recommend that BEIS and UKGI establish a clearer, more transparent mechanism for identifying those NDA top-level risks that merit formal reporting to BEIS' Performance and Risk Committee, and to the BEIS Director General.

## Pay and Spend Controls

6.2.10 The NDA Group – i.e. including its subsidiaries - currently has over 80 roles who have a total remuneration package of over £150k, although not all were filled at the time of the review. 29 of these are within the NDA's Corporate Centre, with the rest in its subsidiaries.

## Pay Transparency

- 6.2.11 The NDA's corporate centre complies with Cabinet Office transparency rules requiring publication of senior salaries above £150k, with publicly available data provided via the annual Senior Officials "High Earners" Salaries list.<sup>21</sup>
- 6.2.12 However, the NDA does not provide similar data from its subsidiaries. Previously this position has been maintained given the subsidiaries' status as owned and run by the private sector, under the Parent Body Organisation model. The particular commercial considerations underpinning the previous status of both Sellafield and Magnox (noting that Dounreay and Low Level Waste will become wholly-owned subsidiaries) provided some justification for flexibility in interpreting the rules, which in part mitigated the risk of turnover of the highest-paid personnel through approaches by other employers.
- 6.2.13 The Cabinet Office publication describes the data as a:
- "List of senior civil servants and senior officials in departments, agencies and non-departmental public bodies earning £150,000 and above".*
- 6.2.14 Whilst, technically, the NDA's subsidiaries do not share the corporate centre's NDPB status, it seems increasingly unsustainable to argue that they should not comply with at least the spirit of public sector transparency rules, providing accountability to the taxpayer. We note that Network Rail and HS2 publish "high earners" data, despite operating in a commercial environment where staff-retention arguments could also be deployed.

## Application of Pay Controls

- 6.2.15 The NDA operates a complex set of pay control exemptions across its businesses; again, this appears to be a by-product of the ownership model that existed at the time those exemptions were negotiated. The NDA corporate centre is subject to central Government's pay remit guidance, but operates some exemptions in its businesses. BEIS HR Pay team noted that they would find it helpful to see more clarity on the full range of exemptions with regards to the pay remit guidance.
- 6.2.16 In the Corporate Centre, any salary above that of the CEO must additionally be approved by the Department. In respect of Sellafield the agreement reached with the Treasury was that they may pay a total of 31 staff no more than £150k, and furthermore that any salary above £400k must be approved, additionally, by the Department. No similar threshold exists with the other businesses.
- 6.2.17 With the imminent termination of the final two PBO contracts, at which point all businesses will be wholly owned subsidiaries of the NDPB, the rationale for differential treatment of the NDA businesses falls away.

## Recommendation 10

- 6.2.18 The revised Framework Agreement should make clear that all of the NDA's wholly-owned subsidiaries should work towards full disclosure of salaries above the normal transparency threshold for publication, from a point in time agreed between the NDA

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<sup>21</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/866327/150k-2019-Master1\\_4\\_csv/preview](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866327/150k-2019-Master1_4_csv/preview)

and BEIS to allow the necessary time to implement, recognising that there may be contractual or other legal matters to resolve before doing so. In addition, Government should introduce a group-level pay control total, agreeing the total number of staff that may be paid above a certain threshold across all of the NDA's subsidiaries, with the corporate centre working with the subsidiaries to allocate the roles, and Government reviewing the effectiveness of this change every year.

## Cabinet Office Spend Controls

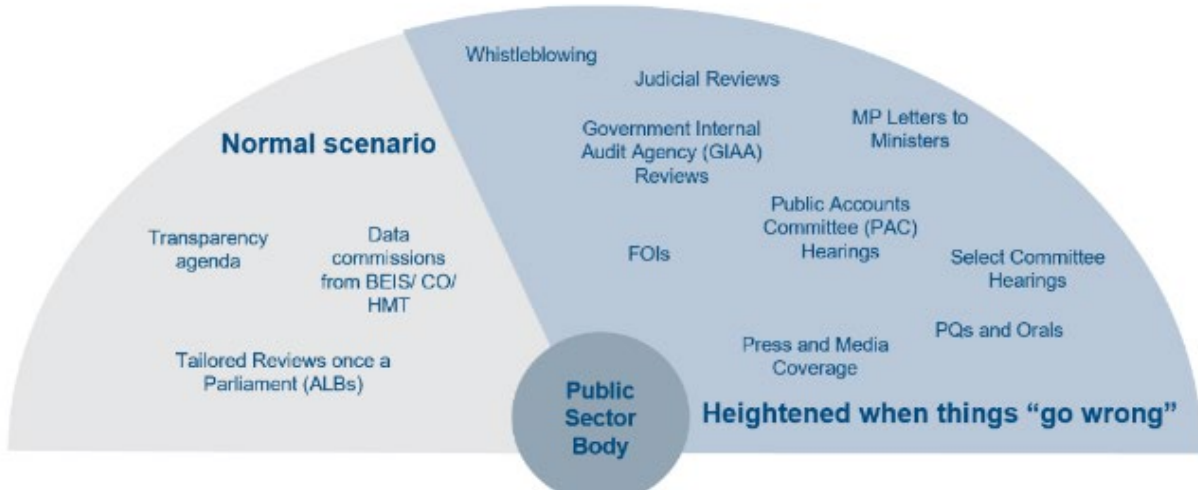
- 6.2.19 Cabinet Office applies a suite basic non-pay spend controls across central Government Departments and agencies, setting thresholds above which additional clearance is required. These cover: Commercial; Digital and Technology; Advertising, Marketing and Communications; Consultancy; Property; Redundancy and Compensation; External Recruitment; and Learning and Development
- 6.2.20 As has been the case with pay controls, several subsidiaries of the NDA have had exemptions from certain Cabinet Office Spend controls. These exemptions have survived the transition of businesses from when they were owned and managed under contract as PBOs.
- 6.2.21 The overall picture is mixed and somewhat complex, with some exemptions applying to some controls and some businesses, but not all. In some cases, the NDA has secured specific exemptions in relation to specific projects; for example a redundancy scheme in 2019 connected with the reorganisation of the corporate centre. In addition, some of the NDA's subsidiaries not currently subject to Cabinet Office controls do still seek approvals for redundancies and compensations, property and for some external recruitment.
- 6.2.22 During the course of the review, Cabinet Office initiated its own review of the application of spend controls by Departments' Partner Organisations. Given that this was, at the time of drafting, under active discussion, we make no separate recommendations in respect of the conclusions it reaches.

## 6.3 Overall Level of Scrutiny of the NDA by Government

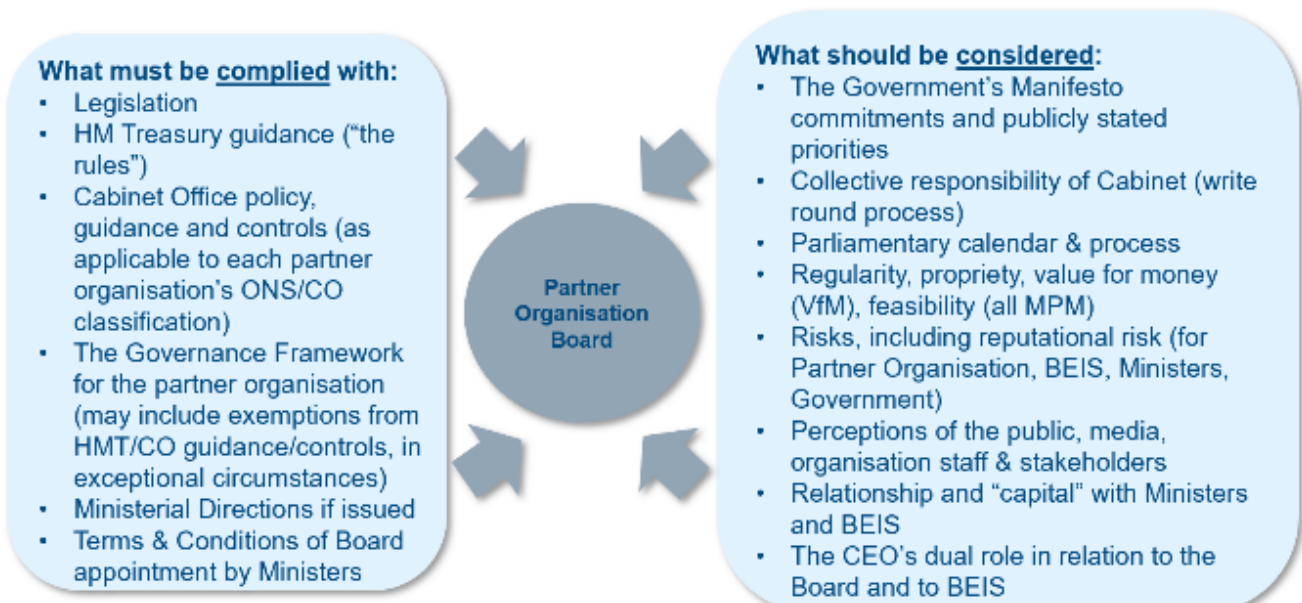
- 6.3.1 The level of hazard and risk managed on behalf of Government, the scale and complexity of the work to manage it, and the fact that the NDA spends around £2.8bn of tax-payers' money per year mean that the level of scrutiny on the organisation – by Government, Parliament, the media and many stakeholders and others is considerable. We considered whether the level of scrutiny to which the NDA is subjected by Government is proportionate to the outcomes it seeks to achieve is proportionate, and whether the way the scrutiny is applied is effective.
- 6.3.2 All Arm's Length Bodies (or "Partner Organisations" in BEIS) are subject to scrutiny and challenge from a wide range of organisations and institutions. Some of these – such as regular data commissions from Government, requirements to publish certain types of data, and the need for regular review, in theory are common to all Partner Organisations regardless of circumstance. During times of heightened interest in the work of the Partner Organisation – as was the case for the NDA during and after the Magnox Procurement exercise – a potentially extensive range of additional sources of

scrutiny can present itself (for example, inquiries by Parliamentary committees, additional scrutiny from ministers, and Freedom of Information requests).

6.3.3 The chart below, used in induction events for new Non-Executive Directors in BEIS Partner Organisations, sets out some of these.



6.3.4 At all times there is a set of public sector constraints and restraints that apply to all public bodies. These include legal and financial requirements with which all public bodies need to comply, as well as wider policy positions and principles that should be taken into account at all times. The table below, also used in induction events, summarises some of these key rules and constraints.



6.3.5 The table below sets out the range of Government, regulatory, Parliamentary and wider stakeholder bodies that provide some form of scrutiny or challenge to the NDA.

Bodies that provide some form of formal scrutiny or challenge to the NDA	
Applying scrutiny as a result of the Energy Act, Managing Public Money, or the Framework Agreement	Applying scrutiny in connection with the NDA's industrial activity, and under various pieces of legislation (e.g. Nuclear Installations Act 1965, relevant environmental regulations, Health and Safety At Work Act, etc)
<p>UK Parliament</p> <p>Public Accounts Committee</p> <p>BEIS Select Committee</p> <p><i>In practice engagement with Parliament tends to be one-off, centred on particular inquiries</i></p>	Infrastructure and Projects Authority
<p>National Audit Office</p> <p>Value for Money</p> <p>Audit</p>	Crown Commercial Service
Scottish Parliament	Office for Nuclear Regulation
<p>BEIS</p> <p>Ministers</p> <p>Civil nuclear and security teams</p> <p><i>Twice weekly call with BEIS Director, often including UKGI, plus formal meetings as set out in table above</i></p>	Environmental Regulators in England, Scotland and Wales
<p>UKGI</p> <p><i>Twice monthly call with Director, plus formal meetings as set out in table above</i></p>	Health and Safety Executive
<p>Cabinet Office (see also Crown Commercial)</p> <p>Spend controls</p>	
<p>HM Treasury</p> <p><i>Engagement ramps up particularly around Spending Review activity; in addition, HM Treasury attend some meetings with UKGI</i></p>	Local Government

Bodies that provide some form of formal scrutiny or challenge to the NDA	
The NDA Board and its five committees  <i>10 Board meetings per year, and 20-25 Board Committees per year, and weekly CEO call with the Chair</i>	Site Stakeholder Groups

- 6.3.6 We asked the NDA to quantify the proportion of their time the senior management team spent in managing the combined oversight and scrutiny from this range of sources. Whilst we were told that it varied across the executive team, we were told that diary analysis suggested that around half of the CEO’s available time was spent “managing upwards”.
- 6.3.7 At present there is a considerable opportunity cost associated with the inefficiencies of different parts of Government interacting the NDA in what often seems an uncoordinated fashion, contributing to sense of directionless scrutiny, whether that is always a fair characterisation or not. BEIS and UKGI have a key role to play in doing as much as they can to reduce this, and recommendations for doing so are suggested above.
- 6.3.8 The overall breadth of the sources of this scrutiny, if not the volume of it in aggregate, does not seem unjustified given the NDA’s functions. However, the frequency of significant interventions – for example, from Parliament – has in recent years been closely associated with concerns over the NDA’s capability and management of risks (for example the Magnox Procurement). As the NDA is able to move on from such failures, giving Government assurance through structural and capability reforms, it should experience a consequential reduction in scrutiny.

## Delegated Authority

- 6.3.9 We looked at whether the delegated authority limits for capital expenditure were appropriate and compared with other organisations. We made a comparison with Highways England and Network Rail given the comparable level of funding, but concluded that both organisations had significantly higher delegated authority to spend (Highways England £500m; Network Rail £750m) due to the nature of the business. Transport projects tended to be more predictable with a very different risk profile. Given the complexity and level of risk associated with the NDA programmes, we conclude that current levels of delegated authority are appropriate for now. In addition, NDA raised with us the issue of delegations outside of capital projects, for example in respect of settlement of litigation or the granting of indemnities. Managing Public Money makes clear that all potentially novel, contentious or repercussive spend requires HM Treasury approval, which means that no delegations determined by Treasury to fall within those categories would be possible. In respect of indemnities, the issue is more complex as it may arise in several different scenarios. An example might be where NDA subsidiaries wish to agree commercial contracts with third parties and are asked to agree an uncapped indemnity (which requires sign-off from HM Treasury). We understand that NDA are in discussion with the BEIS policy team to explore implementation of government policy on contingent liabilities and looking at

how to streamline process while gathering evidence on any challenges specific to NDA that may merit a bespoke indemnity under certain limited circumstances.

### **Recommendation 11**

6.3.10 As the NDA consolidates its understanding and management of its businesses and sites, and drives up the quality of its own performance management, Government should actively consider ways of easing the impact of the scrutiny it applies. This is likely to be over a period of several years. For example setting higher levels of delegated authority for sanctioning of projects and programmes, in recognition of measurable progress made by NDA in developing transparent, comparable management and financial information from all Group businesses.

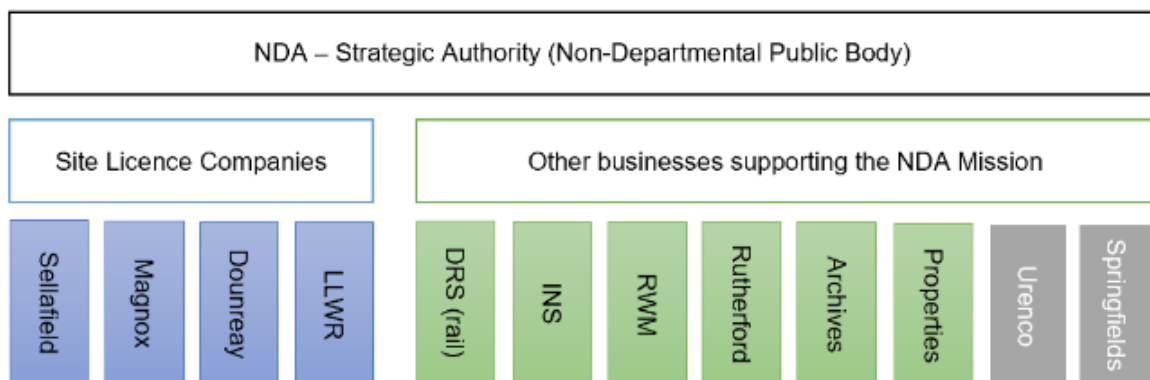
# 7. The NDA’s Internal Governance and Structure

This Chapter of the report looks at the NDA’s own internal governance and structures: how the NDA is structured with the strategic authority and group businesses, the role of the NDA Board and the Board Committees, the responsibilities and accountabilities across the entire group and the parent body organisation model versus the wholly-owned subsidiary model.

## 7.1 Structure of the Strategic Authority and Group Businesses

### Current Structure

- 7.1.1 The NDA is a Strategic Authority which, as the “Corporate Centre”, sits across several businesses which between them make up what is often referred to as the NDA Group. These businesses are summarised earlier in the report. Most are now wholly owned subsidiaries of the NDA, while two are still owned and managed by Parent Body Organisations (PBO). The NDA has announced plans to terminate those PBO contracts and bring them “in house”, also as wholly owned subsidiaries, with the NDA as the sole shareholder (as the other with the other businesses). Responsibility for operating the NDA’s sites is split across Site Licence Companies: Sellafield Ltd, Magnox Ltd, Dounreay Site Restoration Ltd, and Low Level Waste Repository Ltd (the latter two being the remaining PBOs).
- 7.1.2 The NDA Corporate Centre acts as a Strategic Authority, acting on Government’s behalf to develop, set and implement its strategy through these businesses, holding them to account for performance and acting on their behalf as the primary interface with central Government. Until recently it was also responsible for managing the series of contracts with private sector consortia running the PBOs as discussed only two such contracts now remain.



- 7.1.3 The NDA effectively directly oversees ten businesses, with a further two carrying out functions for it under contract (Urenco and Springfields). Other businesses not



generally considered as “core” – such as the North Highland Regeneration Fund, Energus, and a subsidiary of International Nuclear Services – Pacific Nuclear Transport Ltd, are not included in the graphic above.

## NDA Board and Board Committees

- 7.1.4 The NDA Board is statutory, not advisory, in that it was created by the Energy Act 2004. It sets the strategic framework for the NDA; ensures high standards of corporate governance at all times; agrees plans against which the NDA performance is measured; and maintains an appropriate control framework that provides assurances on risk assessment and the application of appropriate controls.
- 7.1.5 The Board delegates the day-to-day management of the NDA group to an executive team, comprising two board members: the Group Chief Executive and Accounting Officer and Group Chief Financial Officer; and other executive members. As noted earlier in the report, The NDA proposes to change the structure of this executive team and formally bring into it senior executives from the subsidiaries.

## The Role of the Board

- 7.1.6 The Energy Act created the NDA Board, which is accountable to the Secretary of State and Scottish Ministers. The Framework Document provides more detail, settings out how the Board is responsible for all aspects of the NDA’s activities and performance including responsibility for, inter alia:
- The NDA’s Strategy and Annual Plan;
  - Establishing and taking forward the strategic aims and objectives of the NDA;
  - Ensuring that the Secretary of State is kept informed of any significant changes which are likely to impact on strategy or delivery of the NDA;
  - Ensuring compliance with rules on the use of public funds;
  - High standards of corporate governance;
  - Reviewing the experience, skills and competency of the NDA executive team;
  - Providing appropriate levels of support and challenge to the NDA executive team.
- 7.1.7 The Chair of the Board is accountable for delivering obligations under Energy Act 2004 and providing effective leadership and direction of the Board.
- 7.1.8 The Group Chief Executive and Accounting Officer is responsible for leadership and operational management of the NDA and is accountable to the Board and Parliament for the NDA’s activities, public funds employed and ensuring targets are met.
- 7.1.9 The NDA Board delegates oversight of certain risk topics and themes to sub-committees and the day-to-day management of the NDA group to the executive team, comprising the Group Chief Executive and other directors.
- 7.1.10 As of 31 March 2020, the NDA Board comprised of seven Non-Executive Members, including the Non-Executive Chair and two executive members, including the Group Chief Executive Officer & Accounting Officer and Chief Financial Officer.

Board and Board Committee		Purpose	Meeting Chair
<b>Non-Executive Chair</b>	The NDA Board	As above	Chair
	Audit and Risk Assurance Committee (A&RAC)	<ul style="list-style-type: none"> <li>provides advice and assurance to the Board on risk, control and governance. oversees audit and financial reporting</li> <li>advises and reports on the plans, activities and performance of internal and external audit</li> <li>provides an assessment of assurance reliability and integrity</li> <li>oversees the effectiveness and quality of the group risk management framework and monitors risk exposure against group risk appetite</li> </ul>	Non-Executive Board Member
	Nominations Committee (NOMCO)	<ul style="list-style-type: none"> <li>considers the composition and skills of the Board</li> <li>assesses succession planning and talent management</li> </ul>	Chair
	Remuneration Committee (REMCO)	<ul style="list-style-type: none"> <li>advises the Board on remuneration</li> <li>monitor performance of Executive members.</li> </ul>	Non-Executive Board Member
	Safety and Security Committee (S&SC)	<ul style="list-style-type: none"> <li>support the Board on its responsibilities for Health, Safety, Environment, Nuclear Safeguards and Security matters</li> </ul>	Non-Executive Board Member
	Programmes and Projects Committee (P&PC)	<ul style="list-style-type: none"> <li>advises the Board on sanction, performance and assurance of programmes and projects.</li> </ul>	Non-Executive Board Member

## Review of Board Effectiveness

7.1.11 We were shown Board Effectiveness Reviews carried out in 2018 and 2019 respectively, and discussed their findings and changes made as a result with previous and current Board members.

7.1.12 The 2018 review made some reasonably frank findings in respect of the behaviours of some of the board members, and about the interactions between executive and non-executive members, though it may be that this reflected the events of just one meeting and may not have been representative. An action plan was developed by the then Chair which:

- reduced the number of executives on the Board to two (the CEO and the CFO), in line with best practice;
- clarified the roles of the non-executives. Each now chairs a board committee, as shown in the table above, and most non-executives also sit on one other committee;

- made better use of the board's time, designed to lead to better discussion where the input of the board was genuinely additive
- beefed up the board secretariat and built in a mechanism to ensure better quality control of papers going to the board, and provide a clearer explanation as to why the board should consider them
- introduced a formal process of 1:1s between the Chair and non-executives. This had started a series of frank conversations about leadership styles.

7.1.13 The current set of board committees and their chair and membership arrangements is now in line with best practice and Government's expectations for arm's length bodies.

7.1.14 Several individuals in the NDA subsidiaries expressed a concern that there was insufficient nuclear expertise on the board; the suggestion was that the board was weighted heavily in favour of senior figures from the commercial world, but with relatively little technical understanding of the sector. However, the most recent non-executive appointed has a strong nuclear research background, as well as experience of the Office for Nuclear Regulation. Some also noted that the gender balance of the Board had reverted to having twice as many men (six) as women (three), despite the appointment of the Chair. However, discounting the membership of the executives on the Board and the UKGI Director, there is a more even split (3:3).

7.1.15 Despite the reforms summarised above, some non-executives on it told us that there was room for further improvement in the efficiency of the board's business. Some of the current frustrations are clearly related to the position of the board relative to those of the NDA's subsidiaries, discussed further below. The sheer number of "other" boards made it extremely challenging to achieve a clear drum-beat of decisions, with a considerable amount of "second-guessing" of other boards' decisions, some ambiguity over who was accountable and responsible for what, and ever-lengthening papers that suffered from being written in stages, from the subsidiaries upwards.

