Nuclear Decommissioning Authority Annual Report & Accounts 2012/2013

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Nuclear Decommissioning Authority
Annual Report & Accounts
2012/2013

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Foreword

Baroness Verma

Parliamentary Under Secretary of State, Department of Energy and Climate Change

As the Minister responsible for effective management of decommissioning at the UK's historical nuclear sites, I have been impressed by the approach and professionalism of the NDA, as the strategic authority acting on behalf of Government to oversee this vital programme.

An absolute priority is to deal with the legacy, particularly at Sellafield. On visiting Sellafield I saw the sheer size, scale and complexity of the challenges facing the NDA. It is absolutely right that there is a relentless focus on tackling the inherited legacies of the first-generation nuclear power stations.

The process will take many decades and will need to address many of the unique, high-hazard problems that accumulated in the post-war years. Detailed analysis by the National Audit Office (NAO) of some major Sellafield projects has recently led to a range of findings and recommendations which, I am pleased to see, are in the process of being implemented.

Significant milestones have also been achieved elsewhere in the NDA estate, delivering innovation, reduced timeframes and savings for the taxpayer as various research and former generating sites are progressively being defueled and decommissioned with land returned for future use. I welcome this progress and expect to see continued focus both on Sellafield priorities and around the wider estate.

Meanwhile, the Government remains committed to working with volunteer communities on implementing a long-term, sustainable solution for our higher-activity nuclear waste, an issue that is vital for the industry and for the country as a whole.

I look forward to seeing ongoing improvements at Sellafield and will continue to challenge the NDA and its contractors to deliver maximum performance in every area.

Chairman's Statement

Stephen Henwood CBE
Chairman

The financial year started with the appointment of John Clarke (previously Executive Director – Business Planning) as Chief Executive Officer following Tony Fountain's departure at the end of 2012. David Batters was Acting CEO in the intervening period and proved a very effective bridge and I am grateful for the continuity he provided and his own particular contribution which made a potentially difficult situation into a positive experience.

In selecting a new CEO we considered internal and external candidates, from the UK and the USA and from the nuclear and other relevant sectors. The Board concluded that John was the outstanding candidate bringing his considerable experience and deep knowledge of the UK industry to the delivery of the NDA's mission, building on the excellent work completed under Tony's leadership

The Executive team has faced a challenging year that has seen intense scrutiny in West Cumbria and more widely. Given the significance of our mission and the large amounts of public money we strive to put to good use we expect and welcome this scrutiny as part of the process that holds us to account.

We welcome the National Audit Office (NAO) acknowledgement of the immense difficulties presented by Sellafield's historical legacy areas and the action being taken by the NDA to address points raised both by the NAO report and subsequent Public Accounts Committee (PAC) findings. The focus was, quite rightly, on those ageing facilities that pose the greatest risk and are already the subject of our urgent attention.

Our sense of urgency in addressing the many historical complexities and hazards at this most challenging site has been evident since the early days of the NDA. The additional perspective brought by the NAO has been valuable, and their independence helped to add clarity and direction to considerations on current measures to address the performance issues. Strategies are already under way, with plans in place that stretch both ourselves and the sites' workforce.

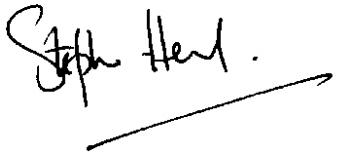
We continue to set demanding targets for ourselves and our contractors with the aim of improving performance year on year. We expect nothing less than all-round commitment and a shared sense of responsibility in working towards the mission. The NAO report was a clear reminder that whatever progress we feel we have made there is still much to be done, not least to provide confidence that our contractors are delivering value for money.

The results of our drive towards introducing efficiencies and the re-prioritisation of work are evident, with savings achieved and new technologies helping to accelerate decommissioning by many years. A key means to achieving this is the competitive framework that allows us to bring in the global expertise of international businesses to manage our Site Licence Companies (SLCs). One major competition remains to be concluded, for ownership of Magnox Ltd and Research Sites Restoration Ltd (RSRL),operating across 12 of our sites.

The Magnox Optimised Decommissioning Programme (MODP) and the now-embedded Dounreay contract, for example, continue to deliver good progress, with technical innovations implemented and significant cost savings projected. We anticipate that two Magnox sites will reach the 