7.1.16 We also heard concerns from board non-executives that meetings were sometimes still much too long, and that some radical structural changes to the overall distribution of Boards across the group should improve this for the better.

7.1.17 Several non-executives indicated that they would welcome more personal interaction with the BEIS Permanent Secretary, noting that the previous Chief Executive of UKGI had been very proactive in making such sessions happen. Those who wished to restart them cited the benefits of being able to shape strategy with the best possible understanding of the wider political and departmental context. Others were content to leave the Chair and CEO to speak on their behalf.

7.1.18 There is currently an externally facilitated Board Effectiveness Review underway. A skills audit could form part of either an internally or externally facilitated review.

## **Recommendation 12**

7.1.19 Board Effectiveness Reviews should take place at a frequency in line with current best practice (ie an externally facilitated review every three years, and an internal review annually). BEIS and UKGI should work with the Chair to set the terms for a skills audit to complement the externally facilitated Board Effectiveness Review in order to assess whether the Board has the right mix of skills given the evolving nature of the group model and the merits of recruiting further additional nuclear expertise. The outcome of the Board Effectiveness Review and the skills audit should be shared in writing with BEIS / UKGI.

7.1.20 We note that the Magnox Inquiry final report recommends (at recommendation 4.20) that the NDA Chair should also ensure that the Board can provide an effective challenge to the Executive across the entirety of its business, and not just with a focus on Sellafield.

## 7.2 The Parent Body Organisation Model versus Wholly-Owned Subsidiaries

7.2.1 Fundamental to the question of how to optimise the group of the NDA businesses alongside the Corporate Centre (the part that is, as far as Government is concerned, the Arm's Length Body itself) is whether the current direction of travel away towards wholly-owned subsidiary businesses is maintained. The model originally adopted when the NDA was created was based on experience in the US. We were told by the NDA and subsidiary business staff involved in the sector at the time that when the NDA was created it had little competence in the practice of running the sorts of commercial operations necessary to contract with private sector expertise to clean up the sites. That effectively meant changing the ownership of each site, and bringing in a management team to run it, for a fee.

7.2.2 At the time there were two subtly different approaches taken: (i) contracting for the running of an established company (Sellafield); and (ii) contracting for specific outcomes (as was the case with Dounreay and Magnox). In all cases, however, the prevailing view in Government appears to have been that by handing over responsibility for entire businesses in this way to PBOs, it was possible for the NDA to leverage the capabilities that large multi-national companies were able to provide. These included ready-made teams of people, business processes, and know-how that the public sector was simply unable to provide. We were told that doing so was also considered to be a sensible way of transferring public risk to the private sector.

7.2.3 PBOs were contracted to own and run the four Site Licence Companies to improve on-site performance. Under the model, a PBO owns the shares in a Site Licence Company for the period of the contract. Each PBO is a consortium of private sector organisations, and performs the function of a parent company, providing additional resource and management expertise.

7.2.4 Throughout the fieldwork period we asked for views on the success of the PBO model. The vast majority of people we spoke to both in the NDA and in the subsidiary businesses, as well as externally, was that while the PBO model was, conceptually, a sound one, in practice several factors acted to constrain it. For example:

- People: in reality the PBO model did not always attract the best people. Some told us that PBO consortia tended to view sites only as an asset from which to extract value, with little interest in the public good involved in cleaning up the site. This appears to have been exacerbated by the fact that the Site Licence Companies were sold to the PBOs for the nominal fee of £1. In addition, we were told that good people working for Site Licence Companies sometimes found it hard to progress within the management structure imposed by the PBO, so there was a sort of de-facto glass ceiling for staff;

- Inherent uncertainties: difficulties in specifying the work needed – often because poor record-keeping from the sites’ earlier days were lost or inaccurate – meant that specifying the work was challenging. This in turn meant that aligning the objectives of the contractor and contracted was difficult;
- Culture: we were told that people working for the Site Licence Companies often did not enjoy working for a PBO; many considered themselves part of the public sector and found the management styles brought in by the PBOs jarring, and expressed disquiet at the concept of working to in order to enhance private sector value

- 7.2.5 At the time, it appears that the newly-created NDA was not equipped with the right capabilities itself to do anything other than adopt the PBO approach; in other words it appears to have been the most obvious and logical option at the time.
- 7.2.6 Since 2016, under the current senior leadership of the NDA, the PBO contracts for Sellafield, Magnox and Dounreay have been terminated and the businesses brought into public sector ownership. The remaining PBO contract for LLWR will likewise be replaced in the coming year and the businesses become subsidiaries of the NDA.
- 7.2.7 The Magnox Inquiry report, published in March 2021, recommended a review of how the NDA manages its site licence companies, including whether the PBO model can ever adequately manage the decommissioning programme, and whether risk can ever be adequately passed to the supply chain.<sup>22</sup>
- 7.2.8 Indeed, BEIS has already asked the NDA to provide a comparative analysis of the benefits of the management approach being adopted for NDA sites as part of the ‘One NDA’ programme.
- 7.2.9 We note that since 2016 the decisions to cancel the PBO contracts have effectively been piecemeal, case by case, with little evidence of a strategic position having been taken by the Department. We agree that Government taking a clear position on the respective merits of the PBO and subsidiary models respectively is overdue.
- 7.2.10 The final position taken by Government will essentially dictate the future shape and governance of the emerging NDA Group. Should the NDA revert to its former model, the role and attitude taken by the NDA as Strategic Authority will necessarily be fundamentally different to that currently being pursued.
- 7.2.11 This report takes as its default assumption that Government will decide to endorse the NDA’s strongly held view that the subsidiary model is the optimum one.

## Finding an alternative to contract management as a performance management lever

- 7.2.12 Colleagues in central government told us that one of the questions they had over the effectiveness of the wholly-owned subsidiary model was how to replace the leverage provided through the management of contracts with PBO-run site licence companies.

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<sup>22</sup> Recommendation 4.7 of the Magnox Inquiry Report - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966572/The\\_Holliday\\_Inquiry.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966572/The_Holliday_Inquiry.pdf)

Because the relationship between the NDA and PBOs was primarily a commercial one, in theory the NDA were able to agree terms that allowed the contracts to manage performance. As noted above, in practice this was less straight forward, not least as the nature of the work was not always well enough understood and defined.

7.2.13 The NDA corporate centre now manages the performance of site licence companies through a series of interventions – such as Quarterly Performance Reviews – underpinned by agreed metrics. However, we were told that continuing ambiguity over the respective responsibilities and accountabilities of the corporate centre and the subsidiaries - “treacle and cobwebs” – could sometimes hold back clear direction-setting and created arguments over the location and limits of executive authority. These issues are picked up later in this section.

## The Complexity of the NDA Group Board Structure

7.2.14 The corporate structure of the NDA group is a complex one. The set of accountabilities that sit with the many boards running the various businesses do not coherently map onto the four main strategy pillars described in the first chapter of this report. In addition, the overlapping and interrelated legal and regulatory obligations, alongside the NDA’s duties to Government as an NDPB, do not map together consistently. There are, as a result, areas where respective obligations, duties and responsibilities act in tension and may be in conflict with one another.

7.2.15 This section of the report looks at how the NDA’s (corporate centre) responsibilities as a statutory authority under the Energy Act 2004 sits alongside the relationship between the NDA as the shareholder of group subsidiary companies, and the duties imposed on company boards and directors by the Companies Act 2006. On top of this is the NDA’s role as an NDPB, with an Accounting Officer accountable to Parliament, and additional administrative requirements imposed by central Government such as the appointments of Senior Responsible Owners for major projects.

7.2.16 The group of businesses making up the NDA family – depending on how you count them - currently has ten boards of directors. They are: the NDA board; five subsidiary boards (Sellafield Ltd, Magnox Ltd, RWM Ltd, INS Ltd and DRS Ltd). In addition, there are two boards for LLWR Ltd and Dounreay Site Restoration Limited respectively (i.e., a board of the Site Licence Company, and a PBO board). (Please note this analysis was completed some time before publication.)

1 x the NDA Board						
Total of 10 Boards Running NDA’s core businesses					1 x LLWR PBO Board	1x Dounreay PBO Board
1 x Sellafield Board	1 x Magnox Board	1 xINS Board	1 x DRS Board	1 x RWM Board	1 x LLWR Board	1 x Dounreay Board

- 7.2.17 Legally, the NDA is a Statutory Authority created by and with accountabilities under the Energy Act 2004. The other boards are regulated by the Companies Act 2006, which means that its Directors have a range of duties in statute and regulation. Where they are Site Licence Companies the Boards of Directors have duty holder accountabilities to the Office for Nuclear Regulation.
- 7.2.18 Each business has its own Executive team, to whom the Boards delegate day-to-day responsibility for the running of the business.

## Simplifying the Landscape

- 7.2.19 As noted above, the complexity of interrelationships between the large number of individual businesses, each with a board of directors and its own executive team, does not clearly reflect the simplicity of the NDA Strategy, aligning and brigading in the impact of its work under the key themes of: site decommissioning, spent fuels, nuclear materials and integrated waste management.
- 7.2.20 In addition, given current fiscal pressures the organisational inefficiencies associated with the current structure – whether seen in the fragmentation of decision-making split between ten boards, the duplication of common functions and services between businesses, or the cost to the public purse of directors' pay – questions were raised during the review of whether the current arrangement was optimal.
- 7.2.21 The line of sight between central Government and operational delivery by the businesses is also somewhat obstructed by the current design. With the model of the NDA as Strategic Authority, Ministers should be able to rely on the NDA to provide them with an assurance that public money is being spent effectively by the businesses, and all relevant central Government controls applied. This will become ever more relevant as all the NDA businesses become wholly owned parts of the public sector.
- 7.2.22 The NDA's ability to satisfy Government that it has a genuine grip on efficiency across the Group and is able to give Government confidence through an integrated financial and performance reporting process that picks up and mitigates the right risks, will be enhanced through a tighter and more streamlined corporate governance structure.
- 7.2.23 The NDA have already embarked upon a process of bringing together the various strands of the waste management businesses, with a view to the creation of a single Integrated Waste Management company. We are aware that work is underway to establish a fully-evidenced cost benefit analysis demonstrating the efficiencies for the tax-payer of doing so, bringing together the core expertise of RWM and LLWR in one place, eliminating duplication and wasted costs. We endorse the decision to do so, although the process should ensure that it minimises the extent to which it distracts the senior leadership teams in the current two organisations from delivery of their core mission - not least given the critical stage RWM has reached in working to identify a site for the GDF.
- 7.2.24 We note that the NDA have provisional plans for further consolidation of the group businesses. One option for doing this would be to create boards of directors with specific accountabilities and responsibilities – carefully agreed with the Office for Nuclear Regulation so as to leave unaffected legal accountability for site safety and security – as follows:

- One board responsible for the NDA's highest hazard site: Sellafield
- One board responsible for all of the sites remaining to be decommissioned, currently Magnox and Dounreay. Subject to final decisions by Ministers the seven AGR sites currently owned by EDF could be added to this company;
- One board running the Integrated Waste Management business; and
- One board running a single transport business, bringing together DRS and INS (already implemented).

7.2.25 Achieving this will require careful agreement with the Office for Nuclear Regulation, who will have legitimate questions in respect of the operational independence of the boards and their legal accountability for the nuclear licences they hold, as well as the bandwidth of the board directors, particularly where scope of operations is significantly wider than is the case currently.

7.2.26 Consolidating the number of the NDA businesses and their boards will also need to go hand-in-hand with a fresh look at the remits of those boards, and the extent to which they reflect the impetus of the "One NDA Model".

### **Recommendation 13**

7.2.27 The NDA should present Government with costed and evidenced options for the streamlining of the Group, its associated boards, and Non-Executive Directors. This should include: (i) potential savings to the public purse of reducing the number of boards, (ii) justifying the presence of Non-Executive Directors on those boards that are retained; (iii) identifying opportunities to maximise collaboration across business boundaries to exploit strengths, scope and the scale of the group to deliver value for money, and (iv) demonstrating to the satisfaction of the ONR and the relevant environmental regulators that such reform comes without risk to existing safety and security obligations.

## **The role of the transport businesses**

7.2.28 The two transport businesses – DRS and INS – both play key roles in providing the necessary specialist services required to package and move waste and other materials around the NDA estate. From the limited assessment we had the opportunity to make of the rationale for their being retained as subsidiaries of the organisation – whether as a single company or separately – there appear to be good arguments in favour. These include value for money considerations, the availability of specialist staff and equipment, and the opportunity to offset taxpayer funding with some commercial income. However, the services they provide are what the NDA describes as "key enablers", rather than core mission-delivery (although NB DRS provides a critical service in the transport of AGR fuel). Added to this both undertake commercial operations with third parties not core to the purpose and functions of the NDA. The question of whether the same level of service could be provided by the private sector at lower cost and without unacceptable risk is not one we are aware has been fully explored.

7.2.29



## Recommendation 14

7.2.30 In order to demonstrate their continued value to the NDA group, and test whether the same level of service could be provided by the private sector at lower cost and / or more effectively and without additional risk, NDA should review the transport solutions that are likely to be required to deliver the mission over the coming years and consider make/buy options in line with operational requirements, value for money and the risk profile. The Board should ask for a first pass on this within two years and regularly thereafter.

## Role and Purpose of the Corporate Centre

7.2.31 As noted above, the role of the Corporate Centre has started to change in line with the evolving approach to the ownership models of the businesses it is responsible for. Before Sellafield became a wholly-owned subsidiary in 2016 the NDA was responsible for procuring consortia from the private sector to own and run, on its behalf, the site licence companies. This meant that the NDA was responsible for overseeing contracts relating to the clean-up of whole sites – and in the case of Magnox, whole contracts covering multiple sites. One consequence of bringing to an end the PBO model is the inevitable delegation of contractual responsibility for work on each site to the Board and management of each site licence company, who in turn contract out the work in smaller parcels to commercial partners. This has fundamentally altered one aspect of the purpose of the NDA's Corporate Centre. During the course of the review we heard from many individuals within the NDA's businesses, as well as from stakeholders, who saw the culmination of the move away from PBOs as a moment for the Corporate Centre to crystallise its key purpose, and clearly distinguish itself from the site licence companies and other businesses supporting the overall mission.

## Executive Governance Structure – The NDA Corporate Centre

Executive Committees		Purpose	Meeting Chair
<b>Group Chief Executive Officer &amp; Accounting Officer</b>	Executive Committee	Accountable for implementing strategy and plans approved by Board. Includes sanction and decision making.	Group Chief Executive Officer
	Executive Audit, Risk and Assurance Committee	To oversee the effectiveness and quality of the group risk management framework, processes and practices and monitor risk exposure against group risk appetite. To monitor and manage risk and assurance mechanisms. To monitor findings from audit and assurance reviews. To advise the Board Audit and Risk Assurance Committee.	Group Director of Risk and Assurance
	Finance and Performance Committee	To review and approve annual reports and accounts and recommend to the Board for approval. To review sanction plan and approve sanction requests within delegation and endorse onward submission where required. To review overhead and headcount budget and review group performance in preparation for Quarterly Performance Reviews.	Group Chief Financial Officer

Executive Committees		Purpose	Meeting Chair
	Sanction Committee	To review and sanction work activities across the NDA estate, including programmes, projects, procurements, IT expenditure, contracts, asset disposal, and investment opportunities. Further approval by the NDA Board and government may also be required.	Group Chief Financial Officer
	Strategy Committee	To approve business and technical strategies. To review the portfolio of strategic decisions/initiatives under development and endorse for forward submission to the Sanction Committee.	Group Director of Nuclear Strategy and Technology

7.2.32 As currently stated, the NDA’s Corporate Centre describes – on the GOV.UK website - its key purpose as follows: “we establish the overall approach, allocate budgets, set targets and monitor progress”.

7.2.33 In practice the Corporate Centre does much more than that. As the latest Business Plan sets out, the Corporate Centre is active across a range of key objectives, from working with Government to develop policy outcomes relevant to its existing assets, developing Group-wide strategies, and working with regulators to determine appropriate institutional controls.

7.2.34 Defining the precise accountabilities and responsibilities of the Corporate Centre, as distinct from those of the businesses, will be a necessary part of the detailed RACI (Responsible – Accountable – Consulted – Informed) analysis that we recommend in this chapter, since it is not possible to more clearly define and ring-fence the role of the subsidiary businesses without doing the same, and establishing the added value, of the corporate centre.

7.2.35 From the available evidence, the de facto role that the corporate centre has been playing since the former PBO-run businesses have been brought in-house, includes:

- Developing and implementing an over-arching strategy for the NDA group, which entails taking an estate-wide view of the overall mission
- Providing strategic advice to Government on a range of issues relating to the core mission;
- Representing the NDA in Government, in Parliament, and with other stakeholders
- Securing an allocating funding for the NDA businesses to enable them to implement this strategy
- Identifying, facilitating and making available to its businesses the skills, technologies, people and commercial partners they need to carry out their role
- Identifying, coordinating and enacting cross-Group activities with the objective of maximising efficiencies and economies of scale; sharing learning and best

practice across the group so that the whole is greater than the sum of its parts (i.e. “One NDA”)

- Ensuring all parts of the NDA group understand and comply with relevant public sector rules, requirements, and processes
- Setting the overall performance metrics of the operating businesses, measuring performance and holding them to account for delivery
- Reporting to Government on the overall performance of the various businesses against the agreed strategy

7.2.36 The fact that no pithy summary that we could find exists, setting out the precise role and purpose of the corporate centre, contributes to a general sense, expressed by many in the site licence companies, that the boundaries between those two levels are too vague. Several of the longer-standing members of staff in site licence companies told us that only four years ago the expectation was that a site licence company would operate with its own heavy-weight board and independent chair owning their own strategic objectives, but that now this assumption was called into question by an expanding corporate centre.

7.2.37 There is, however, evidence of the increasing confidence with which the Corporate Centre is approaching its relations with the group businesses. This can be seen in NDA’s the “Lead, Govern, Share, Engage” approach which relates closely to the development of “OneNDA” – summarised later. It is clear that the corporate centre plays a key role, developing strategy, promoting the interests of the group and performance managing the businesses in their delivery. However, that key role is not sufficiently clearly defined, articulated and shared with all parts of the group.

## The Size of the Corporate Centre

7.2.38 Closely related to the question of the role and purpose of the corporate centre is the issue of its size. The table below shows how it has steadily grown in the past two years, from around 230 in 2018 to over 300 in 2020. Many of these new roles have been developed to help the corporate centre deliver new activity, such as the development and roll-out of OneNDA, and to address specific skills gaps highlighted by previous reviews, such as commercial capability. Others have been to strengthen teams primarily focused on working with the subsidiaries, in functional or business-facing teams. Several people we spoke to in the subsidiaries questioned the need for this additional capacity, citing examples turning up to performance meetings with the corporate centre to find themselves out-numbered by three or more to one, and referring to a tendency to “double-up” across the boundary, where a team in the subsidiary is shadowed by one in the corporate centre, with the resulting inefficiencies and questionable use of public money that entails.

### Recommendation 15

7.2.39 NDA should look carefully at the staffing structure in the corporate centre with a view to rooting out any inefficiencies created by unnecessary shadowing of subsidiaries and providing a clear and transparent explanation of the roles and value provided by every team in the corporate centre.

2020			2019			2018		
Permanently employed	Others	Total 2020 number	Permanently employed	Others	Total 2019 number	Permanently employed	Others	Total 2018 number
246	69	315	235	73	308	210	24	234

## 7.3 Responsibilities and Accountabilities Across the Group

- 7.3.1 The move from the businesses' status as owned and run by Parent Body Organisations to wholly-owned subsidiaries has thrown into sharp relief a set of in-built incentives and drivers in both the Site Licence Companies as the Corporate Centre that are clearly pushing in different directions. These have their roots in a number of places, including different legal frameworks, the tension on the one hand between rules imposed from above by Government as sponsor / shareholder and the guarding of operational independence on the other, and some clear cultural differences.
- 7.3.2 In a strict legal sense, several drivers are at play. The NDA's status is determined by the Energy 2004 Act. The NDA's subsidiaries, by contrast, are limited liability companies, created and regulated under the Companies Act 2006. They are wholly owned by the NDA who is the sole shareholder. The subsidiaries have their own Boards and operate as distinct and separate legal entities, with autonomy in those decisions for which they are legally accountable.
- 7.3.3 This construct means that the directors on the subsidiary boards have a distinct set of legal duties as set out in the Companies Act, including the obligation to promote the success of the company, and also to promote the company for the benefit of the NDA as sole shareholder.
- 7.3.4 The full range of legislative provisions to which the subsidiaries are subject is too lengthy to include here, but includes the Nuclear Installations Act 1965, enforced by the Office for Nuclear Regulation, under which site licence companies are holders of a nuclear licence; regulations in respect of security and emergency plans (regulated by the ONR); environmental permitting (regulated by the Environment Agency in England, the Scottish Environment Protection Agency in Scotland, and Natural Resources Wales in Wales); and regulations covering transport activities, health and safety at work and employment law.
- 7.3.5 The NDA Corporate Centre sits across the top of the various operating companies which include the SLCs. The role of the corporate centre is to operate as an NDPB on behalf of Ministers, to: disburse public funds to the businesses and set the overall strategy for the NDA including all its businesses; performance manage those businesses against the strategy; and manage the relationship with central Government (including providing advice as appropriate).

- 7.3.6 The Government designates an Accounting Officer within the NDA (currently its CEO) who is ultimately accountable to Parliament and to the Principal Accounting Officer of BEIS for the way public money is spent by the NDA, in line with the principles of Managing Public Money.
- 7.3.7 Additionally, the requirements of central Government in respect of accountability for major project delivery (the bread and butter of the NDA's overall role) require that SROs are accountable to Parliament (via the Osmotherly letter process). In practice rules out employees of limited companies who have legal responsibilities to their own Boards from being SROs.
- 7.3.8 So in essence the combination of the formal legal accountabilities that sit with SLCs (site licence conditions, the fact that the site licence holder is also responsible for ensuring that any relationship with its parent company does not interfere with its ability to comply with those safety requirements, and the formal legal loyalty of the SLC Board to the company and not to the NDA as shareholder), set against the formal responsibilities imposed on the NDA by Parliament, creates a potential tension between the two.
- 7.3.9 So there are essentially pressures up, and pressures down:
- *Pressures up* in the SLCs tend to create an emphasis on the company reserving as much independence as possible from the corporate centre, allowing it to “get on with the job” without intervention from the Corporate Centre which some sometimes see as inappropriate interference that crosses the line and threatens the integrity of the site's compliance with its licence conditions;
  - *Pressures down* come from the Corporate Centre's need to satisfy its “shareholder” (HM Government) that public money is being spent effectively and in accordance with the rules; and to satisfy Government (whether ministers or officials) that its broad policy objectives in respect of nuclear decommissioning are being delivered. There is an impetus therefore to apply performance management structures to the operating companies to maximise value for money and demonstrate effective and efficient use of resources.
- 7.3.10 We heard a range of views from site licensees. All referred to the tension created by the tensions built into the legal construct: the creation of a set of incentives acting on the Corporate Centre as a strategic authority under the Energy Act, versus those created by legislation concentrating legal accountability for site licence conditions at subsidiary board level.
- 7.3.11 However, there was less consensus among site licensees on the extent to which the full range of the responsibilities of their boards was required by the site licence conditions. As noted above, under the Nuclear Installations Act 1965 the site licence holders have to have a distinct corporate identity, and are directly legally accountable to the ONR for the discharge of their duties under the licence and any associated conditions. Key among these is site licence condition 36 which deals with organisational ability – effectively requiring the SLC to:
- “provide and maintain adequate financial and human resources to ensure the safe operation of the licensed site” and to “make and implement adequate arrangements to*



*control any change to its organisational structure or resources which may affect safety.”*

- 7.3.12 We heard from site licensees who strongly felt that this condition required the subsidiaries to maintain a widely-defined set of responsibilities associated with the management of a company, including autonomy in maintaining HR capability, including making appointments and setting remuneration. Others took a more nuanced approach, noting that in the private sector the group subsidiary structure allowed variability in the distribution of functions, accountabilities and responsibilities between “head office” and the subsidiaries.
- 7.3.13 Some licensees told us that they thought “the site licence condition card had been overplayed” – in other words that site licence condition 36 was being interpreted to maximise the role of the subsidiary, and maintain as much independence as possible from the corporate centre.
- 7.3.14 In essence the argument seems to turn on the interpretation of what “adequate arrangements” to allow “the control of the safe operation of the licensed site” means. It is not for this review to take a view on what is a delicate legal and regulatory question, but we note that a wide range of strongly-held views exists within the NDA and its subsidiaries, and little progress appears to be being made towards resolving it.
- 7.3.15 The ONR itself as well as the environmental regulators – responsible for ensuring that site licence holders comply with their legal duties – clearly have a strong interest in understanding the implications of any changes to the ways that subsidiaries are run by the boards. ONR told us that rather than taking a position in respect of any such changes at present, they were keen to understand these practical implications, and in particular how the NDA planned to operationalise changes to the role of the corporate centre that would have a material impact on the subsidiaries. It would then be for the Site Licence Companies to justify the safety of any such changes and, if appropriate, seek agreement of ONR and the relevant environmental regulators before implementation.

## Defining Responsibilities and Accountabilities

- 7.3.16 Disagreement over how these respective accountabilities and responsibilities should be interpreted is leading to, among other things:
- Duplication of process (most obviously seen in lengthy, resource-intensive project management and business case approvals); and
  - Misalignment of strategic and tactical decision-making (for example we were told of the NDA Board having taken a view on senior staff bonus payments that contradicted one taken by an SLC Board, raising a question of which Board was pre-eminent
  - Mutual suspicion over the motivations and activities of the other party (played out in a number of ways, from speculation about the rationale for the expanding corporate centre, to querying the remits of particular senior post-holders

- Concerns on the part of the Regulator about the potential impact of an expanding role of Corporate Centre, and its potential to erode the legal accountabilities current sitting with Site Licence Company boards.

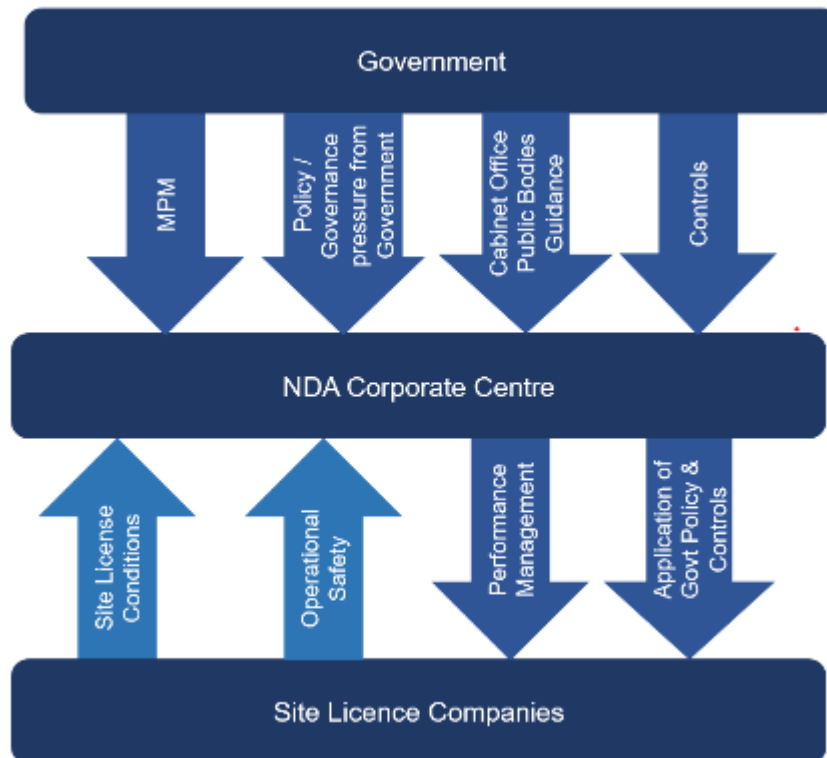
<b>Potential Impacts of Increased or Decreased control and authority in the NDA Corporate Centre, relative to subsidiaries</b>					
<b>Corporate Centre Authority &amp; role</b>		<b>Impact on SLC</b>	<b>Impact on Group</b>	<b>Impact on HMG</b>	
Increasing 	<b>Potential advantages</b>	Resolves ambiguities over SLC role  Reduces inefficiencies by removing duplication at SLC	Allows for exploitation of economies of scale (IP, assets, systems) across Group  Centre adds value by ensuring learning, experience, people shared across Group	Holds Corporate Centre Board accountable for SLC performance  Less concern over Government visibility of operations  Simpler application of Government controls across Group	
	<b>Potential disadvantages</b>	Unproductive and inappropriate interference in operations  Regulatory concerns over “controlling mind” of site licensee	Untested assumptions made about common purpose and shared characteristics between businesses	Creates false sense of accountability for performance of businesses  Enhances risk to Government by blurring accountabilities	
No change	<b>Potential advantages</b>	Familiar and understood  Allows for stability, no cost associated with change	Familiar and understood  Allows for stability, no cost associated with change	Familiar and understood  Allows for stability, no cost associated with change	
	<b>Potential disadvantages</b>	Perpetuates any existing problems associated with lack of clarity on accountabilities and responsibilities	Opportunities to maximise cross-Group learning may not be fully realised	Fails to resolve inefficiencies or risks to Government associated with unclear boundaries and accountabilities	
Decreasing 	<b>Potential advantages</b>	Resolves ambiguities over SLC role  Avoids regulator concerns over “controlling mind” of licensee  Enhances role of SLC Board in interaction with Government and Parliament	Less management distraction from essential business	Risks located demonstrably further from Ministers	
	<b>Potential disadvantages</b>	Less clear strategic context within which to set delivery plans	Fewer opportunities to	Less visibility of operations	

Potential Impacts of Increased or Decreased control and authority in the NDA Corporate Centre, relative to subsidiaries				
		Quality and timeliness of policy intelligence from central Government affected	learn from others  Interactions more likely to be bilateral and reliant on individual initiative	Performance management data more difficult to extract, harder to consolidate and make consistent

- 7.3.17 The quality and experience of directors on the Site Licence Company Boards is not in dispute. The Sellafield and Magnox Boards, for example, have some world-class expertise on them, including individuals who have strong track-records in major project delivery in commercial sectors, deep international experience of the global nuclear industry, and first-hand experience of senior roles in government. That these boards are able to direct the operations of their companies with clear-minded authority and credibility with the regulator is an essential component in the successful delivery of the NDA’s mission, but the NDA should keep under review whether in a future group subsidiary model the same mix, and total number, of non-executives, remains necessary and justified.
- 7.3.18 The number and remit of subsidiary board committees should also be reviewed. One potential change to consider, in the light of current public sector pay constraints and the public ownership of the NDA businesses would be the removal of subsidiary remuneration committees (“REMCO”), with the NDA Board Remco setting the group-wide parameters for senior pay, ensuring more visible consistency with senior pay controls as agreed with government.



7.3.19 NDA could usefully benchmark practice in external organisations with similar levels of regulatory oversight in the nuclear sector. NDA told us that they had already started to look, for example, at comparisons with EDFE – also subject to ONR regulation, including via site licences, where wholly-owned subsidiaries do not have boards led by non-executives. They are instead operated as business units, under executive management, with reporting lines to the group Chief Executive. However there is an important distinction in this case in that EDF’s model is of a single licensee - EDF Nuclear Generation Limited - operating at multiple locations, in which the corporate centre is an inherent part of the licensee, not separate from it.



**Recommendation 17**

7.3.20 The NDA should carry out a fundamental review of the distinct accountabilities and responsibilities of the subsidiaries, relative to those of the NDA Corporate Centre, to ensure boundaries are clear and subsidiary boards have an appropriate remit. The implications for regulatory accountabilities of the subsidiaries of any changes proposed will need to be fully understood by the relevant regulators, and where necessary formally approved by them. When reviewing the remit of subsidiary boards, a single group wide Remuneration Committee should be considered, to ensure more visible consistency with senior pay controls as agreed with government.

7.3.21 This is in keeping with the Holliday Inquiry report’s recommendation<sup>23</sup> that NDA should undertake and implement a review of its organisational structure, staffing levels, and competency.

7.3.22 Certain functions that currently sit within the ambit of responsibility of the subsidiaries clearly map onto functional activity undertaken by the corporate centre, and these would be an obvious starting point for a RACI analysis. One possible approach is suggested below:

Function / Role	Possible considerations for RACI analysis
Nuclear Operations	<p>The precise role of the Business-Facing Teams in the corporate centre (introduced as a component of the Sellafield model change in 2016 but interacting with all site licence companies). Need to address the delineation and scope of their role when interacting with licensee projects on waste and asset management, and health and safety, and the interrelationship of these teams on reporting lines within, and formal performance management of, site licence companies.</p> <p>The proposed creation of a Group Leadership Team including site licence company CEOs may require a re-think of the rationale for all of the functions of business-facing teams in the centre.</p>
Safety and Environment	The requirements of and approval by the principal safety and environmental regulators will be a major consideration. Site licence companies in particular will need to retain existing legal accountability for their compliance with site safety and environmental obligations.
Security, Cyber & ICT	Whether further options exist to achieve economies of scale through more efficient group-wide oversight, including some aspects of procurement, sharing of best practice, and subsidiaries following group-wide strategies. Site licence conditions are likely to require continuing responsibility for subsidiary-level procurement.
Human Resources	The extent to which site licence condition 36 (especially “provide and maintain adequate financial and human resources to ensure the safe operation of the licensed site”) gives site licence companies full control of financial and HR policies on their sites.
Finance	

<sup>23</sup> Recommendation 4.12 of the Magnox Inquiry Report - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966572/The\\_Holliday\\_Inquiry.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966572/The_Holliday_Inquiry.pdf)

Function / Role	Possible considerations for RACI analysis
	<p>Achieving consensus with the Regulator on the extent to which any organisational or administrative changes could take place without, in the words of the site licence condition, impacting the companies' ability to "<i>make and implement adequate arrangements to control any change to its organisational structure or resources which may affect safety</i>" will be fundamental to this.</p> <p>There may be opportunities to reduce duplication between the respective corporate centre and board committees to better reflect the fact of being "wholly owned" by government and therefore expected to comply more obviously with public sector expectations on, for example pay and appointments.</p>
Communications	<p>The precise role of subsidiary communications functions within the new Group communications function, and the role of the corporate centre in appointments and performance management, including the distinction between local and national communications needs</p> <p>Signals from central government on the disciplines and expectations of the way in which Partner Organisations manage and run their communications functions, including those of subsidiaries</p>
Risk and Assurance	<p>Whether the roles of the subsidiaries in the First Line of Defence and as part the group-wide Integrated Risk Framework need further clarification</p> <p>The role of business-facing teams in owning and managing risk in subsidiaries</p>
Legal	<p>Whether options exist for consolidation of subsidiary legal functions in the corporate centre, with a centralised system based on the Government Legal Profession – e.g. providing legal advice, litigation, employment and commercial law services to subsidiaries. Following the relatively newly established role of Group General Counsel with an enlarged team and reach, there may be options to achieve greater efficiency and reduce costs, subject to regulator agreement.</p>
Commercial & supply chain management	<p>The extent to which the cancellation of the remaining PBO contracts fundamentally alters the respective commercial capability requirements in the subsidiaries and corporate centre, with responsibility contract management of the supply chain residing mainly in the former.</p>

Function / Role	Possible considerations for RACI analysis
	Consideration of reform needed to the commercial assurance and approvals of business cases in order to remove unnecessary duplication and wasted time and cost (see section in next chapter on Business Cases)

## Designation of Senior Responsible Owners

- 7.3.23 One unintended consequence of the current construct has been the challenge of correctly assigning accountabilities for the delivery of major projects on the Government Major Projects Portfolio<sup>24</sup> within subsidiary businesses to senior members of staff in the Corporate Centre. The approach required by the Infrastructure and Projects Authority is the appointment of a publicly-named Senior Responsible Officer<sup>25</sup> who is in theory accountable to Parliament (under the Osmotherly Rules<sup>26</sup>) for the delivery of the project.
- 7.3.24 The obvious difficulty here is that where a project is delivered by staff answerable to their direct employer (for example, Sellafield, Magnox) and therefore accountable to that company’s board, there is only indirect accountability to staff in the NDA corporate centre. The concept of appointing employees of the NDA’s businesses as SROs - therefore accountable to Parliament – has not been possible to date. Instead, SRO letters have been exchanged with the NDA staff often after considerable negotiation over the terms of the accountability. One such member of staff told us that this was “uncomfortable” as they did not in fact have complete day to day authority over the project.
- 7.3.25 This anomaly is clearly unintentional, but we think it should be addressed as a matter of urgency.

### Recommendation 17

- 4.24 As the proposed creation of the Group Leadership team evolves, The Infrastructure and Projects Authority should work closely with the NDA to realise the opportunities for more appropriate designation of SROs for NDA projects on the Government’s Major Projects Portfolio, including considering the designation of senior members of the subsidiary executive teams to ensure formal accountabilities are sited at the right level.
- 7.3.26 Current Measures to Distinguish Roles
- 7.3.27 The NDA told us that they had put in place, in discussion with the subsidiary businesses, a number of agreed measures to more explicitly carve out the respective roles and accountabilities of the corporate centre versus those of the businesses.

<sup>24</sup> <https://www.gov.uk/government/collections/major-projects-data>

<sup>25</sup> <https://www.gov.uk/government/collections/government-major-projects-portfolio-senior-responsible-owners>

<sup>26</sup> <https://www.parliament.uk/site-information/glossary/osmotherly-rules/>

- 7.3.28 The interface between the NDA and its subsidiaries is governed by three interacting mechanisms, which are:
- The subsidiary's Corporate Governance Documents (for example, the Company's Articles) which regulates relations between the NDA as shareholder, and the subsidiary
  - The Scheme of Delegations – which regulates subsidiary authorities, flowing down appropriately from the NDA Scheme of Delegations
  - The Interface Agreement - an agreement between the NDA and its subsidiary that records legal and operational interfaces between the two entities.
- 7.3.29 The Interface Agreement incorporates some key principles that the subsidiary is not bound by elsewhere. For example, it ensures that subsidiaries comply with everything the NDA has to comply with; it deals with “pass-through” requirements such as those in the Energy Act, the NDA's Framework Document, etc; and it sets out funding obligations by the NDA. It also sets out the way in which subsidiary businesses use and operate assets owned by the NDA, as well as setting out arrangements for performance management and reporting.
- 7.3.30 The NDA told us that in line with the evolving overall business model, away from a contractual set of relationships towards an enhanced common approach under “OneNDA”, they planned to develop the Interface Agreement to emphasise the role of the subsidiary in advancing the Group vision. The new Interface Agreements would therefore become more “relational” and less contractual.
- 7.3.31 The CEO's introduction of Quarterly Performance Reviews (QPRs) in March 2017 – a standard performance management process used in private sector group businesses – has provided a mechanism by which the centre provides challenge and identifies areas needing support. The absence of the levers previously made available by PBO contracts has made such performance management structures all the more important, and gives necessary assurance to central government. BEIS and UKGI officials started attending QPRs in 2019, which allows for a more rapid escalation, and greater visibility of, any issues relating to performance and progress in the businesses.
- 7.3.32 The NDA has recently issued a Nuclear Operations Manual, the purpose of which is to provide greater understanding of the role of Nuclear Operations and the way in which the NDA and its businesses work together. It sets out in more detail the basis of the relationships between the corporate centre's business-facing teams and Site Licence Companies. The NDA explained how the NDA's central Nuclear Operations function oversees business performance management and sets the strategy against which site licence company teams deliver in, for example, health and safety, and the quality and consistency of assets across the estate.
- 7.3.33 However, site licence company colleagues told us that they still experience a lack of clarity on how these teams and this manual interact with projects on site; how personnel in the corporate centre work alongside, influence, and add value to nuclear operations teams on the ground.

- 7.3.34 Based on the interviews with licensee staff, clarity is still needed in how the Nuclear Operations function interfaces with programmes and projects, lines of reporting, and participation of Nuclear Operations personnel in licensee governance meetings.
- 7.3.35 We note that in July 2020 the Office for Nuclear Regulation issued “Preliminary Intervention Findings”<sup>27</sup> in relation to the development of the OneNDA Handbook, which highlighted the need for greater clarity of the role of the nuclear operations function.

## 7.4 “One NDA”

### Rationale and Engagement across the NDA Group

- 7.4.1 “OneNDA” is an approach now being developed and rolled out across the group that seeks to create a stronger sense of common purpose and endeavour between the businesses, and identify and maximise the opportunities presented by all parts of the group working together, including those to extract greater efficiency and effectiveness. Very much the initiative of the current CEO, OneNDA is unambiguously founded on the principle that the whole should be greater than the sum of its parts; indeed, it arguably underpins the NDA’s entire approach to its strategy, and to the move from PBO to subsidiary model.
- 7.4.2 There are five main benefits that the approach seeks to deliver:
- Increased value for money for the taxpayer – the NDA told us for example that identifying common technical solutions and standardising certain assets - such as flasks for moving waste - could drive down cost through economies of scale across the businesses
  - Enhanced performance and delivery of outcomes – for example through sharing of expertise across the NDA group, creating more workforce mobility, and the NDA group functional collaboration;
  - Improved stakeholder confidence and trust – for example through joined-up mission reporting, and open and transparent engagement on behalf of the whole group by the senior team
  - Strong organisational health – for example in focusing the right capabilities in the right place; implementing new leadership development programmes
  - An improved culture with people working with pride, feeling respected and included - for example via a renewed strategic focus on reforming aspects of the NDA’s culture, such as Equality and Diversity
- 7.4.3 The approach has been through more than one iteration, as subsidiaries, external stakeholders and regulators offered views on earlier versions. One key development has been the strengthening of the role of the NDA’s functions, with the expressed

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<sup>27</sup> <http://www.onr.org.uk/documents/nss-ar-19-089.pdf>

purpose of working with the NDA's businesses to create "an enabling environment that will improve performance across the group".

- 7.4.4 We were told that OneNDA has been co-developed with a wide range of stakeholders, with challenge invited from, among others, Sellafield, RWM, INS, DRS, ONR and the Environment Agency. In particular the NDA has worked closely with the ONR to ensure that the handbook correctly represents the important distinctions between the role of the corporate centre and the holders of the nuclear licences. OneNDA texts seek to make clear that accountabilities for regulated activities will not change as a result of it.
- 7.4.5 The building of a new functional model, sited in the corporate centre and looking out into the businesses, often with dotted reporting lines from the businesses to "heads of profession" has been a particular innovation. OneNDA identifies a clear role for functional leaders to: (i) develop functional strategies and targets; (ii) define standards, expectations, policies and processes; (iii) Build capability and Competence; and (iv) plan succession and talent management. It makes clear that these should be "developed at the group level" but in collaboration with the businesses, who will lead on the implementation of the above, "within the group envelope".

## Stakeholder Views

- 7.4.6 We heard extensive feedback from a wide range of interviewees during our fieldwork. These are summarised below, along with our key findings:
- *The over-arching approach and intent of OneNDA are sensible and should be given encouragement by Government.* Even those who expressed significant reservations about the implications for the operational independence of site licensees of OneNDA recognised that an objective of creating efficiency and effectiveness across the group was unarguably the right approach. Where this involved sharing best practice, creating opportunities to make best use of collective skills, for example through increased mobility, and promoting collaboration, there was near-universal endorsement;
  - *OneNDA can only succeed under the "wholly-owned subsidiary" model.* Several stakeholders observed that the PBO model created the wrong incentives, including commercial rivalry between private sector partners, for it to be successfully applied;
  - *The NDA needs to identify tangible, measurable benefits to the NDA staff of OneNDA in order "to give it legs".* In other words, having achieved consensus on the vision, being able to point to demonstrable benefits already being realised should be the next step. For example, articulating and sharing a greater number of positive outcomes either to the delivery of the core mission – perhaps in achieving project delivery improvements – or to individuals' own career development – perhaps through the opportunity to work across the estate – would be a powerful illustration of its benefits;
  - *The NDA should continue to develop rigorous metrics in order to demonstrate efficiency savings across the group.* Being able to make the economic case for OneNDA, by showing how it achieves value for money for the taxpayer, will be a key challenge and opportunity in the next two to three years.

- *The material impact of OneNDA on the accountabilities and responsibilities of subsidiaries is not fully understood across the Group, or by the ONR. We heard from several stakeholders who, whilst endorsing the strategic objectives of the approach, were concerned that they could provide cover for reform of business areas of responsibility. As noted elsewhere, we have recommended that the NDA carry out a detailed RACI analysis of the relationship between the corporate centre and the site licence companies; this should explicitly reference the evolution of OneNDA to that any changes agreed are consistent with it, and align with the requirements of regulators.*

## Proposed Changes

- 7.4.7 Towards the end of our fieldwork we were informed of proposed changes being considered by the NDA designed to address (i) the view that OneNDA had still not found sufficient traction in the Group at large, and (ii) the misalignment of incentives acting on the executive teams in the corporate centre and subsidiaries that were pulling away from the realisation of OneNDA.
- 7.4.8 Subject to agreement with the ONR and the environmental regulators, who, as noted above, operate a range of radioactive and non-radioactive permits and authorisations that must be satisfied whatever governance changes are made, the NDA plan to create a new Group Leadership Team. This would effectively replace the existing executive team in the corporate centre, and establish a senior cadre of leaders running the Group as a defined entity.
- 7.4.9 A significant development would be the appointment of the CEOs of the main subsidiaries to the Group Leadership Team. Alongside this the NDA propose a new Group Leadership Standard, brigaded under four themes (“Collaborate to unlock potential”; “Create the future”; “Inspire our people”; and “Safely deliver results”).
- 7.4.10 Without having had the time to consider this initiative fully – not least as it was still in development at the time of the review – we conclude that the changes:
- Would make tangible changes to executive governance structures that close some of the cultural gaps between the corporate centre and subsidiaries, giving form as well as vision to the OneNDA concept
  - Could help resolve the inherent challenges in the appointment of SROs, if senior executives in subsidiaries will also formally “double-hat” as employees of the corporate centre
  - Help align the incentives of the corporate centre with those of the subsidiaries. There may be scope to bake these changes in alignment into the objectives of the subsidiary executives, including in the calculation of pay and bonus awards.
- 7.4.11 However, the NDA will need to convince the ONR that these changes to the executive structure do not in any way dilute the ability of site licence companies to meet their regulatory obligations.



## 7.5 NDA's Performance Against the Governance Code

- 7.5.1 A full analysis of the NDA's compliance with the Principles of Corporate Governance can be found at Annex C. The analysis shows that the NDA generally has a good level of compliance with the code with the exception of the NDA's Framework document having become significantly out of date until its recent refresh.
- 7.5.2 There are two Corporate Governance Codes that are potentially applicable to the NDA: the *Financial Reporting Council (FRC) UK Corporate Governance Code (2018)*<sup>28</sup> and Cabinet Office and HMT's *Corporate Governance in Central Government Departments: Code of Good Practice (2017)*<sup>29</sup>.
- 7.5.3 The updated Framework Document requires the NDA to follow the UK Corporate Governance Code to the extent applicable, and BEIS/UKGI and NDA will update this at the appropriate juncture to detail monitoring, assurance and declaration requirements.

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<sup>28</sup> <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>

<sup>29</sup> <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

## 8. The Operational Health and Effectiveness of the NDA

This Chapter of the report looks at the operational effectiveness of the NDA as an organisation: how well it operates for example, as an employer of people, in its management of risk, and its use of information technology. Each of these topics could be a significant study in its own right, and given the size and scale of the total Group, we have focused on the strategies and approaches adopted by the Corporate Centre – and in due course, we assume, the responsibility of the proposed new Group Leadership team – rather than attempted to do the same for each business. Where issues have particular resonance for an individual business and this has implications for the wider group, or for the leadership of the NDA, we have identified those.

### 8.1 Spending Approvals for Major Programmes

- 8.1.1 In considering the overall effectiveness of the NDA's internal governance, we analysed how this was applied in practice through the lens of the Sanctioning process. This allowed the analysis of how decisions on major programmes are reached and consideration of the value added at each stage of the process. Before beginning the analysis, we took views from within Government, the NDA and the Site Licence Companies. These views were consistent in their criticism of the efficiency of the process and the negative impact on effectiveness of having so many layers of assurance. The intention of the review was to consider the adequacy of the organisational structure for the efficient and effective scrutiny of major programme proposals.
- 8.1.2 The final report of the Magnox Inquiry made a number of findings and recommendations in respect of the way NDA has procured and managed major projects in the past. In addition it makes some general points about public sector procurement more generally. Nothing in this section should be read as contradicting any of those observations or recommendations.

#### Overview

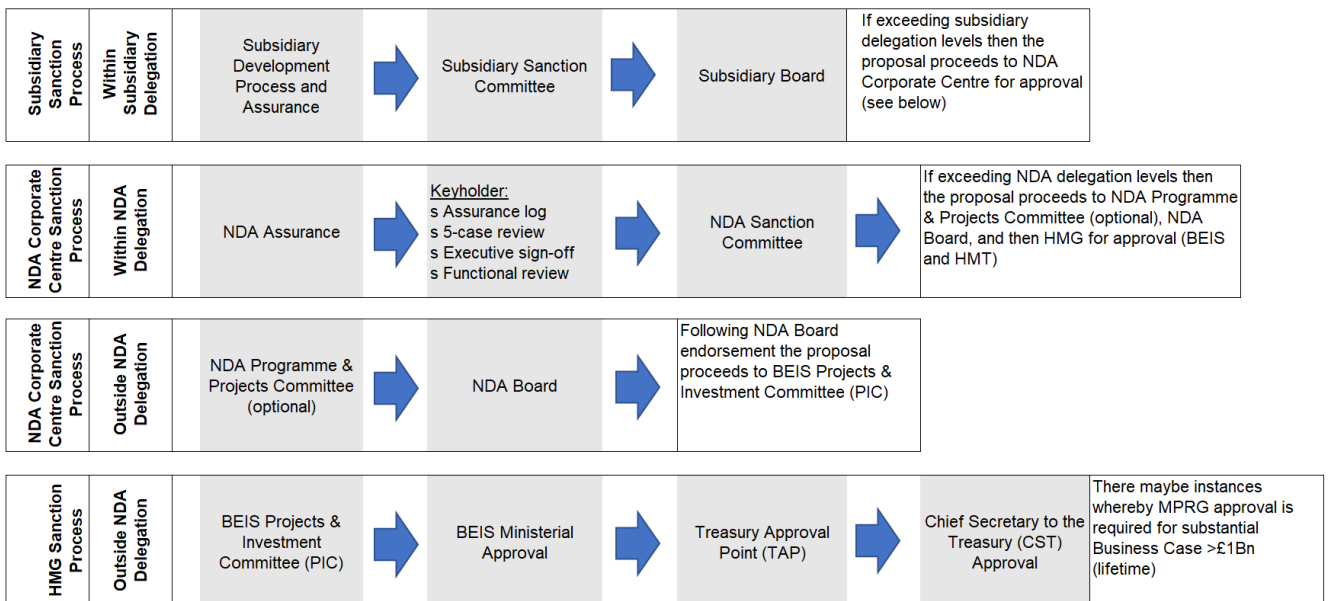
- 8.1.3 The NDA corporate centre oversees the development of business cases for all major programmes/projects that require BEIS approval. The vast majority of these are complex highly technical projects that originated in, and will be delivered by, the site licence companies (SLC). Some of them are listed on the GMPP. All of these will have been through BEIS PIC and usually HMT Treasury Approvals Process (TAP). The NDA's delegated authority is £100m. In financial year 19/20, 42 business cases were submitted to the NDA Sanctioning Committee, 18 (43%) of those were then reviewed by the NDA Board and 5 (12%) were submitted to HMG for approval. Those requiring HMG approval totalled around £2billion. In 2020/21 around 10 (35%) business cases were expected to be submitted to BEIS for approval (*data correct as at 03/07/20*). Most of the cases to be submitted to BEIS range from £100-500m in whole life value. The projections for 20/21 may change due to the impact of covid-19 on operations.

8.1.4 Given the technical nature of the NDA projects, it has developed its own keyholder process for assuring business cases before being considered by BEIS PIC. The keyholder process is set up around the Green Book five case model as it would be in a government department. This bespoke arrangement differs to how BEIS PIC works with other Arms Length Bodies. The normal practice is for the BEIS keyholder process to work with the Arms Length Bodies in developing the case in an iterative process. The current approach was adopted in agreement with BEIS, noting that NDA were best placed to perform the keyholder review process on BEIS' behalf.

## The Business Case Journey

8.1.5 The process of reaching this stage is, on the face of it, lengthy and confusing. If the process is followed without delay, from inception in the Site Licence Companies, it can take up to 211 days for a business case to be signed off by the NDA board, depending on its complexity. In the cases we examined, it often took much longer than this. The process involves passing through up to nine different committees, sometimes more than once. We were told that business cases were drafted by technical experts and sometimes returned by upper committees to be redrafted in a different format/style, though with the recent introduction of new templates this is becoming less common.

8.1.6 Improving capability and understanding of government requirements at all levels to reduce the inefficiency of redrafting should be a priority. Business Cases are then submitted to government which extends the approval process further. Overall, there are too many layers, inefficient processes and a tendency over time to add more assurance rather than tighten existing controls. This was a view shared by contractors who saw an increasing burden of scrutiny by the NDA on the Site Licence Companies. The diagram below, provided by the NDA, illustrates the process steps from initial inception at subsidiary level to final approval.



*Note: The process steps outlined above are only applied to Business Cases which exceed NDA's delegated authority e.g. Capital Projects requesting >£100m approval (lifetime)*

## Assurance

- 8.1.7 The NDA and Site Licence Companies agree that the process for assuring business cases is inefficient and involves too many layers without clear segregation of responsibilities. Excessive layers of assurance can result in confusion over accountability, and can obscure important conclusions from assurance activities. One stakeholder put it as “everyone is involved so no-one is responsible”. We were told that there tends to be a reliance on the upper committee to resolve issues leading to a lack of accountability in the early stages of Business Case assurance. However, NDA are now actively considering further changes to the assurance of business cases in response to these concerns, and are implementing the following principles:
- All assurance activities should be completed before the first site licence company governance process point (for example in the case of Sellafield this is the Investment Review Panel);
  - Assurance should be captured in the Integrated Assurance and Approvals Plan for the project or programme in order to ensure that additional inputs such as an IPA review can be woven into the assurance the business already has planned, with Lines of Inquiry agreed;
  - The commercial assurance activities should feed into the governance process including the Enhanced Commercial Assurance (ECA);
  - At the outset, consideration to be given to the appropriate type of assurance, the individuals undertaking it and the competency of those individuals.
- 8.1.8 In NDA’s view this approach is already bearing fruit in achieving good assurance without imposing undue burdens on the project or business.
- 8.1.9 The NDA has put some thought into shortening the process with high value Business Case progressing more quickly to the NDA Board. We would encourage more radical thinking to streamline the process further. This is complicated by the need to adjust the Terms of Reference for each of the various Committees/Boards which would benefit from some tightening. The terms of reference expose tensions over the full range of functions expected of a Site Licence Company board. We explore this further in the section on internal governance.
- 8.1.10 We also sought views from external contractors. Several pointed to the very different styles and cultures prevailing in different parts of the chain responsible for creating and refining a business case. A paper ultimately destined to be tabled for discussion by Directors General in central government often begins its journey as a relatively technical proposal created by specialists writing for a very different audience, and the elongated clearance process tends to result in additional layers being added, each written for a different committee or board, with the final result reflecting the differing styles and objectives of its many authors.
- 8.1.11 There was agreement that the process was overly bureaucratic which directly contributed to delayed delivery. Possible impacts of this included: challenges in being able to retain the right skills for projects; and the possibility of estimates being inflated to take account of delayed initiation. Contractors felt that the assurance process was too rigid and should be more agile to speed up decision making.

## BEIS Policy Sponsorship

- 8.1.12 The BEIS sponsorship team scrutinises the business cases once they have been submitted to the department before submission to the Project and Investment Committee (PIC). The team analyse aspects of the case that might not have considered implications for government for example legal and reputational risks and alignment with government policy. This helps to ensure that the cases have a better chance of being approved by PIC, but also adds to what is already a lengthy process. This can cause frustration for the NDA when the cases have already been through a thorough keyholder process and extensive expert oversight. This highlights a difference in how PIC views the reliability of the NDA keyholder process compared to the BEIS led process.
- 8.1.13 The BEIS sponsorship team has been building its capability in this area. In the past UKGI provided the service of Business Case scrutiny and oversight. In practice UKGI continue to provide informal support even though this falls outside the scope of the recently published framework agreement. The BEIS sponsorship team has played an effective role in making sure that PIC and TAP are well prepared and focused on the key issues of the NDA Business Cases. It fills the gap that exists by not having a BEIS led keyholder process.
- 8.1.14 We questioned whether this was really additive value and whether BEIS insight could be more effectively deployed earlier in the process. Adopting an approach that uses the NDA keyholder process for assurance, more effectively, could help the BEIS PIC refine its focus and avoid duplication.

## BEIS Project and Investment Committee (PIC)

- 8.1.15 The terms of reference for the PIC are clear on the need to ensure alignment of the NDA business cases with the department's strategic priorities. It rightly avoids scrutiny of the engineering/technical aspects of a Business Case. Following the PIC, Business Cases are considered by the Treasury Approval Panel (TAP). We attended TAP and found that the lines of inquiry were very similar to the PIC and attended by some of the same people.
- 8.1.16 We were encouraged to see that the NDA regularly second staff to work with the IPA. Over time, this will build capability in the NDA and Site Licence Companies as more staff are exposed to government thinking around Business Case assurance. Seconding civil servants into a Site Licence Company and / or the NDA corporate centre could provide valuable timely input into crafting a Business Case that covers the key areas of concern.

### Recommendation 18

- 8.1.17 BEIS should review how its business case approvals mechanisms, including the PIC, can complement the NDA's assurance process rather than replicating it. BEIS and NDA should consider seconding staff into the Corporate Centre and/or a Site Licence Company to provide enhanced capability on the drafting of business cases.

## Case Studies

- 8.1.18 We analysed the timeline across a number of Business Cases to illustrate some of the failings in the system. The table below documents the journey from inception at the Sellafield Investment Review Panel (IRP) through to eventual government approval. It does not show the process pre-Sellafield IRP.
- 8.1.19 The example that stands out is the High Integrity Stainless Steel Containers (HISSC) Outline Business Case. HISSC is a critical product group and uninterrupted supply of the products is essential for the continued operation of the nuclear site and safe storage of nuclear material. There are 24 different products (containers) identified under HISSC.
- 8.1.20 The Outline Business Case was originally considered by the Sellafield IRP on 25 July 2019. It was eventually approved by the NDA Board more than eight months later on 26 March 2020. The Business Case was submitted through Sellafield Board and the NDA Board twice due to differing views on the length of a contract extension. The delay arguably led to a better decision, but the length of delay was clearly excessive. This is a good illustration of inefficiency in the system with an excessive amount of senior executive and non-executive time spent on one business case.
- 8.1.21 A number of interviewees raised the imbalance between the amount of time spent on assuring major programmes pre-approval compared to once they were in delivery. Questions were raised about whether there should be a greater emphasis on assuring the delivery.

Governance Committee	Illustrative Process Timeframe	Programme & Project Partners (PPP)*	3m3 Boxes Procurement OBC	Replacement Analytical Project (RAP) OBC	Procurement of ICT Services (PICTS) OBC	High Integrity Stainless Steel Containers (HISSC) OBC**
Sellafield Ltd Investment Review Panel (SL IRP)		17.07.18	13.09.18	23.05.19	18.09.19	25.07.19
Sellafield Ltd Board		25.07.18	05.12.18	24.07.19	09.10.19	25.07.19 / 05.02.20
NDA Sanction Committee		25.07.18	18.12.18 / 07.01.19	24.09.19	19.11.19	24.09.19
NDA P&Pco		Not established	16.01.19	26.09.19	05.12.19	12.11.19 / 11.02.20
NDA Board		08.08.18	23.01.19	29.10.19	15.01.20	26.03.20
<b>Total calendar days (SL IRP to NDA Board)</b>	127	22	132	159	119	245
<b>Duration in months</b>	4.2	0.7	4.4	5.3	4.0	8.2
<b>Calendar days between NDA Board and BEIS PIC</b>		29	22	30	71	63
BEIS PIC**		06.09.18	14.02.19	28.11.19	26.03.20	28.05.20
HMT TAP		15.10.18	22.02.19	15.01.20	30.04.20	N/A
Final Approval Notification		13.03.19	17.06.19	28.01.20	13.05.20	TBC
<b>Total calendar days (BEIS PIC to final approval)</b>	95	188	123	61	48	
<b>Duration in months</b>	3.2	6.3	4.1	2.0	1.6	0.00
<b>Total duration for approval inc. delay (days)</b>	222	239	277	250	238	308
<b>Total duration for approval inc. delay (months)</b>	7.4	8.0	9.2	8.3	7.9	10.3

## Programme Performance

- 8.1.22 We also looked at current major programmes in delivery phase. There has been history of programmes suffering lengthy delays and significant overspends. For example, the Magnox Swarf Storage Silo (MSSS) programme was delayed by around two years with a budget overspend of around £200m. The Pile Fuel Cladding Silo (PFCS) programme reported a delay in excess of two years and a forecast overspend of £53m. Both programmes are currently RAG rated at red principally due to cost forecasts being above HMG approvals. The impact of Covid-19 on working practices has contributed to the length of delay and size of overspend, but delivery performance was a concern prior to that.
- 8.1.23 We asked IPA whether they had made an assessment of the NDA's capability on programme and project management and an analysis of the reasons for programme overruns. While they had not, they recognised the steady improvement under the current executive team and welcomed the developing capability of the intelligent client function through the Programme and Project Partners approach. The NDA is undertaking its own review of capability through its *Performance Improvement Programme (PIP)*. The Magnox Inquiry report recommended that IPA reports should be presented to the NDA Board or subcommittee, and should be clear and upfront about any areas where no assurance can be given.

### Recommendation 19

- 8.1.24 We recommend that the NDA produce clearly defined terms of reference for each layer of governance in the business case approvals and sanctions process that explains the roles and responsibilities of each and highlights their additive value. Unnecessary layers should be removed. Additionally, IPA should consider what further help it can provide NDA's PPM capability with a view to offering advice and support as it enhances its capability.

## Programme and Project Partners (PPP)

- 8.1.25 The Programme and Project Partners (PPP) model was introduced in 2019 in response to previous issues with the contracting and delivery of major projects at Sellafield. The vision is to develop long term relationships with reliable partners to enable experience to be embedded within suppliers with lessons learned and carried forward onto future projects. It should improve the speed and effectiveness of project delivery and bring greater stability in the design and construction supply chains. The model is comprised of four 'lots': 1) Integration; 2) Design & Engineering; 3) Civil Construction; and 4) Process Construction.
- 8.1.26 The design and build of all capital projects at Sellafield over £50m (Major Projects), will come under the PPP model unless there is a good reason not to do so. The PPP Major Projects will continue to be subject to full NDA and HMG sanction processes as described above. We understand that the anticipated benefits include long term cost savings on Sellafield's Major Projects of up to 10% over the 20-year contract term.
- 8.1.27 It is still early in the 20-year lifetime of the PPP model, with only the first few projects transitioning to this arrangement. We noted good progress in the mobilisation of the Intelligent Client which will oversee PPP projects, and will also set the Major Project

Target Prices (MPTP) and hold suppliers to account. The next couple of years will be crucial in assessing the impact of PPP on how major projects progress at Sellafield.

- 8.1.28 We spoke to contractors who had experienced poorly designed projects prior to PPP. They were optimistic about the possibilities to improve under PPP, with some initial signs of improvement, but it would be a long-term challenge.

## 8.2 The NDA's People Strategy

- 8.2.1 The NDA and its businesses employ approximately 16,000 people. Many stakeholders both in government and externally noted the commitment of many of its staff to successful delivery of the mission, and of the calibre and professionalism of those working in the corporate centre as well as the businesses. As the Holliday Inquiry put it:

*“there are many people in the NDA who care deeply about its mission, and pride themselves on their high standards of integrity and technical expertise.”<sup>30</sup>*

- 8.2.2 Each business is an employer in its own right, with each board playing a role in setting the terms and conditions, and overseeing people strategies, within a wider framework. The Corporate Centre therefore has to develop a group-wide people strategy that is co-created with the businesses, and with stakeholders such as the Trade Unions, in such a way as to achieve economies of scale for the group whilst respecting the legal responsibilities for compliance with site licence conditions – which include a consideration of the ability of the site licence company to manage its people capability in order to comply with its licence. The NDA's people strategy therefore takes OneNDA as its starting point, underpinned by functional collaboration across the Group HR Directors led by the Group Chief People Officer. The NDA's over-arching People objective is to:

*“Enable and drive the delivery of our mission through our people by attracting, retaining and developing a high performing, highly-skilled, talented and motivated workforce and creating a culture in which they can thrive”.*

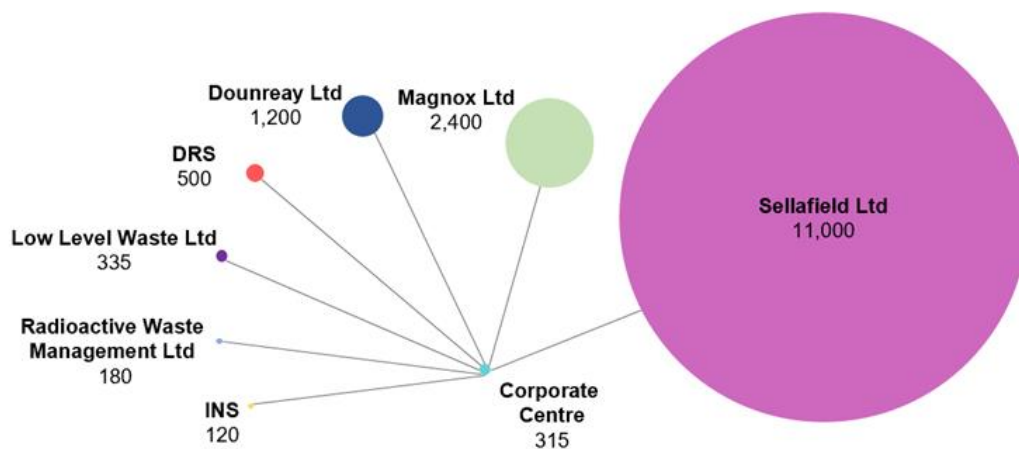
- 8.2.3 The NDA told us that in development its people strategy to achieve this objective it seeks to take into account:
- The particular geographical locations of the NDA's sites, and the supply of skills in the available labour market
  - The complex set of skills requirements required in different parts of the organisation
  - Available funding
  - The NDA's role in the development of the Nuclear Sector Deal.

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<sup>30</sup> <https://www.gov.uk/government/publications/magnox-inquiry-final-report>



Approximate Staff Numbers Employed Across the NDA Estate



## Strategic Workforce Planning

8.2.4 Understanding current and future capability, forecasting skills needs and ensuring access to them, and aligning this with the sector’s future needs at national level. The NDA told us that they are developing a talent acquisition programme looking at short, medium and long-term skills requirements, tackling perceptions of the sector to break down cultural barriers to entry to attract the best people. Example of this include:

- The NDA’s own “Nucleargraduates” programme – a two year development programme initiated in 2008 and now run by Energus, one of the NDA’s subsidiaries. The programme attracts graduates and helps recruit them into a range of core NDA roles, including industry placements, as well as opportunities to gain experience of work in central Government. The NDA also told us that the programme formally contributes to targets within the Nuclear Sector Deal – for example, the target of 40% female employment within the nuclear industry.
- Supporting and promoting activities across the Group to develop school engagement, highlighting career opportunities and encouraging relevant areas of study
- The NDA’s newly-announced partnership with the Nuclear Institute’s Young Generation Network (YGN), which aims to encourage young people into a career in the nuclear industry

## Collaborating with businesses across the group

8.2.5 The NDA told us that this is to ensure that the governance around people recruitment, development and retention avoids duplication whilst respecting the individual responsibilities and accountabilities that reside at site licence company level.

*Painting a compelling vision of what excellent leadership looks like at Group Level*

8.2.6 Including creating conditions for joined-up succession planning, for example:

- the establishment of an NDA Leadership Academy and rolling out of an NDA “Leadership Standard”.
- The CEO Talent Forum, set up to help the leaders of the NDA businesses to discuss succession plans.

## Equality, Diversity and Inclusion

8.2.7 One of the NDA’s Group Key Targets is the development and implementation of an Equality, Diversity and Inclusion (EDI) strategy, and we saw evidence of this being tracked as part of NDA’s regular reporting to BEIS and UKGI. The BEIS Permanent Secretary included it as an area of key focus in her letter to the Chair in 2020. We also set out the focus on this area as one of priorities for the NDA Chair. Each businesses, we were told, creates its own EDI plan which aligns to a Group-wide EDI strategy. From the evidence we saw, it appears that until 2018 EDI was heavily focused on a narrow range of indicators – for example, gender – and we were told that despite improving the NDA’s performance on EDI now being a clear priority for the leadership team, the organisation’s approach to it was still at an early stage. Indeed, it would appear that there was little visible attention paid to the topic prior to the arrival of the current CEO, and few formal governance structures to encourage it. We were told that it was still too difficult to extract comparable data on diversity and inclusion from all the NDA businesses, which made reporting a challenge.

## Pay Gap Reporting and Progress

8.2.8 As a public body, the NDA is required to publish gender pay gap data, including:

- the mean and median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees;
- differences in the mean bonus payments paid to male and female employees; and
- the proportions of male and female full-pay relevant employees in the lower, lower middle, upper middle and upper quartile pay bands.

8.2.9 We reviewed this data and confirmed that it has been appropriately published by the NDA through documents such as its Annual Report and Business Plan. The 2019 data illustrates an increase in the mean gender pay gap in 6 of the 8 NDA Group companies and a marginal decrease in the remaining 2 (Sellafield 0.4 / Magnox 0.2).

8.2.10 The NDA group mean gender pay gap has marginally moved to 13.3% in 2019, from 13.1% in 2018. The median gap has widened to 12.7% in 2019, compared with 11.2% in 2018. By way of comparison, the mean gender pay gap for BEIS was 12% in 2017, reducing to 10.2% in 2020, whilst the BEIS median pay gap reduced from 15% in 2017 to 10.7% in 2020). The Office for National Statistics recorded the national average for 2019 as 17.3%

8.2.11 The NDA told us that the widening of the gender pay gap could be attributable to several factors, including female apprenticeship recruitment which, while contributing to the Nuclear Sector Deal target of 50% female apprenticeship intake by 2021, tended

to depress the average earnings of women. Overall, however, we were told that successful gender-diverse recruitment and promotion was taking place across the Group, but that a historical recruitment bias towards men at senior levels in the NDA still accounted for a large proportion of the gap.

- 8.2.12 We were told that the NDA were addressing this through a focussed approach to the NDA's female talent and succession pipeline, including the Launch of an *NDA Group Woman's Development Programme*; the NDA Group mentoring scheme for women; promotion of the NDA Group Gender Balance network to help them understand their role and responsibilities in promoting gender balance; tackling unconscious gender bias through training for line managers, and ensuring diverse recruitment panels; and actively tracking diversity over different recruitment channels.

## Workforce Planning

- 8.2.13 People capability at the two biggest subsidiary businesses – Sellafield and Magnox – is currently under review. During our conversations with the executive teams in both, we were told that the experience of managing the Covid pandemic had provided valuable lessons in understanding the structure of the site vs off-site working model, and created an opportunity to consider the location of work.
- 8.2.14 Sellafield have a new HR Director in post, and we were told that they are currently working on a new baseline for an integrated capability plan in order to manage future resourcing challenges.
- 8.2.15 Magnox is currently undertaking a strategic organisational review, looking at its existing spans of control and reporting lines, which will be used to reset the plan for managing resources as the decommissioning challenge across the Magnox sites evolves.

## Bullying, Harassment and Discrimination

- 8.2.16 Successive surveys, as well as anecdotal evidence and some press coverage, have highlighted in the past that bullying, harassment and discrimination have too often been features of employment within the NDA's businesses. As noted above, the current CEO has made it a priority to drive up levels of measurable Equality, Diversity and Inclusion, and we are aware of commitments that the NDA has made to BEIS, including to Ministers, to raise the standards of EDI by the end of 2021-22.

### Recommendation 20

- 8.2.17 As part of the improvement plan being developed to raise the NDA's Equality, Diversity and Inclusion standards, we recommend that NDA review the availability, promotion and effectiveness of formal mechanisms for workers in all parts of the Group to raise concerns about bullying, harassment and discrimination in the workplace, including provision of whistleblowing helplines

## Engagement with the Trade Unions

- 8.2.18 We spoke to senior representatives of the principal Trade Unions across the NDA estate. In general we were told of good, proactive engagement by the senior team within the corporate centre (including individual engagement by the CEO) and with the executive teams of the businesses. We were told that in the main Trades Unions felt

able to make their voice heard so as to influence the NDA on its people strategy, and engage with impact on a range of one-off, tactical workplace issues. Examples of good strategic engagement given to us included the development and implementation of pension reform proposals, which have now been agreed.

## Information, Technology and Communications

8.2.19 The NDA Business Plan 2020 – 2023 includes as a key activity for the corporate centre over this period, the commitment to:

*“Implement new ICT infrastructure, software and working practices to allow smarter, flexible working across the NDA”.*

8.2.20 This work is overseen by the NDA’s Group Chief Information Officer, also doubling as Chief Technology Officer in the Corporate Centre. IT spend across the Group is approximately £180m per year, with around 85% of that at Sellafield. Across the group there are approximately 400 members of staff employed on ICT.

8.2.21 There are very different levels of maturity in IT provision across the range of the NDA businesses. We were told that the NDA wants to move towards a more agile approach to IT procurement and contracting, which allows subsidiaries to have their own suppliers and strategies, but with the introduction of commoditised services and unified analytics across the group. The NDA told us that they were looking for ways in which the corporate centre could play a more supportive and facilitative role, thereby achieving efficiencies across the group, without interfering in site licence companies’ operational independence as required by the regulator. For example, we were told that all Microsoft licensing was now procured centrally so that group-wide discounts could be applied.

8.2.22 There is clearly a need for the NDA to continue to build its understanding the full range of ICT assets, contracts, and practices across the group. As OneNDA develops it should present an opportunity for increased and improved learning from practice in different parts of the estate. In addition, through its membership of the BEIS Partner Organisation Security Forum NDA is well-placed to share best practice with other Arm’s Length Bodies, and learn from the wider experience provided by this group.

## Cyber Security

8.2.23 The NDA have developed a Cyber Security Strategy, closely aligned to the UK Government’s Civil Nuclear Cyber Security Strategy<sup>31</sup>. The major risk to the NDA is the release of radiation as a result of a cyber attack; there are also the normal operational risks to the integrity of financial and personal information, and to business processes, that many organisations face. Given the need to ensure that cyber security capability across the entire group is adequately aligned, NDA have set up a programme across all businesses (the Cyber Security Resilience Programme).

8.2.24 Both BEIS and the NDA told us of good, open communication, including with the ONR and the National Cyber Security Centre. We heard of some occasional confusion over points of contact between ONR and the subsidiaries given the multiple “docking-in”

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<sup>31</sup> <https://www.gov.uk/government/publications/civil-nuclear-cyber-security-strategy>

points, but that overall the matrix of relationships between Government, the regulator and the NDA group worked effectively.

- 8.2.25 The NDA told us that they considered this an area of work requiring continuous improvement; while to date there had been no major cyber incidents, the NDA continued to test its own resilience, and had jointly undertaken a major five-day sector-wide response test in February 2020 (Exercise Purple Lumi). The NDA told us that they consider the level of support they receive from Government to be appropriate.

## The Impact of Covid-19

- 8.2.26 Although not originally in the Terms of Reference for this review, we took the opportunity of the field-work phase to seek views on how well the NDA had managed its response to the pandemic.
- 8.2.27 There was a very strong level of support and praise from both subsidiaries and from those in the supply chain to who we spoke; this was generally considered to be an example of where the corporate centre added considerable value through its role as convenor and coordinator.
- 8.2.28 Across the group the impact of Covid 19 was significant, given the need to cease operations across most sites at its first peak in spring 2020. The group closed all operations except for essential works. This helped the organisation manage absences that increased as a result of the pandemic; at its peak 18.5% of Sellafield staff were absent due to CV19 or CV19 related reasons such as childcare.
- 8.2.29 The NDA operated a significant supplier support scheme in line with government guidance for commercial organisations. We heard anecdotal evidence from contractors as well as subsidiaries that this had significantly limited the potential damage to the NDA's supply chain ( and therefore to jobs in Cumbria and other parts of the UK reliant on nuclear decommissioning). The operation of this scheme is now subject to audit.
- 8.2.30 With limited staff on site, the Corporate Centre immediately switched to remote working for its staff, enhanced by quick deployment of IT to staff to enable home working. One example of this was in Magnox where despite only one third of staff having access to laptops, the organisation was able to provide over 300 laptops in the early weeks, raising the proportion of staff able to work from home to over 70%.
- 8.2.31 BEIS kept in close touch with NDA throughout, with weekly calls between the CEO and ministers, and regular reporting to the BEIS Covid Support Group and to the weekly BEIS Partner Organisations Covid reporting system. The NDA sponsor team told us that in their view NDA performed very strongly in managing the impact of the pandemic both on their own staff, and the supply chain. In addition, NDA provided surplus Personal Protective Equipment to communities local to their sites.
- 8.2.32 Following the initial response, the NDA has moved into the recovery phase of planning, focused on activities needed to get the organisation back to business as usual whilst recognising that a new normal will emerge following the pandemic. NDA told us that they anticipate that disruption will continue into 2021.
- 8.2.33 The impact of pausing operations across sites is now being assessed. There will be a negative impact on the total lifetime cost and duration of major projects. BEIS has

asked the NDA to provide updates on the anticipated costs and impacts on their short and longer-term timescales. We understand that the BEIS Projects and Investments Committee will shortly consider a submission to reconcile the additional cost across the major project portfolio due to Covid.

### **Recommendation 21**

8.2.34 The NDA should consider what changes to the workforce structures and ways of working adopted during the Covid pandemic could become permanent features. Additionally, the NDA should work with its businesses to agree where there is scope for further workforce efficiencies given the likely increase in home-working.

## **Risk Management**

8.2.35 The Government Internal Audit Agency report on the reporting and management of the NDA risks is published alongside this report. GIAA found that, in general, the organisation's performance in aligning the diverse risk management process and cultures operating across the Group, and the creation of a model that aligned with Government requirements and best practice, was promising and in good operational health.

8.2.36 In summary we found that:

- The NDA has in place a strategy to deliver integrated assurance across the group. A Group Risk Management Framework has been developed to underpin the strategy.
- Oversight of delivery is well led by the NDA Board and the Audit and Risk Assurance Committee, which is setting appropriate gravitas and the 'tone at the top' to the rest of the organisation, creating the right conditions for the practical and cultural changes needed to deliver a successful change management programme.
- The NDA's approach to the development of Risk Management Framework is reflective of the processes and practices outlined in the HMT Orange Book. There are strong indications that actions already delivered and those planned for the future will lead to a robust framework of control operating over the NDA's risks.
- A proactive approach has been taken to addressing the recommendations made in the Magnox Inquiry Interim Report, alongside relevant the PAC and NAO recommendations, through the use of an the NDA Reports Action Tracker.

8.2.37 However, the GIAA reported that:

- The NDA's current process of transformation in its Group businesses model means the Corporate Centre will need to remain committed to, and provide adequate resources for, the evolution of the risk and assurance framework as part of that;
- The NDA and BEIS both need to assure themselves that any weaknesses identified in the Holliday Inquiry are addressed;

8.2.38 The NDA need to review whether individuals involved in the governance of the NDA decision and oversight boards are clear on their responsibilities.

### Risk Appetite

8.2.39 The approach to risk appetite across the Group is clearly complicated by the fact that, while the NDA Board set an overall risk appetite for the Group, individual boards tended to take a different view in light of their own responsibilities. We picked up a view that the NDA Board, with one eye clearly on Government and the outcome of NAO and other statutory inquiries, took a relatively cautious approach to risk appetite when compared with for example the Sellafield Board.

8.2.40 We were told that the Quarterly Performance Review process was one mechanism for capturing and managing any real-world impacts of these different risk appetites, and the sanctioning process acts as a form of assurance when these differences materialise.

8.2.41 Risks are managed at different levels within the NDA group, according to their influence on mission achievement or impact on single or multiple group businesses.

### Management of Risk across the Group

8.2.42 Group risks – those that sit at the top of the pyramid of risks for the whole of the NDA, fall into the five categories. As already noted, risks have to be managed at different levels within the NDA group, dictated by their potential impact on the overall mission of on individual businesses or programmes. The hierarchy below shows this (schematic provided by the NDA):



Group Risks
Risks to the existence of the NDA Group
Risks to fundamental mission delivery
Requires management at the Group level
Cumulative / aggregated / portfolio effects
Any "Very High" impact

### Capability in the Corporate Centre and across the Group

- 8.2.43 The NDA Corporate Centre coordinates the assurance of key risks, their processes, maturity levels and improvement plans. Its role is set out in the One NDA Handbook against the headings 'Lead, Govern, Share and Engage'.
- 8.2.44 The Group Director of Risk and Assurance ensures leadership, coordination and collaboration across the teams of risk professionals within each business. These teams provide the NDA group and individual business leadership with good visibility of the threats and opportunities to the delivery of the NDA's core mission. In addition, they support project and programme colleagues through advice and training in order to enhance risk management capability.
- 8.2.45 In practice, of course, the capability and capacity these teams varies, given the differences in business sizes, objectives and historical legacy. To respond to this, the NDA Group Risk Management Maturity Model was created in 2018 to assess levels of development and capacity, and drive collaboration on risk management. We were told that each business undertakes an annual review of their capability and the progress they have made on their capability and capacity. The outcomes of this are discussed and trends, ideas and lessons learned shared through the Heads of Risk forum.
- 8.2.46 The Corporate Centre provides a defined set of professional risk roles and minimum standards and expectations. All areas of the NDA group are asked to ensure that their risk resources meet the set requirements for Suitably Qualified and Experienced (SQEP) professionals.

## Assurance

- 8.2.47 GIAA noted positively, in their report published alongside this one, that the NDA has developed a group assurance strategy which outlines the key principles and practices of delivering integrated assurance across the group. They noted that the strategy includes areas such as the three lines of defence, defined roles and responsibilities, a defined strategic direction of travel, an integrated continuous improvement process.
- 8.2.48 GIAA noted that an Integrated Assurance Plan is in place in support of the strategy. From our conversations with the NDA we understand that this is being continuously developed, with plans to bring additional areas of assurance into the plan during the next financial year.
- 8.2.49 The NDA operates the standard "three lines of defence" model. Each subsidiary and the corporate centre operate their own three lines of defence. This applies the basic methodology as described by, for example, the Chartered Institute of Internal Auditors, by grouping risk assurance activity into three main buckets:
- *First line of defence:* carried out by the businesses that own and manage risks. In the case of the NDA this includes assurance of commercial, technical, safety and security activities of subsidiaries / site licence companies. However, the business-facing teams in the corporate centre also operate alongside site licence companies in this first line, working with them to baseline programmes and set appropriate levels of risk and cost.
  - *Second line of defence:* the part of any organisation that provides the strategy and policy supporting risk management in the first line. In the case of the NDA this is the Corporate Centre, which owns and rolls out the risk and assurance frameworks,



and monitors the first line of defence in order to take a view of how well and successfully they are using them. They also have a role in ensuring consistency of reporting and of language.

- **Third line of defence:** this is performed by those structures that provide independent assurance of the first two lines. For the NDA this is provided by various potential bodies, depending on the nature of the assurance, and includes the Internal Audit function and, for major projects assurance, the IPA. Assurance of the overall mission effectively falls to central Government.

Simple summary of key assurance roles across the NDA Group

LINE OF DEFENCE 1	LINE OF DEFENCE 2	LINE OF DEFENCE 3
<b>Business Management</b>	<b>Corporate Oversight</b>	<b>Independent Assurance</b>
Ensuring right first time (RFT) delivery through routine controls and monitoring activities.	Oversight of operational assurance and line management activities	Independent assessment of the operating environment including governance, risk management, assurance and internal controls
<b>Site Projects and Programmes</b>	<b>Site Projects and Programmes</b>	<b>Site Projects and Programmes</b>
<p><b>Sellafield, Dounreay and Magnox</b></p> <p>All follow a similar approach of professional due diligence and peer review e.g. single discipline, inter-discipline check, technical authority review, peer review etc</p> <p>The vast majority of assurance activity should occur at this level. Project and operational activities should be robust as a result of LoD1 activities.</p> <p>Sellafield also have the Programme Capability Team.</p>	<p>Stage gate and active progressive assurance. Project and Programme Boards</p> <p><b>Sellafield</b></p> <p>IPAG</p> <p><b>Dounreay and Magnox</b></p> <p>Assurance Teams</p>	<p><b>Sellafield, Dounreay and Magnox</b></p> <p>Internal Audit</p> <p><b>NDA</b></p> <p>IAP to be reviewed and approved by BFT and Assurance prior to annual issue. Oversight of other assurance arrangements at site level. Assurance of assurance action plans and high risk project reporting. The BFT, Assurance and Commercial are invited to all high risk project, programme boards and assurance reviews. The NDA has mandate to take intervene, should it be required.</p>
<b>NDA Mission Delivery</b>	<b>NDA Mission Delivery</b>	<b>NDA Mission Delivery</b>
<p><b>Business Facing Teams</b></p> <p>Work together to provide a robust baseline programmes, costs and risks for the delivery of each of the elements of the mission, with a particular focus on highlighting interdependencies between operations, projects and sites. Also to forecast cost, schedule and mission outcomes.</p>	<p><b>Risk and Assurance Team</b></p> <p>To provide assurance of mission outcomes and related improvement actions.</p> <p>To identify themes across the sites/programmes and assure the controls.</p> <p>Assurance of critical Functional risks and controls.</p>	<p><b>Government &amp; Internal Audit</b></p>

(graphic provided by NDA)

## Commercial Capability

8.2.50 The NDA’s commercial capability at the time of the Magnox procurement exercise was the focus of the Magnox Inquiry report; it also made several findings and recommendations in respect of the Government’s approach to commercial procurement more generally. In its 2018 Magnox report the Public Accounts Committee also made several criticisms of the NDA’s commercial capability, including the lack of a Commercial Director at the time of the Magnox procurement, and lack of expertise in managing complex procurements:

*“NDA did not have sufficient capability to manage the procurement or the complex process of resolving differences between what the contractor was told to expect on the sites and what it actually found”<sup>32</sup>.*

<sup>32</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/461/461.pdf> - page 6

8.2.51 In response the NDA committed to enhancing their commercial capability.

8.2.52 Changes have included:

- *the development of a new Enhanced Commercial Assurance (ECA) Procedure*, agreed with central Government and formally signed off by the then Chief Executive of the Civil Service in the Cabinet Office. The ECA process is designed to give confidence on commercial proposals by undertaking second and third line assurance at key stages. It formally involves senior Commercial professionals within the NDA Group, BEIS, Cabinet Office, and includes representation from other Government bodies where appropriate such as Crown Commercial Services, Government Property Agency, and the Treasury.
- *Comprehensive Challenge Panels* consider affordability and Value For Money criteria. We were told that over 42 high value (defined as projects worth > £10m but in fact in the main above £100m) have now gone through the ECA process; and
- *Recruitment of a new Commercial Director* (as noted by the final Magnox Inquiry report - *“the commercial capability within the NDA has already been increased by the recruitment of a suitably experienced Commercial Director”*<sup>33</sup>; and
- *Establishment of a new commercial team*, now reporting directly through the Commercial Director to the Chief Executive and with a reporting line into the central Government Commercial Organisation (GCO). Cabinet Office now require that all ALBs with an annual commercial spend >£100m recruit commercial colleagues at Grade 7 (or equivalent) and above via the Commercial Assessment Development Centre (ADC)<sup>34</sup>. There is also a requirement that all existing commercial staff at and above that grade have been accredited via the ADC by March 2023 (pushed back from March 2022 due to COVID). NDA do recruit via the ADC and are in the process of working with Cabinet Office to schedule their existing staff to achieve accreditation in this way.
- *Use of the Contract Management Capability Programme*. Cabinet Office require that certain types of high-value contract are managed by an appropriately accredited contract manager. NDA have a several contract managers across the whole NDA family that are enrolled with the CMCP expert course. Some of these places have been funded by Cabinet Office and some by NDA directly. The BEIS commercial team told us that they will continue to work with NDA on further accreditation of their contract managers.

8.2.53 The NDA have put a significant amount of effort into recruiting appropriate private sector expertise in addressing the PAC recommendations. Colleagues in the Government Commercial Office told us they shared this view, but expressed some frustration at the lack of engagement they were able to have with the NDA's subsidiaries, and what they saw as their inability to provide both support and challenge to them, and a lack of visibility on the pipeline of future contracts. NDA told us that full

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<sup>33</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966572/The\\_Holiday\\_Inquiry.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966572/The_Holiday_Inquiry.pdf)

<sup>34</sup><https://www.gov.uk/government/publications/commercial-assessment-and-development-centre>

Group commercial pipelines are shared quarterly with BEIS and individual pipelines are published on the respective subsidiary websites.

## Recommendation 22

8.2.54 Given the changing business model which now sees the corporate centre's commercial role more focused on assurance of the commercial activities of its subsidiaries, as well as its role in developing and managing revenue opportunities and contracts, we recommend that the NDA keep under careful review the range of core skills and competencies in the centre, as well as those of the subsidiaries' commercial teams. This should include a mechanism for giving BEIS assurance on subsidiaries' understanding of and compliance with all relevant public sector procurement rules and standards.

## Financial Reporting

8.2.55 The NDA has a well-established and mature finance function, led by a Group Chief Finance Officer appointed at the start of 2020, who has brought to the organisation considerable experience of financial and performance management in the private and public sectors.

8.2.56 BEIS' finance section told us that they considered the NDA to have a strong track record in the quality and timeliness of their financial reporting. Despite the uncertainties inherent in the delivery of the core mission, and therefore in the rate of spend and commercial income, they had achieved a 1.3% variance in forecast accuracy to financial year end 2019/20<sup>35</sup>, which when compared with six of BEIS' highest-spending Partner Organisations put them in second place on that metric.

8.2.57 The NDA meets its statutory and other public sector obligations in respect of the publication of audited annual accounts and financial statements.

8.2.58 However, the NDA told us that in their view the quality of live financial reporting upwards from the subsidiaries was still poor. The CFO is currently developing a system of standardised detailed reporting, action tracking and designation of responsible owners within the subsidiaries. Until this is in place the NDA told us that they are concerned that they can not effectively prioritise spend and resourcing across the group.

8.2.59 The finance function, alongside other functions under the OneNDA model, operated with Finance Directors reporting to their Managing Directors / CEOs, and with a dotted line to the Group CFO, designed in part to allow the CFO to start collating project-level data in a way that the organisation had never previously been able to do.

## Spend Controls

8.2.60 As discussed earlier in the report, the consolidation of the NDA's businesses as subsidiaries within a more streamlined organisational construct presents an opportunity for more visibility and monitoring of compliance with public sector spend controls. We

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<sup>35</sup> Based on % RDEL and CDEL outturn for year ending 2019/20

were told that the NDA were engaged in a discovery process to uncover any examples of non-compliance in the businesses.

- 8.2.61 The issue of controls on senior pay, and the appropriate level of exemptions enjoyed by subsidiaries, is covered in chapter two. A further area of discussion between the NDA and BEIS concerns settlements made in respect of cases brought to Employment Tribunals. We were told that before becoming wholly-owned subsidiaries, certain the NDA businesses had preferred to settle claims out of court; however, HM Treasury regards such settlements as novel and repercussive and under Managing Public Money explicit prior approval is required. We were told that there was some evidence of such requests not being made with sufficient evidence required, or approval being sought retrospectively, meaning that BEIS finance had occasionally needed to intervene. We understand that the NDA group finance has been working with subsidiaries, proactively seeking to avoid reoccurrence of such issues.

### Recommendation 23

- 8.2.62 The NDA should continue its drive to improve and standardise financial reporting by the subsidiaries, in order to create, as soon as possible, a fully-functional Integrated Financial Reporting Framework to give the NDA Board full confidence in the corporate centre's ability to allocate, prioritise and monitor spend across the whole group.

### Asset Management

- 8.2.63 One of NDA's Key Enablers, as set out, inter alia in the draft Strategy document and the Business Plan, is that of "asset management". Put simply, this refers to the management process by which an organisation ensures it extracts full value from its assets (defined by ISO55000 as "*deliver the coordinated activity of an organisation to realise value from assets*".)
- 8.2.64 NDA oversee asset management under the work of the Director of Nuclear Operations. It is introduced as a concept in the Nuclear Operations Manual, which is a document that sits one level down from the "One NDA" Strategy and aims to "*assist the group in understanding the role of Nuclear Operations within the NDA and to provide an overview of the way in which the NDA and the NDA Business Units will work together*"<sup>36</sup>.
- 8.2.65 NDA's approach to asset management is evolving; we were told that prior to the appointment of the Director of Nuclear Operations it was given less prominence as an imperative. The increased focus on it of course also goes hand-in-hand with the evolution of OneNDA, and the transition of businesses to the subsidiary model.
- 8.2.66 The objectives are to achieve reliable physical asset performance by the NDA's businesses in order to reduce the risk of failures that have the potential to undermine the delivery of the mission, and ensure that investment decisions about assets are made in light of the best evidence. Day to day this is done through the business-facing teams working collaboratively with the businesses on target-setting and performance management.

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<sup>36</sup> NDA Nuclear Operations Manual – April 2020

8.2.67 NDA told us that they recognize that capability across all businesses needs to continue to improve to ensure that the best value for money possible is being achieved from asset management. In order to help drive up this capability, asset management is expected to form part of the syllabus of the new One NDA Leadership academy.

# Annex A: Terms of Reference

## Purpose

1. To carry out an internal review run by the Department, of the Nuclear Decommissioning Authority, the purpose of which is to produce evidence, findings and recommendations that can be formally incorporated into the Cabinet Office ALB review programme. The review will assess:
  - a. the current 'operational health' of the NDA, looking at whether it remains fit for purpose and meets its objectives, and is run effectively and efficiently;
  - b. the respective roles of UK and devolved Government Departments, Regulators, UKGI and the NDA in governance and policy sponsorship; and the extent to which those roles and are clearly understood, agreed and work well in practice; and
  - c. the choices, opportunities and challenges that changes to the broader civil nuclear landscape present for the NDA.
2. Given that the NDA has been subject to significant internal and external scrutiny in recent years, including of its performance in relation to the Magnox Contract and progress with reducing risk at Sellafield, the Review will not re-examine the issues covered by those reviews, but will rather focus on action taken to address any findings and recommendations.

## Background

3. The aim of an internal/Departmental review is to take a holistic look at a Public Body to ensure that its form best enables it to deliver its objectives, alongside looking at governance, efficiencies, and opportunities for more effective working.

## The Nuclear Decommissioning Authority

4. The Nuclear Decommissioning Authority (NDA) is classified as a non-departmental public body, created by the Energy Act 2004. It directly employs approximately 250 staff with further approximately 16,000 employed across its estates, and has offices in Cumbria, Caithness, Cheshire, London and Oxfordshire. The NDA currently owns 17 licensed nuclear sites in England, Scotland and Wales, plus the associated liabilities and assets.
5. NDA's stated objectives are to "*aim to deliver safe, sustainable and publicly acceptable solutions to the challenge of nuclear clean-up and waste management*".
6. NDA's broad responsibilities are:
  - a. Decommissioning and cleaning up of the designated sites, including all the spent fuels;
  - b. Ensuring the availability of radioactive waste disposal routes for the nuclear industry (including the provision of low-level waste disposal, the disposal of

- redundant radioactive sources and the implementation of deep geological disposal); and,
- c. Providing advice to Ministers on matters related to its purpose including advising on the costs of decommissioning and the adequacy of funded decommissioning plans for new nuclear plants.
7. The NDA is responsible for the decommissioning of public sector civil nuclear sites in the UK and is accountable to both the UK Government and Scottish Ministers. It is publicly funded through BEIS and its total planned expenditure is voted upon annually by Parliament. Total planned expenditure for 2019/20 is £3.112 billion, of which £2.210 billion is government grant-in-aid and £0.902 billion is income from commercial operations. NDA Supply Chain spend is approximately £1.9bn per year, of which c£220m is intra-group trading. The Group holds around 1600 active contracts. In terms of total liabilities, the 2019 nuclear provision was £130.7bn discounted, which represents a best estimate of how much the NDA's mission will cost over approximately 120 years.
  8. The revenue generated through commercial activities (mainly spent fuel and nuclear materials management) across the NDA group reduces the level of public funding required from government.
  9. The 17 licensed sites under the purview of the NDA are situated in England, Scotland and Wales and are grouped under six Site Licence Companies (SLCs), regulated by the Office for Nuclear Regulation and the respective Environment Agencies. These are responsible for the safe operations and decommissioning of historic nuclear activities, with extensive support from the supply chain.
  10. As well as its site licence companies, the NDA group comprises a number of specialist wholly-owned subsidiaries, responsible for a wide range of activities including rail and shipping services, insurance, property management and developing solutions for dealing with the long-term disposal of high and intermediate level waste for England and Wales.
  11. Several sites are home to the UK's (non-operational) Magnox nuclear reactors; and Sellafield, in West Cumbria, is the organisation's largest and most hazardous nuclear site.

## **Objectives and Scope**

12. The review will consider, and, as appropriate, make findings and recommendations in relation to:

### **I. Form and Function**

13. Whether the functions of the NDA are still necessary, clearly articulated, and / or whether these have evolved over time, and whether the vires under which it is asked to operate by Ministers are still appropriate.
14. Whether each function of the NDA and its subsidiaries contributes to the core business of the organisation, and to BEIS and to the Government as a whole.
15. Whether the current classification as an Arm's Length Body is the most appropriate for its functions including potential alternative options for delivery of the functions of the NDA and its subsidiaries, per the Cabinet Office classification guidance.

16. The public bodies landscape within which the NDA operates: formal and informal connections with the UK and devolved Governments and regulators, including the Office of Nuclear Regulation (ONR) and environmental regulators in England, Scotland and Wales.
17. A comparison with the international decommissioning landscape; including the impact of or opportunities arising from the UK's exit from the European Union and withdrawal from Euratom; and in particular from the ONR's new safeguards and nuclear material accountancy duties from 1 January 2021.

## **II. Relationship between the NDA, BEIS, other parts of Central Government, and UKGI**

18. The effectiveness of the relationship between the NDA, BEIS and UKGI and whether it is consistent with the principles set out in the Partnerships Code of Good Practice. Taking as its starting point progress made since the Government response to the NAO's 2018 report "The Nuclear Decommissioning Authority – progress with reducing risk at Sellafield"<sup>37</sup> The review will focus in particular on:
  - a. whether the purpose of the NDA is clear and well understood, and whether this is a shared view in all three organisations;
  - b. to what extent the partnerships between the organisations are based on open, honest and constructive working relationships at all levels; and,
  - c. discharge of the collective role in relation to risk identification, management and escalation.
19. The effectiveness and proportionality of the way the policy sponsorship role in BEIS' Nuclear Directorate operates alongside the UK Government Investments (UKGI) shareholder role, in respect of:
  - a. the evolution and current status of roles and responsibilities;
  - b. recent changes to central oversight of UK Government approvals for business cases for major projects, strategic procurement and other commercial transactions, with former UKGI responsibilities having recently passed to BEIS; and,
  - c. NDA's experience of the above.
20. The effectiveness of the way in which the roles of the Principal Accounting Officer in BEIS and the Accounting Officer of the NDA are discharged and follow the principles of Managing Public Money insofar as they apply.
21. The effectiveness and distinctiveness of other parts of central Government in relation to oversight, support and challenge to the NDA.
22. An assessment of NDA's future role in UK decommissioning challenges including those facing the Ministry of Defence and the military estate.

## **III. NDA's Internal Governance**

23. The extent to which the NDA Board composition, diversity and transparency, and the roles and effectiveness of its Non-Executive Directors, reflect best practice across Government.
24. An assessment the overall structure, corporate reporting and accountability across the NDA and its subsidiaries.

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<sup>37</sup> <https://www.nao.org.uk/report/the-nuclear-decommissioning-authority-progress-with-reducing-risk-at-sellafield/>



25. The relationship between NDA and its subsidiaries including:
  - a. the designation of Senior Responsible Owners (SROs) how accountabilities reserved to the group's Accounting Officer interact with the subsidiary Boards' fiduciary duties.

#### **IV. Operational and Organisational Effectiveness**

26. The extent to which effective financial and risk management is applied and reported in the NDA. This work will complement ongoing work elsewhere in Government on the application of Cabinet Office and other Controls.
27. An assessment of the coherence of the NDA's various subsidiaries, including the development of a Geological Disposal Facility (GDF), and how these may affect NDA's current planning and ability to safely discharge its functions.
28. The professional capability of the NDA, including information and IT security, and R&D.
29. The NDA's effectiveness in recruitment, retention and development of its people, and management of the NDA's pension liabilities. The review will also examine people issues such as learning and development, culture, equality, and diversity and inclusion policies.
30. NDA and wider Government assessments of the organisation's own resilience to potential shocks to business continuity, including commentary insofar as data is available on the NDA's handling of the response to the COVID-19 pandemic.
31. A summary of recent and current measurement of the impact of the NDA Group on its local communities, including its responsibilities in respect of social and economic impacts.

#### **V. Operational Efficiency**

32. Offer views on the potential for further efficiencies in the NDA and its subsidiaries, complementing the 2020 Spending Review. This will include an assessment of the progress made in developing and implementing the "OneNDA" business model:

#### **Methodology**

33. Given the potential scale of scope and depth of analysis required as the review progresses, it will focus principally and primarily on those issues considered the most significant for the NDA as identified through early interviews with stakeholders. It may be necessary to identify certain areas for subsequent more detailed examination that the review is unable to cover within the available time and with the available resource.
34. The review will gather evidence in a range of ways including:
  - a. desk-based analysis of a range of sources and reviews, and a literature review;
  - b. engagement with the NDA and its subsidiaries engagement with central Government staff, including but not limited to those responsible for policy sponsorship and governance in BEIS, UKGI, IPA, HM Treasury, and Cabinet Office;
  - c. key officials in other government bodies and agencies; and,
  - d. liaison with external stakeholders.
35. The initial evidence gathering stage will inform the structure of the review. Therefore, the plans for fieldwork, including questioning will be guided by priority areas of interest identified through the initial research.

### **Review Team**

36. The review will be led by a lead reviewer, supported by approximately 2 FTE provided by BEIS, with some additional support from the Government Internal Audit Agency

### **Report clearance and post review activity**

37. The final review will be shared with the DG for Energy and Security and the BEIS Permanent Secretary.
38. The report, including these Terms of Reference will be published on GOV.UK.

# Annex B: The NDA's Operating Businesses

## Sellafield

Sellafield, in West Cumbria, is the biggest nuclear installation in the UK and among the general public is probably the best-known part of the NDA family. It is an NDA Site Licence Company responsible for cleaning up nuclear facilities and safeguarding nuclear fuel (brought to it from other nuclear sites), material and waste. The Sellafield site covers two square miles and accommodates over 2000 buildings, of which more than 200 are nuclear facilities. In April 2016 Sellafield Ltd became a wholly owned subsidiary of the NDA, following termination of the Parent Body Organisation contract which was found to be less well suited to the unique challenges posed by Sellafield. Sellafield Ltd is run by a Board, who delegate day to day management of the business to an Executive Team led by a Chief Executive. Its planned expenditure for 2020/21 is £2.15bn. It employs approximately 11,000 staff, with several thousand more employed by its contractors.

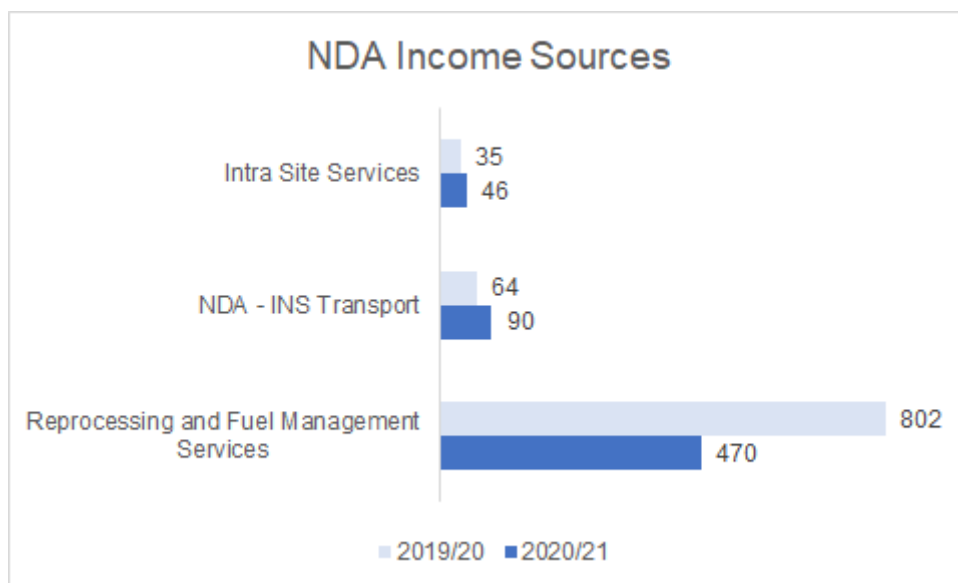
Reprocessing of spent nuclear fuel has been undertaken at Sellafield from 1952 and was due to conclude in 2020 but has been extended due to the impact of the Covid pandemic. This has been undertaken commercially and has provided considerable income (approximately a third of the NDA's total annual expenditure requirements). Spent fuels from power stations owned by EDF are received and stored at Sellafield. The site produces and encaps intermulates intermediate level waste, ready for long-term deep geological storage (see Geological Disposal Facility, below).

Sellafield is also responsible for the safe and secure long-term storage of separated plutonium – of which there will be an estimated 140 tonnes when the reprocessing and consolidation programme is complete. Over the past decade more than 100 buildings have been demolished at Sellafield and 11 new facilities constructed to support the hazard and risk reduction mission.

Reprocessing operations at Sellafield will end in 2021 which will result in a change in and a reduction of the scope of the work on site. This will involve a move away from operations towards high hazard retrievals, likely to involve some redeployment across the workforce. The Board is currently developing a site transformation plan covering organisation, efficiency, skills and its use of the supply chain.

Sellafield has recently adopted the Programme and Projects Partnership (PPP) collaborative model - intended to incentivise contractors on site to take a longer-term view of delivery, benefit from lessons learned and make greater cost efficiencies. Four private sector contractors have been chosen as preferred bidders in this 20-year partnership: one providing project management; one a design and engineering partner; and two construction partners.

The high-level objectives for the site are to have all land remediated and de-designated by 2125; the date for all buildings to be decommissioned is yet to be determined.



Source: The NDA Business Plan, Page 32<sup>38</sup>

## Magnox

Magnox Ltd is a Site Licence Company responsible for decommissioning the 12 legacy Magnox stations (Berkely, Bradwell, Chapelcross, Dungeness A, Harwell, Hinkley Point A, Hunterson A, Oldbury, Sizewell A, Trawsfynydd, Winfrith and Wylfa). Until 2019 it operated under the Parent Body Organisation model and became an NDA subsidiary on 1 September 2019.

Magnox reactors were one of the earliest designs of nuclear reactors, a type of gas-cooled nuclear reactor designed to run on uranium that produces plutonium as a by-product. The business, like Sellafield, has Board of directors and an executive team headed by a Chief Executive. Magnox employs approximately 2600 people across the estate and has a planned expenditure for 2020/21 of around £515m.

The business is currently developing plans for a prioritised phasing of the decommissioning of its sites, which will result in an updated estimate of the overall cost and lifetime plan. Although previous plans developed since the 1980s had assumed deferring reactor decommissioning at all the Magnox sites for around 85 years from the point of reactor shut-down, the NDA reviewed this four years ago with a view to moving more quickly on certain sites. For some this will mean their decommissioning being brought forward, subject to consultation with local communities and other groups.

The Government is currently considering options for the decommissioning of EDF Energy’s fleet of Advanced Gas-cooled Reactors (AGR). One option, subject to negotiation, is for the stations to be transferred to the NDA as a liability, with Magnox (many of whose existing sites

<sup>38</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/854734/Nuclear\\_Decommissioning\\_Authority\\_-\\_Draft\\_Business\\_Plan\\_2020\\_to\\_2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854734/Nuclear_Decommissioning_Authority_-_Draft_Business_Plan_2020_to_2023.pdf)

are geographically close to AGR sites) assuming formal responsibility for their formal decommissioning.

## Dounreay

Dounreay, on the north coast of Caithness, was a research and testing facility. The site a wholly-owned subsidiary of the NDA, having recently returned to direct NDA oversight from a Parent Body Organisation - Dounreay Site Restoration Ltd, a subsidiary of the Cavendish Dounreay Partnership consortium.

During the 1950s the site was the UK centre of excellence for nuclear research and consequently presents some unique decommissioning challenges. All separated plutonium that had been stored at the site was removed by December 2019 and consolidated at Sellafield. Immediate plans include the removal of all fuels from site and the dismantling of the fast reactor by 2025, with an interim end state for the site achieved by around 2032.

Dounreay's planned budget for 2020/21 is £200m. Approximately 1000 staff are employed at the site.

## The NDA's Waste Businesses

There are two businesses responsible for the management and storage of waste. As detailed later in this chapter, the NDA plans to transition these as a single Integrated Waste Management company once the current ownership model is made consistent.

The *Low Level Waste Repository* in Drigg, West Cumbria has been operational since 1959 and is responsible for the safe storage of low-level radioactive waste. The site is owned by the NDA and is currently operated by a Parent Body Organisation as a Site Licence Company - Low-level Waste Repository Ltd, a subsidiary of UK Nuclear Waste Management Ltd. In July 2020 the contract was terminated and the site will return to direct NDA control in 2021.

The site employs around 350 members of staff, and its 2020/21 planned expenditure is £85m.

*Radioactive Waste Management Ltd* is an NDA subsidiary, and its role is to provide a Geological Disposal Facility (GDF) for the UK, including a community willing to host it. Current expectations are that this could take until around 2040, given the consent-based approach required. The facility will provide for the storage of high-activity waste hundreds of metres underground, within a highly engineered structure consisting of multiple barriers to provide protection over many thousands of years. The waste destined for this facility could come from a variety of sources.

## The NDA's Transport Businesses

The NDA owns and operates two transport businesses: *Direct Rail Services Ltd (DRS)* and *International Nuclear Services Ltd (INS)*.

*DRS* is a wholly owned subsidiary, providing specialist rail transport services to the rest of the NDA's businesses. It also has commercial contracts with domestic partners. Operations are managed by a team of executive directors and overseen by a Board. *DRS*' turnover is around £80m per year and it employs more than 450 staff.

*INS* is also an NDA subsidiary, providing specialist nuclear transport and design services to other parts of the NDA. It operates a nuclear shipping company *Pacific Nuclear Transport Ltd* providing marine transport services of nuclear materials around the globe.

## Other Businesses

*NDA Archives Ltd* – an NDA subsidiary providing long-term records management and archiving services to the rest of the NDA businesses

*NDA Properties Ltd* – an NDA subsidiary managing most of the NDA's property assets

*Rutherford Indemnity Ltd* – an NDA Subsidiary operated by a commercial partner providing insurance cover for the NDA

*Energus* – an NDA subsidiary providing education, training and support services with the objective of providing and enhancing skills within the national and local nuclear workforces

*Springfields Fuels Ltd* – in 2010 the NDA permanently transferred ownership to Westinghouse Electric; *Springfields* is contracted to provide decommissioning and clean-up services of NDA historic liabilities on site

*Capenhurst* – transferred to Urenco in 2012, who management of uranic materials, and carry out remediation work, on behalf of the NDA's historic liabilities.

# Annex C: Principles of Corporate Governance

Principles of Corporate Governance	Assessment	Explain
<b>Accountability</b>		
<b>Statutory Accountability:</b> The public body complies with all statutory and administrative requirements on the use of public funds (inc. HMT Managing Public Money, and CO/HMT spending controls)	Part-compliant	The NDA was established under the Energy Act 2004. It has a published Framework Document last published in October 2013 which is available from gov.uk. This framework outlines the statutory and administrative requirements for the organisation, although it should be noted that it is now very out of date, so has reduced application to the current structure of the NDA. A new framework document is currently in draft and should be published soon, it is essential this refreshed document is published to clearly articulate how the NDA complies with administrative and statutory requirements.
The public body operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BEIS	Compliant	The Authority and the Department undertake regular performance monitoring against these requirements. There is a Delegation letter issued by the department specifying the delegated authorities relating to budget.
The public body operates in line with statutory requirements for the Freedom of Information Act (Fol)	Compliant	There is a Fol section on the gov.uk website where data on Fol requests, reports and findings can be accessed. There is a contact provided on the NDA website for individuals or organisations seeking to make a Fol request.
The public body has a comprehensive publication scheme	Compliant	The scheme and associated information are published on the gov.uk website and on data.gov dedicated page. The organisation's Annual Reports and Accounts are published on gov.uk and laid before Parliament every year. In addition, some transparency data (e.g. workforce management information) is published by BEIS for all Partner Organisations.
The public body proactively releases information that is of legitimate public interest	Compliant	This data is published on the gov.uk website and on data.gov dedicated page. The organisation's Annual Reports and Accounts are published on gov.uk and laid before Parliament every year. In addition, some transparency data (e.g. workforce management information) is published by BEIS for all Partner Organisations.
The public body Produces Annual Reports and Accounts which are laid before Parliament	Compliant	The organisation's Annual Reports and Accounts are published on gov.uk and laid before Parliament every year.

<b>Principles of Corporate Governance</b>	<b>Assessment</b>	<b>Explain</b>
The public body applies with data protection legislation	Compliant	The organisation has an internal Data Protection procedure and is GDPR compliant.
The public body complies with Public Records Acts 1958 and 1967	Compliant	The organisation has a Records Officer, and complies with record retention policies. It submits records to the National Archive.
<b>Accountability for public money:</b> there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO)	Compliant	There is a letter of appointment for the AO of the organisation from the BEIS Permanent Secretary. Evidence based assurance is provided to the department in a timely manner.
The role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training.	Compliant	The letter of appointment lays out the responsibilities of the AO.
The public body should be compliant with requirements set out in Managing Public Money (MPM), relevant Dear Accounting Officer letters and other directions.	Compliant	The 2013 framework document lays out the responsibilities of the organisation, Board and CEO in complying with MPM.
The public body should establish appropriate arrangements to ensure that public funds: <ul style="list-style-type: none"> <li>• are properly safeguarded;</li> <li>• are used economically, efficiently and effectively;</li> <li>• are used in accordance with the statutory or other authorities that govern their use;</li> <li>• deliver value for money for the Exchequer as a whole;</li> <li>• are subject to Treasury approval, either directly or through established delegated authority</li> </ul>	Compliant	The Board and CEO ensure any Terms of Reference, together with the framework document lay out how the Authority meets these requirements.
The annual accounts are laid before Parliament after certification by the Comptroller and Auditor General.	Compliant	Annual Accounts are laid before Parliament and Scottish Parliament in line with the relevant legislation. Accounts are certified by the NAO.
<b>Ministerial Accountability:</b> The Secretary of State (SoS) and Sponsor should exercise appropriate scrutiny and oversight of the public body.	Compliant	The relevant legislation sets out the scrutiny and oversight of the Secretary of State. Day-to-day oversight of the Authority is delegated by the SoS to the BEIS sponsor team and UKGI as the Shareholder Executive. These relationships are outlined in the 2013 Framework document, with some changes implemented since this document
Appointments to the board should be made in line with any statutory requirements and, where appropriate, with the Code of Practice issued by OCPA.	Compliant	Appointments to the Board are made by the Secretary of State in consultation with Scottish Ministers, following the OCPA code.  The most recent Board appointment was made in August 2019.
The Secretary of State will normally appoint the Chair and all non-executive board members of the public body and be	Compliant	The SoS lays out the terms of appointment for Board members in their appointment letter, and would be able to



<b>Principles of Corporate Governance</b>	<b>Assessment</b>	<b>Explain</b>
able to remove individuals whose performance or conduct is unsatisfactory.		remove individuals whose performance or conduct is unsatisfactory.
The Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment.	Compliant	The Authority Board is usually responsible for the appointment of the CEO. BEIS are consulted and approve the terms and conditions of appointment. The CEO is also usually the Accounting Officer, which is a BEIS appointment.
The Secretary of State should meet the Chair and/or Chief Executive on a regular basis.	Compliant	The framework document outlines the Ministerial responsibilities and includes that the CEO will meet with the SoS yearly.
Parliament should be informed of the activities of the public body through publication of an annual report.	Compliant	The Annual Report and Accounts is laid before Parliament each year.
A range of appropriate controls and safeguards should be in place to ensure that the Secretary of State (SoS) is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the public body, a power for the Secretary of State to be consulted on key financial decisions.)	Compliant	<p>The 2013 framework document specifies how the NDA are accountable to ministers.</p> <p>The NDA attend several BEIS Committees and meetings including the Project and Risk Committee and ExCo, and regularly report key financial decisions to BEIS.</p>
<b>Roles and Responsibilities</b>		
<b>Role of the Sponsoring Group:</b> The Group should scrutinise the performance of the public body. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the public body.	Compliant	The NDA attend several BEIS Committees and meetings including the Project and Risk Committee and ExCo, and regularly report key financial decisions to BEIS.
There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the public body and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the public body. It should be regularly reviewed and updated and follow relevant CO and HMT guidance.	Not compliant	<p>Framework document in place and currently under review. It has not been updated since 2013.</p> <p>Once the newly reviewed document is published the NDA should be compliant.</p>
A Sponsor should be identified and there should be regular and on-going dialogue between the Sponsoring Group and the public body. Senior officials from the Sponsoring Group may as appropriate attend board and/or committee meetings.	Compliant	<p>There are identified sponsors in BEIS, with regular meetings between Senior Officials in BEIS, UKGI and the NDA.</p> <p>Senior members of BEIS and UKGI regularly attend the NDA board and committee meetings.</p>
<b>Role of the Board:</b> The Board of the public body should meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO.	Compliant	<p>The framework document specifies the role of the Board and links to Terms of Reference (ToR) for the Board and the accountability of the CEO.</p> <p>The Board meets regularly and conducts its business in line with the Terms of Reference.</p>
The Board of the public body should be appropriate in size with membership from a diverse background.	Compliant	The NDA Board is of appropriate size, with representatives that hold a range of diverse experience.

<b>Principles of Corporate Governance</b>	<b>Assessment</b>	<b>Explain</b>
The Board of the public body should establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively.	Compliant	The ToR of the Board, together with the framework document agreed with BEIS lay out the matters reserved for the Board.  The agenda for Board meetings includes a regular updates from the CEO.
The Board of the public body should establish formal procedural and financial regulations to govern the conduct of its business.	Compliant	These are covered by the ToR of the Board and sub-committees. These are reviewed annually to ensure they remain relevant.
The Board of the public body should make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with.	Compliant	The Group Chief Finance Officer at the NDA is an Executive Board member with the Group CEO, and is responsible for leadership and development of the group-wide finance function, financial stakeholder management with Government and externally, strategic funding and revenue, treasury and financial planning, financial reporting and performance management, financial controls and delegations, and management of financial risks. The Group CFO is also responsible for group-wide insurance, land and property.  The NDA appointed a new CFO in January 2020.
The Board of the public body should establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published. The board should ensure that rules for recruitment and management of staff provide for appointment and advancement on merit.	Compliant	A remuneration committee has been established and determines the remuneration of the organisations' executives and within guidelines set by HM Treasury.
The Board of the public body should evaluate annually, including an evaluation of the chair and board members.	Compliant	The Board carries out an annual evaluation of its performance and that of its sub-committees, and consider the results of the reviews at one of the Board meetings. The reviews include assessment of the members.  The Chair undertakes annual performance evaluations of the Non-Executive Board members, the results of which are shared with UKGI and BEIS in an appropriate manner. The Chair is subject to an annual performance evaluation led by the Senior Independent Board Member in conjunction with UKGI and BEIS.  There is a Remuneration Committee where minutes are prepared. The performance assessments of Executive Directors are reviewed by the Remuneration Committee.

Principles of Corporate Governance	Assessment	Explain
<p><b>Role of the Chair:</b> The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p>	Compliant	<p>The framework document specifies the role of the Chair and their associated responsibilities. This is supplemented by the appointment letter and associated terms and conditions.</p>
<p>There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non-executives.</p>	Compliant	<p>Appointments The appointment of Chair is made by the SoS of BEIS in consultation with Scottish Ministers under the code of practice issues by OCPA.</p> <p>The Chair was appointed in April 2020 to take up her post from September 2020.</p> <p>The Chair of the NDA represents the NDA as part of the selection panel for Non-Executives providing advice to the SoS and Scottish Ministers.</p>
<p>The responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>• representing the public body in discussions with the Secretary of State.</li> <li>• advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members.</li> <li>• ensuring non-executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>• ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>• develops effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>• subject to an annual appraisal by the Permanent Secretary or relevant Director General.</li> <li>• appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	Compliant	<p>Responsibilities are specified in the framework document accordingly and as aligned to those listed here.</p>
<p><b>Role of the Chief Executive Officer (CEO):</b> the public body should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and</p>	Compliant	<p>The CEO is appointed by the Board following consultation with BEIS. The CEO is also the Accounting Officer, which is a BEIS appointment.</p> <p>The BEIS letter of appointment and Framework Document lay out the</p>

<b>Principles of Corporate Governance</b>	<b>Assessment</b>	<b>Explain</b>
conditions must be in line with CO guidance and any statutory requirement.		responsibilities and terms of the appointment.
There should be a formal, rigorous and transparent process for the appointment of the CEO.	Compliant	The CEO was appointed in March 2017 following an open recruitment process.
The responsibilities of the CEO can include the responsibilities of the Accounting Officer, which involve: <ul style="list-style-type: none"> <li>• overall responsibility for the public body's performance, accounting for any disbursements of grant to the public body.</li> <li>• establish the public body's corporate and business plans and departmental targets.</li> <li>• management of senior staff within the public body ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>• maintains accounting records that provide the necessary information for the consolidation if applicable.</li> </ul>	Compliant	The BEIS letter of appointment and framework document lay out the responsibilities and terms of the appointment.  The CEO is also the Accounting Officer with responsibilities as defined in Management of Public Money.
<b>Role of the Non-Executive Board Members:</b> Non-executive members should form the majority of the board.	Compliant	Non-Executives form the majority of the NDA Board
Non-executive members should be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.	Compliant	Non-Executive Board member appointments are made by the SoS of BEIS, in consultation with Scottish Ministers, under the code of practice issues by OCPA.
Non-executive members should have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.	Compliant	Their appointment letter, together with the Terms of Reference of the Board and Framework document lay out the responsibilities and duties.  The process for their recruitment is subject to the OCPA code.
Non-executive members should be independent of management.	Compliant	Non-executive members are independent from the management of the organisation and their responsibilities are as defined in the Framework document and Terms of Reference of the board and associated committee.
Non-executive members should allocate sufficient time to the board with details of their attendance published.	Compliant	The members attend both Board and sub-committee meetings. The attendance levels are reported in the Annual Report and Accounts.
Non-executive members should undergo proper induction, and appraisals.	Compliant	Non-Executive Board members undergo a rigorous induction process coordinated by between UKGI, BEIS, and the NDA.
Non-executive members' responsibilities include: <ul style="list-style-type: none"> <li>• establishing strategic direction of the public body and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>• ensuring the public body complies with statutory and administrative</li> </ul>	Compliant	The duties of the non-executive members of the Board are outlined in the Framework document, together with the Terms of Reference of the committees they attend.

Principles of Corporate Governance	Assessment	Explain
requirements on the use of public funds and operates within its statutory and delegated authority. <ul style="list-style-type: none"> <li>that high standards of corporate governance are observed.</li> </ul>		
<b>Effective Financial Management</b>		
Publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement.	Compliant	The Annual Report and Accounts is published each year and laid before Parliament.  The most recent report was published on 29 June 2017.
Comply with NAO requirements relating to the production and certification of their annual accounts.	Compliant	NAO are responsible for the auditing of the Annual Report and Accounts of the organisation.  The most recent accounts were published on 21 July 2020 and published at <a href="https://www.gov.uk/government/publications/nuclear-decommissioning-authority-annual-report-and-accounts-2019-to-2020/nda-annual-report-and-accounts-2019-to-2020">https://www.gov.uk/government/publications/nuclear-decommissioning-authority-annual-report-and-accounts-2019-to-2020/nda-annual-report-and-accounts-2019-to-2020</a> .
Have effective systems of risk management as part of their systems of internal control.	Compliant	The NDA has an Audit and Risk Assurance Committee (A&RAC) and appropriate risk management systems.
Comply with NAO requirements relating to the production and certification of their annual accounts.	Compliant	NAO are responsible for the auditing of the Annual Report and Accounts of the organisation.
Ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance.	Compliant	There is an internal audit function that reports to the CEO, CFO and the Audit Committee. Internal audit is provided by Government Internal Audit and Agency which operates in line with the associated guidance.
Have appropriate financial delegations in place understood by all relevant staff and stakeholders. Effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed.	Compliant	Please see Framework Document of the report.
Have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published.	Compliant	Both Anti-Fraud and Anti-Corruption policies are in place.
Establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process.	Compliant	The NDA has an Audit and Risk Assurance Committee (A&RAC). The committee provides advice and assurance to the Board on risk, control and governance. The committee oversees audit and financial reporting; advises and reports on the plans, activities and performance of internal and external audit; and provides an assessment of assurance reliability and integrity. The committee oversees the effectiveness and quality of the group risk management

<b>Principles of Corporate Governance</b>	<b>Assessment</b>	<b>Explain</b>
		framework and monitors risk exposure against group risk appetite.
Take steps to ensure objective and professional relationship is maintained with external auditors.	Compliant	The relationship with NAO is the responsibility of the CFO and head of Financial Accounts. There is a good working relationship, with pre-audit and other regular meetings.
Comply with BEIS guidance with regard to any department restrictions on spending.	Part-compliant	Please see Oversight section of the report.
Report to Corporate Finance with management accounts and Grant In Aid authorities.	Compliant	The organisation submits results and estimates to BEIS corporate finance via a central system. Annual results on the BEIS Chart of Accounts are submitted to be incorporated into the BEIS Annual Accounts.
<b>Communication and Engagement</b>		
The public body should establish clear and effective channels of communication with stakeholders.	Compliant	The NDA has clear and effective communication channels with its stakeholders, and an overarching Communications Strategy.
The public body should make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details.	Compliant	The organisation publishes reports and data in the public interest. This information is available via gov.uk.
The public body should hold open board meetings or an annual open meeting.	Compliant	The NDA holds an annual Stakeholder Summit open to the public.
The public body should proactively publish agendas, minutes of board meetings and performance data.	Compliant	Board agendas and minutes are published on gov.uk. <a href="https://www.gov.uk/government/organisations/nuclear-decommissioning-authority/about/our-governance">https://www.gov.uk/government/organisations/nuclear-decommissioning-authority/about/our-governance</a>
The public body should establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on.	Compliant	The NDA website has a published Complaints procedure with contact details.
The public body should comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the public body is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.	Compliant	The BEIS delegation letter sets out the publicity and advertising restrictions that apply.
The public body should engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.	Compliant	Regular meetings with the BEIS and UKGI sponsor teams are used to raise any issues that may lead to reputational impact for the organisation or BEIS.
<b>Conduct and Propriety</b>		

<b>Principles of Corporate Governance</b>	<b>Assessment</b>	<b>Explain</b>
A Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment.	Compliant	The framework document and individual letters and terms of appointment specify this and refer to relevant codes and guidelines.
The public body has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment.	Compliant	A code of Conduct is in place for all staff.
There are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated.	Compliant	Conflict of Interest is covered in the Conditions of Employment.
There are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions.	Compliant	Board members interests are published in the Annual Report and Accounts. Political activity is actively discouraged through reminders at election time.
There are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced.	Compliant	The framework document agreed between the organisation and BEIS specifies all relevant government policies and guidance, including the Cabinet Office 'Code of conduct for Board Members of Public Bodies' which stipulates a number of rules around political appointments during and after appointment.
Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Compliant	The annual review of Board performance includes confirmation/ assessment that Board members are operating to the 'Seven principles of public life'.

# Annex D: Summary of Recommendations from the Public Accounts Committee

Report	Recommendation	Government Response	Actions Taken
PAC Recommendations on Magnox	1. The Cabinet Office, NDA and the Department should each set out how they have changed advice and guidance, as a result of the lessons from the Magnox procurement, on how best to evaluate bids to ensure that future procurements are fair, transparent and open to effective scrutiny.	<p>1.2 The Magnox Inquiry Interim Report, published in October 2017, set out some immediate recommendations for the way in which any future NDA procurement should be run. These were fully accepted by the NDA and included ensuring less complexity in competition rules, making sure that information provided to bidders is as complete as possible, and to fully test competition rules before they go live.</p> <p>1.3 The NDA has changed its guidance. It commissioned a comprehensive Guide to Complex Procurements in June 2017 incorporating best practice in relation to the evaluation of bids and learning from the latest case law at that time (including the Energy Solutions v NDA judgement). This guidance has been shared with key commercial roles across the NDA Group. In addition, all major procurements are now subject to enhanced internal legal review prior to NDA executive approval and are overseen by a new NDA Board sub-committee. The NDA assesses all ongoing major procurements requiring approval against the recommendations set out in the Interim Report.</p> <p>1.4 In November 2017, the NDA appointed a new Commercial Director, who will be establishing a new commercial directorate and reviewing procurement processes and procedures to ensure they reflect current legal requirements, Government Commercial Operating Standards and the optimal commercial assurance approach.</p> <p>1.5 Once published, the findings of the Magnox Inquiry Final Report, combined with the Interim Report, will provide important lessons learned for both the NDA and wider Government. The Crown Commercial Service has reviewed its existing procurement guidance in light of the mistakes made in awarding the Magnox contract, and will publish updated advice taking account of the inquiry findings to ensure that future procurement methodology is improved. Progress on the changes to advice and guidance by the NDA and the Department will be provided as part of the report on implementation of the independent Magnox Inquiry findings.</p>	<p><b>Following the publication of the Magnox Inquiry BEIS has committed to respond to the recommendation by Autumn 2021.</b></p> <p>* NDA have completed a Commercial framework document (Blueprint) and had this reviewed and approved by GCO/BEIS/HMT. The last note of this, states that once this was refined, new commercial standards and principles would be developed and rolled out.</p> <p>* The NDA commissioned Pinsent Masons to produce a comprehensive Guide to Complex Procurements (the "Guide") in June 2017 incorporating the best practice in relation to the evaluation of bids and learning from the latest case law at that time (including the ES v NDA judgement). This guide has now been launched in the estate.</p> <p>* In November 2017 the NDA appointed a new Commercial Director, Kate Ellis. She is establishing a new commercial directorate and reviewing procurement processes and procedures to ensure they reflect current legal requirements, Government Commercial Operating Standards and the optimal commercial assurance approach.</p> <p>* The NDA assesses all ongoing major procurements requiring approval by the NDA Executive Sanction Committee against the recommendations set out in the Magnox Inquiry Interim Report.</p> <p>* All major procurements are now subject to legal review prior to Executive sanction and a new NDA Board Programme &amp; Project Sub-committee.</p>
PAC Recommendations on Magnox	2. Within three months, the NDA should update the Committee on its independent investigation into whether it overpaid its previous contractor and, if so, how it will seek to recover this money.	<p>2.2 The NDA is conducting a review looking at whether there is evidence of costs being paid that should not have been under the contract and if so, whether there is any recourse against the previous contractor.</p> <p>2.3 The NDA will write to the Committee in June 2018 with a further update.</p>	<p><b>Completed 09/07/2018</b></p> <p>The NDA wrote to the Committee on 9 July 2018. Following an independent investigation, the NDA confirmed that it did not consider that it had overpaid its previous contractor for work that had not been performed and thus, there were no monies to recover. [Letter and copy of investigation report saved to sharepoint]</p>
PAC Recommendations on Magnox	3. To address the Committee's concerns about NDA's oversight of taxpayer's money on existing and future contracts, the NDA should set out clearly to the Committee how it will develop and maintain the right information on the state of its sites. It should do so within 6 months of the publication of the Government's Independent Inquiry.	<p>3.1 The Government agrees with the Committee's recommendation. Target implementation date: Spring 2019.</p> <p>3.2 The NDA emphasises that there will always be an inherent amount of uncertainty in decommissioning the NDA estate. For example, it is only when the physical process of decommissioning complex facilities commences that it becomes clear exactly how much nuclear waste is present or there is a full understanding of the challenges presented by other complicating issues, such as asbestos.</p> <p>12</p> <p>3.3 Since the Magnox procurement, the NDA has taken steps to strengthen the approach to assuring the state of its sites through the introduction of a dedicated Site Assessment Group, which provides more targeted assurance to validate performance at each Magnox site.</p> <p>3.4 An independent review of the assurance model used by the NDA is also underway. The study will include review of cross-industry comparators and seek to identify best practice for providing assurance of complex portfolios. The NDA will use the output of this study to define and implement changes to improve the effectiveness of the assurance model, and will report back to the Committee within six months of the publication of the independent Magnox Inquiry Final Report.</p>	<p><b>Following the publication of the Magnox Inquiry BEIS has committed to respond to the recommendation by Autumn 2021.</b></p> <p>*An independent review of the NDA Assurance Model, including benchmarking with comparable organisations will inform the NDA's approach to assurance of its sites and the level of independent scrutiny required. The output will allow us to clarify and strengthen the roles and relationships between the NDA and its contractors.</p> <p>*The review of the Assurance Model is part of a wider series of changes being made to support the move to a new Operating Model for the NDA.</p>



Report	Recommendation	Government Response	Actions Taken
PAC Recommendations on Magnox	4. In 12 months, the NDA should report back to the Committee on its work to improve the skills and expertise of its executive team and operational staff; and, in conjunction with the Department, work to ensure the NDA Board has the right combination of expertise.	4.1 The Government agrees with the Committee's recommendation. Target implementation date: February 2019. 4.2 The NDA has created three new executive roles to strengthen commercial, legal and nuclear operations expertise. The new roles and changes to executive responsibilities are removing overlaps, providing clarity and bringing additional nuclear industry and safety performance expertise into the NDA Executive team. The Department has also authorised an increase in the NDA's administrative budget to allow an increase of approximately 30 staff to enhance the NDA's capability and capacity. 4.3 The NDA Board now has a non-executive UKGI member, helping to strengthen governance and performance oversight. In addition, independent advisers with the relevant skills to support the NDA Board are being recruited onto NDA Board committees. Work is ongoing on how to strengthen the board further and this will be reported back to the Committee by February 2019.	<b>Completed - March 2019.</b> David Peattie wrote to Megan Hillier (PAC) in March 2019 to report the NDA's progress on its work as stated in Recommendation 4. [Letter saved to sharepoint] * The NDA has created three new Executive roles strengthening commercial, legal and nuclear operations expertise. The new roles and changes to Executive responsibilities are removing overlaps, providing clarity and bringing additional nuclear industry and safety performance expertise into the Executive team. * The delivery of an independent NDA Board effectiveness review conducted by external consultants in 2018 presents a further opportunity to scrutinise our governance and expertise across the organisation. * The NDA Board now has a non-executive UKGI member, helping to strengthen governance and performance oversight. In addition, independent expert observers with the relevant skills to support our directors have been recruited at NDA Board level.
PAC Recommendations on Magnox	5. The Department should report back to the Committee by July 2018 on its work to review and strengthen its oversight of the NDA, ensuring it addresses the issue of having appropriate procurement and contracting expertise.	5.1 The Government agrees with the Committee's recommendation. Target implementation date: Spring 2019. 5.2 UKGI and BEIS have examined and updated the governance arrangements for the NDA over the last year, setting out a clearer rhythm of reporting and oversight that aligns with the NDA's own oversight of the Site Licence Companies that are decommissioning the UK's old nuclear sites. These new arrangements should allow for earlier identification of risks and issues, and provide improved avenues for challenge and support to the NDA and its vital mission. In September 2016, the Department established a new Sponsorship Team to lead on policy oversight of the NDA. 5.3 The Government also continues to be a part of the governance structure with, for example, the Infrastructure and Projects Authority providing assurance on major projects, and the Government Commercial Function providing procurement advice. 5.4 A more detailed paper on these new arrangements will be provided by July 2018, but will be subject to finalisation once the Magnox Inquiry Final Report has been issued.	<b>Completed - August 2018</b> Alex Chisholm wrote to Meg Hillier (PAC Chair) on 6 August 2018. This letter detailed changes that had been made to bolster BEIS' oversight of the NDA, and to confirm that no further changes would be made until the Magnox Inquiry and Tailored Review have presented their findings.
PAC Recommendations on Magnox	6. Within 6 months of its publication, the NDA and the Department should submit a report to the Committee on what progress they have made on implementing the recommendations of the Independent Inquiry.	6.1 The Government agrees with the Committee's recommendation. Target implementation date: Spring 2019. 6.2 The NDA and the Department have taken robust steps to learn the lessons of the Magnox contract and address the recommendations of the Inquiry Interim Report, incorporating these into current and future procurement designs. In light of these lessons the NDA has also strengthened its in-house commercial and legal capability. 6.3 The NDA and the Department are preparing for the publication of the Magnox Inquiry Final Report and will fully embed any new learning and recommendations from this and the Committee's report into the Department and NDA's wider improvement programme. The NDA and the Department will submit a report to the Committee, subject to Magnox Inquiry publication timescales.	<b>Following the publication of the Magnox Inquiry BEIS has committed to respond to the recommendation by Autumn 2021.</b> *The NDA and the Department has taken robust steps to learn the lessons of the Magnox contract and address the recommendations of the Inquiry interim report. * The NDA and the Department are preparing for the publication of the final report and will fully embed any new learning and recommendations from this and the report of the PAC into our wider improvement programme. * A report will be submitted to the Committee in line with the target implementation date
PAC Report on Sellafield (31 October 2018)	Recommendation 1: Within three months, the NDA should write to the Committee explaining its plan for completing its work on mission reporting and the Department should commit to publishing a comprehensive assessment of the NDA's performance every 3 years.	1.2 The NDA has made significant progress on the proof of concept and data population for its mission report. The NDA will write to the Committee by Spring 2019, setting out progress to date and a timeline to completion including consultation with relevant parties. 1.3 The Department agrees with the principle of producing a public assessment of the NDA's medium and long-term performance. However, before committing to a specific approach, and to avoid unnecessary duplication, this proposal will be folded into the scope of the forthcoming 'tailored review' recommended by the NAO in their June 2018 report. 1 The final arrangements for publishing performance reporting will then be included within the wider conclusions of that work and reported on following completion of that review.	<b>Completed - May 2019</b> See NDA to PAC Letter May 2019
PAC Report on Sellafield (31 October 2018)	Recommendation 2: The NDA should, with Sellafield Limited, analyse the impact these perceived constraints have on further progress at the site. It should write to the Committee within six months and explain how it is going to use this new understanding in preparation for the next spending review, the upcoming revision of the Sellafield performance plan and the NDA's new strategy.	2.2 The NDA, with Sellafield Limited, is carrying out work to further identify and to articulate the constraints to additional and faster progress on the Sellafield site. The NDA will write to the Committee by Autumn 2019, when this work is completed, identifying how and where this work will be used to inform future plans, including the 2019 Spending Review and NDA strategy.	<b>Completed - September 2020</b> See NDA to PAC Letter September 2020

Report	Recommendation	Government Response	Actions Taken
PAC Report on Sellafield (31 October 2018)	Recommendation 3: The NDA should write to the Committee within three months to explain how it will evaluate whether its new approach will generate savings to the taxpayer, and how it is learning the lessons from past mistakes.	3.2 The NDA is working with Sellafield Limited to analyse how recent and proposed changes to strategies and project delivery plans have impacted costs and schedules within the Lifetime Plan for decommissioning the Sellafield site. The NDA will write to the Committee by Spring 2019 to explain how this analysis will assess the whole-life impacts of these changes and how the learning will be used to inform future plans.	<b>Completed - May 2019</b> NDA to PAC Letter May 2019. NDA has committed to update PAC in 2020 following benefits verification exercise. Further response in 2020.
PAC Report on Sellafield (31 October 2018)	Recommendation 4: The NDA and the Department should write to us to set out clearly how assurance and oversight will be strengthened. They should do this within 6 months of the publication of the Government's independent inquiry into the failed Magnox contract.	4.2 The NDA's new Risk and Assurance Director is reviewing the recommendations provided by the Committee, in conjunction with the most recent NAO report and the interim Magnox Inquiry report 2 to determine the most appropriate approach to oversight and assurance. The NDA is awaiting the final report from the Magnox Inquiry and will write, in conjunction with the Department, to update the Committee on the progress that has been made on implementing its recommendations, as recommended in the Committee's twenty first report of the 2017-19 Session, NDA's Magnox Contract 3, recommendation 6, within six months of the report's publication.4.3 Assurance and oversight of the NDA has been strengthened over the past two years. Specifically, the Government has put in place greater assurance on the Sellafield Limited Programme and Project Partners procurement, has established and built an NDA sponsorship team, has appointed a UKGI Director to the NDA Board, and has taken forward a structured approach to milestone and project reporting from the NDA. The Department and the NDA understand the Committee's position, but also believe that the conclusions from the NAO's most recent report should be taken into account.4 These recommendations indicate that an appropriate balance must be struck between effective oversight and allowing the NDA and Sellafield Limited to deliver and suggest that the balance is weighted too heavily in favour of government oversight at present.4.4 Cabinet Office guidance on the management of arm's length bodies5 (ALBs) emphasises that a proportionate approach should be taken to assurance and the Department should allow ALBs the autonomy to deliver effectively. Further changes required to additionally strengthen oversight may be identified from the Magnox Inquiry and the tailored review. The objective of any such change will be to ensure that NDA has the most effective arrangement in place, and the roles and responsibilities of each organisation are clearly stated.	NAO reported this action closed
PAC Report on Sellafield (31 October 2018)	Recommendation 5: Once the tailored review is complete, the Department should write to the committee setting out the findings and recommendations of the review, and its plan for implementing them. In particular, in conjunction with the Cabinet Office they should consider whether UKGI is playing any useful role. In its response to us, the Department must set out in detail how it intends to solve the problem.	5.2 The Department is preparing to undertake a 'tailored review' of the NDA, as recommended by the NAO in their report of June 2018 6. The Department expects that a review of this type will take a minimum of six months to deliver. As with all tailored reviews, the findings and recommendations of the review will be made publicly available on the Gov.uk website, and we will write to the Committee with our implementation plan. 5.3 The Department will consider -in conjunction with Cabinet Office -the role of UKGI, but does not support the Committee's view that UKGI is an unnecessary extra layer. Acting as the government's shareholder, UKGI is uniquely able to draw on its extensive expertise in corporate governance and corporate finance to hold NDA's performance to account against the policy requirements of the Department. The Department also does not support the assertion that it lacks nuclear operational expertise; officials working within the Department's Energy and Security Directorate bring skills from many areas of the nuclear and other industry sectors. A key part of the NDA's role as the UK's strategic nuclear decommissioning authority is to assure the work of its site licence companies; duplicating NDA's expertise in BEIS would be more likely to hamper than improve arrangements. The Department agrees that the roles of the Department, UKGI and NDA can be better defined, but considers that nuclear expertise should primarily be concentrated within the NDA in support of its role as the UK's primary expert body.	BEIS is required to write to the Committee with the findings of the Departmental review once the review is complete.
PAC Report on Sellafield (31 October 2018)	Recommendation 6: The NDA should, within 12 months, strengthen and publish its socio-economic strategy, outlining the opportunities for the wider economy and how it will realise those opportunities.	6.2 The NDA accepts this recommendation and welcomes the Committee's interest. The NDA's current strategy 7takes into account the positive opportunities of decommissioning for the wider economy. For example, almost one-third of its supply chain spend is with small and medium enterprises (SMEs). Analysis carried out on this expenditure shows that it benefits firms throughout the UK. 6.3 The NDA has a legal duty to give encouragement and support to activities that benefit the social and economic life of the communities near its sites. The NDA has commissioned and published three studies on the impact of its activities on the economies near its sites, covering Sellafield, Magnox and Downreay. These provide robust data on the specific social and economic impacts that are likely as the NDA's sites continue through their lifecycle. Data obtained from these assessments will be used to ensure investment decisions are made based on clear evidence of need or opportunity. The NDA will publish its updated socio-economic strategy by January 2020, outlining the opportunities for the wider economy and plans for their realisation.	<b>Completed - July 2020</b> *NDA local social and economic impact strategy 2020 published: <a href="https://www.gov.uk/government/consultations/nda-local-economic-and-social-impact-strategy-2020-to-2026-draft-for-consultation">https://www.gov.uk/government/consultations/nda-local-economic-and-social-impact-strategy-2020-to-2026-draft-for-consultation</a>

Report	Recommendation	Government Response	Actions Taken
PAC Report on Sellafield (31 October 2018)	Recommendation 7: Within six months, the Department should write to the Committee, setting out its plan for deciding on the long-term use of plutonium. The NDA should also write to the Committee explaining fully its contingency arrangements to manage plutonium at the site, and the reasons behind cost escalations and delays.	<p>7.2 The Department, supported by the NDA, is developing a strategic framework for the long-term disposition of the UK's inventory of separated civil plutonium. Due to the varying degree of maturity of the technologies being considered, further work is required in order to enable the UK to select, and subsequently implement a disposition solution. The NDA have been tasked to carry out further research and will report its findings to the government in 2020. A decision on the long-term disposition solution can only be made when the government is confident that a solution can be implemented safely and securely and that it is affordable, deliverable and offers value for money.</p> <p>7.3 The NDA will write to the Committee on the management of plutonium at Sellafield. This information will provide a description and analysis of the overall cost and schedule position for the programme of work, including any increases in project estimates and timescales. However, the Department does not agree that the way in which cost escalation is represented in the report is accurate. When the NDA seeks approval for the Final Business Case on plutonium retreatment in 2020, many of the current uncertainties from low maturity will be retired, and this should result in a significantly narrower cost and schedule range.</p>	<b>Completed - August 2019.</b> Please see Aug 2019 Letters from Perm Sec and David Peattie.
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.14.1: The NDA devises a transparent, but less complex, set of competition rules, focussing on the substance of what it is looking for rather than on process	Agree	<b>Completed.*</b> Creation of Commercial blueprint and contributions from BEIS, UKGI and GCO * NDA has reviewed procurement processes against the Government Commercial Operating Standards implementing improvements as required.* Completed a benchmarking process against other organisations that provide similar oversight of procurement activities* Review of IT systems across the estate was conducted to enable recommendations on next steps to be made.* Evidence of recommendation addressed in PPP procurement [note saved to sharepoint]
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.14.2: Prior to commencing further competitions, the NDA takes all necessary steps to assure itself that the information presented to bidders is as complete and accurate as possible so that bidders have a suitably reliable starting point for the scope of the tendered work. Such assurance could come from appropriately qualified internal or external sources. Although this may be an extensive and time-consuming exercise, it will have two main benefits. First, it is essential to avoid the risk (which transpired with the CFP contract) of material cost overruns. Secondly, it will help ensure that final tenders (and business cases) are made on the basis of the best information available at the time	Agree	<b>Completed.</b> * See evidence of this undertaken for Programmes & Projects Partnership (PPP) contract.
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.14.3: The NDA considers afresh its approach to 'threshold' items which would cause a bid to fail. The test for any threshold item should be that it is absolutely essential and that, without it, the NDA would genuinely not wish to accept the bid in question;	Agree	<b>Completed.</b> * Commercial blueprint and contributions from BEIS, UKGI and GCO * See evidence of this undertaken for Programmes & Projects Partnership (PPP) contract [note saved to Sharepoint]
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.14.4: The relevant competition rules should be thoroughly tested through a range of different scenarios to ensure that they are workable and do indeed achieve the objectives of the NDA at that point	Agree	<b>Completed.</b> *Completion of Commercial blue print and contributions from BEIS, UKGI and GCO

Report	Recommendation	Government Response	Actions Taken
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.18.1: The NDA should revise its approach to record keeping with bidders. In any complex procurement there will be a high level of interaction with bidders. This is entirely desirable (and the point). Proper record-keeping and sharing of decisions made by the NDA (and relied upon by bidders) is essential. Agreements reached or positions shared with bidders should be documented and shared with bidders by the NDA and so help avoid misunderstanding at a later date;	Agree	<b>Completed.</b> *Procedures and policies have been obtained from DWP and MOD and have been considered against NDA's current procedures. * Reviewed and updated the NDA guide to the running of complex procurements
Magnox Inquiry Interim Report (5 October 2017)	Recommendations @ 6.18.2: The NDA should devise a standard corporate approach to internal record keeping during evaluation of procurement competitions, such approach to be transparent and address the failings identified by the court. There should be adequately skilled oversight of its application. Through training, NDA competition staff should understand their legal duties in recording evaluation decisions. They should be required to keep contemporaneous notes. The NDA should take steps to ensure that each evaluator can form and record their opinion and scores (with reasons). Where changes are made there should be a record of reasons for them;	Agree	<b>Completed.</b> *Completion of Commercial Blue print [March 2019] * Record keeping is included within all training required to be undertaken by Competition and Evaluation team members before being appointed.
Magnox Inquiry Interim Report (5 October 2017)	Recommendations @ 6.18.3: The NDA's evaluation decision making process should be set out in advance and be strictly followed.	Agree	<b>Completed.*</b> Completion of a revised Commercial Blue print [March 2019]
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.23.1: For future procurements of nuclear decommissioning services the NDA should build and maintain a strong and well-resourced team (seeking external expertise and resource where necessary) to achieve both breadth and depth of expertise. That team must have both significant experience of the procurement of nuclear decommissioning services and significant experience of current best procurement practice outside of the nuclear decommissioning industry.	Agree	<b>Completed.</b> * NDA Legal team has developed procurement training, working with Pinsent Masons, covering tender evaluations in particular. This has been offered to commercial personnel across the NDA Group and has been mandated for all corporate centre commercial personnel involved in running tender processes.
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.23.2: In considering how to resource the team, the NDA should use as its benchmark resourcing profiles for comparable procurements (not just those in the area of nuclear decommissioning).	Agree	<b>Completed.</b>

Report	Recommendation	Government Response	Actions Taken
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.32.1: the NDA ensures that there are clear lines of responsibility, including at a senior level, in the reporting structure for future competitions and senior line management provides active oversight of the Core Competition Team (commensurate with, and proportionate to, the need to maintain the integrity of the procurement).	Agree	<b>Completed</b> The Departmental Review team have incorporated some actions; * Established an NDA Board Programmes and Projects sub-committee and a dedicated Executive Risk, Audit and Assurance committee. * Internal Audit have carried out their independent assurance over the governance structures in place and assessed as Green/Amber. Any outstanding actions will be carried out. [Oct 2018]
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.32.2: the NDA ensures that its governance boards have the right level of commercial and other experience to bring active and constructive challenge to the work of the NDA.	Agree	<b>Completed</b> The Departmental Review team have incorporated some actions; * Completed the recruitment of independent expert observers for NDA Board committees (ARAC, Safety) * Recruited an Executive level Commercial Director * Initial comparison of NDA roles and grades against the Governments Commercial People Standards has been completed. 2 Cohorts comprising 10 individuals have been through the assessment centre at Associate Commercial Specialist and Commercial lead levels.
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.32.3: governance boards assure themselves that they have a clear understanding of the risks that may arise from future competitions.	Agree	<b>Completed</b>
Magnox Inquiry Interim Report (5 October 2017)	Recommendation @ 6.32.4: external legal, financial and other advisors have regular exposure to the NDA Board and the Senior Responsible Officer alongside the ability, outside of these regular meetings, to escalate matters to the Board. Governance boards should understand the advice they are being given by external advisors (and the limitations of that advice) in the knowledge that they remain responsible for the decisions taken.	Agree	<b>Completed</b> The Departmental Review team have incorporated some actions; * NDA Process created for ensuring any projects/ procurements coming for executive sanction are reviewed and approved by NDA legal prior to going to the Exec Sanction Committee. [2018] * NDA Policy developed for instructing legal advice and delivered to ExCo [November 2018] * Implemented an Enhanced Commercial Assurance model to provide additional NDA led scrutiny of all high risk estate wide procurements. The pilot involved input from BEIS Commercial and Cabinet Office. * Map of Corporate Centre committees supporting ExCo and the Board along with NDA led programme and project committees. Noted at the Steering Group (29-Jun-18).

Report	Recommendation	Government Response	Actions Taken
NAO Report on reducing risk at Sellafield(20 June 2018)	Recommendation a): On the role and governance of the NDA, the Department should carry out a tailored review of the NDA, including its role, function and governance arrangements, in line with Cabinet Office guidelines, taking into account – where appropriate – recent and ongoing reviews of the NDA. The Department should use the findings of the Committee of Public Accounts' February 2018 report, alongside those of the independent inquiry into the failed Magnox contract, to: <ul style="list-style-type: none"> <li>• clarify the respective roles and responsibilities of the NDA and Sellafield Limited (and the other site licence companies); and</li> <li>• streamline the governance and oversight of the NDA to clarify the roles and value added by each body, and ensure the right capabilities, management information systems and approvals processes are in place to support, challenge and assess the NDA's performance.</li> </ul>		The governance arrangements, responsibilities of all parties and overall principles of working has been set through several documents. This includes; the NDA Framework document, the BEIS-UKGI MOU and the draft NDA Governance doc, along with the latest NDA Committee/Board Terms of Reference.* The Framework document clarifies the role of BEIS as the Sponsor and sets out clear accountabilities between the Secretary of State, Scottish Government, PAO, and NDA Accounting Officer.* Clear process and guidance on sanctions are now being developed.* The role of UKGI in administering the NDA and providing assurance to BEIS has been clarified through this document.* The design of controls around the governance within the NDA has been outlined through the governance map that shows clear lines of reporting hierarchy both within and outside the organisation. This sets out the responsibilities of the NDA Board and other Committees.
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation b): The NDA should review whether the current lifetime plan for Sellafield remains good enough to monitor performance and assess efficiencies after the change to the Sellafield management model.		See the response to Recommendation 3 of the Sellafield PAC Report.
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation c): The NDA should review and strengthen its assurance arrangements, including its assurance of efficiency savings reported by Sellafield Limited, with a focus on capability in both the NDA and Sellafield Limited to discharge assurance functions effectively.		See the response to Recommendation 4 of the PAC Sellafield PAC Report.
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation d): The Department should ensure that NDA's management information provides both programme and project-level data to enable it to evaluate its performance in the medium term (three to five years). This information for each layer from Sellafield Limited to the Department should be clearly linked to the responsibilities of each layer and avoid duplication.		NAO to be updated on progress made Summer/Autumn 2021
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation e): The NDA with the support of Sellafield Ltd should invest in understanding the drivers of project improvements at Sellafield to ascertain which have been most effective and replicable.		See the response to Recommendation 3 of the Sellafield PAC Report.

Report	Recommendation	Government Response	Actions Taken
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation f): The NDA with the support of Sellafield Ltd. should test the perceived constraints to faster and further progress at Sellafield and use these findings to inform or revise its strategy for decommissioning Sellafield.		See the response to Recommendation 3 of the Sellafield PAC Report.
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation g): The NDA should complete its work on mission reporting to enable it to give a transparent account of its progress on areas of the work that are more certain.		See the response to Recommendation 3 of the Sellafield PAC Report.
NAO Report on reducing risk at Sellafield (20 June 2018)	Recommendation h): The NDA should work with Sellafield Limited and HM Treasury to evaluate and report the full costs associated with changes it has made to strategies and projects it has deferred, making clear how short- and long-term costs have been taken into account.		See the response to Recommendation 3 of the Sellafield PAC Report.

# Annex E: People and Organisations Consulted

## NDA Interviewees

Group Commercial Director, NDA

Chair of NDA (from 01/09/2020), NDA

Chair of NDA (until 31/08/2020), NDA

Chief Executive, NDA

Chief Finance Officer, NDA

Chief Information Office, NDA

Deputy General Counsel – Legal, NDA

Director – Risk, NDA

Director – Strategy, NDA

Director – CI and Asset Management, NDA

Director – Communications and Stakeholder Relations, NDA

Director – Integrated Waste management, NDA

Director – Nuclear Operations, NDA

Director – Health, Safety and Sustainability, NDA

Director – Risk and Assurance, NDA

Group Chief Information Officer, NDA

Group Development Director, NDA

Group Director Security and Corporate Services, NDA

Group General Counsel and Company Secretary, NDA

Head of Assurance, NDA

Head of Business Planning, NDA

Head of Commercial Standards and SME Champion, NDA

Head of Equality, Diversity and Inclusion, NDA

Head of Government Relations, NDA

Head of HR, NDA

Head of International Relations, NDA



HR Director and NDA nominated Non-Executive Director, NDA

HR Director, Group People Strategy, NDA

IPA Lead, NDA

Managing Director of International Nuclear Services, NDA

Nuclear Operations, NDA

Senior Advisor Nuclear Operations, NDA

Strategy and Brexit Lead, NDA

Director – Strategy and Technology, NDA

Director – Technology and Innovation, NDA

Five Non-Executive Director's, NDA

## NDA Subsidiaries

Technical Director, Magnox

Finance Director, Magnox

Chief Executive, Magnox

Human Resources Director, Magnox

Chair, Magnox

Two Magnox Board Member's interviewed

General Counsel Sellafield

Finance Director, Sellafield

Chair, Sellafield Ltd

Chief Executive, Sellafield Ltd

Chief Operating Officer, Sellafield

Site Director, Sellafield

Two Sellafield Board Member's interviewed

Chair of DRS and INS

Chief Executive Officer, RWM Ltd

## BEIS

Former Permanent Secretary, BEIS

Head of Euratom Exit Negotiations and Strategy, BEIS

Director – Energy and Security Group, BEIS

HR, D&I, BEIS

HR, Public Sector Equality Duty, BEIS

Civil Nuclear Resilience, BEIS

Director, Nuclear, BEIS

Business Investment – Chief Negotiator, BEIS

Head of Safety Policy and Sponsorship - Civil Nuclear & Resilience, BEIS

Director General, Energy and Security, BEIS

Chief Scientific Advisor, BEIS

Partnerships Team, BEIS

Deputy Director – Group Finance, BEIS

Senior Lawyer, Legal, BEIS

CNR - Deputy Head Global Threat Reduction Programme, BEIS

CNR – Nuclear Safeguards, BEIS

Deputy Director - UKRI Sponsor, BEIS

Director, Nuclear, BEIS

Finance Director, BEIS

Deputy Director – Decommissioning, Radioactive Materials and Geological Disposal Programme, BEIS

Head of Civil Nuclear Security & Safety, BEIS

Non-Executive Director - Audit and Risk Assurance Committee, BEIS

## Office for Nuclear Regulation

Deputy Chief Inspector, Office for Nuclear Regulation

Principal Inspector, Office for Nuclear Regulation

## Other Government Departments

Control Team, Cabinet Office

Director of Commercial & Contract Management Capability, Cabinet Office –

Head of Civil Nuclear, Department for International Trade  
Nuclear Liabilities, Ministry of Defence  
Head of Legacy & Waste Issues, Environment Agency  
Finance, (Shareholder Function), Department for Transport

## UKGI

Shareholder Non-Exec Director, UKGI  
Executive Director, UKGI  
Assistant Director, UKGI

## Industry and Other Interested Parties

Senior Vice President, Critical Mission Solutions International – Wood Group  
Chair, Wylfa Site Stakeholder Group  
President, Government Solutions EMEA. KBR  
Director, Projects North for NSG Environmental Ltd  
Managing Director, Nuvia  
Chair, Snowdonia Enterprise Zone  
Chair, Nuclear Industry Association  
Director Dounreay and Magnox Projects, Cavendish Nuclear Limited  
Chief Executive Officer, Cumbria Local Enterprise Partnership  
Managing Director, Dounreay Site Restoration Ltd  
Managing Director, James Fisher Nuclear Limited  
Managing Director, Collinson Grant  
Executive Director, NuLeAF  
Chair, Committee on Radioactive Waste Management  
Senior Deputy General Secretary, Prospect Union  
Negotiations Officer, Prospect Union  
Scottish Government  
Economic Development Director, Cumbria County Council

Deputy Mayor, Portfolio Holder for Nuclear and Corporate Services, Chair of West Cumbria Sites Stakeholder Group, Copeland Borough Council

Chief Executive Officer, Copeland Borough Council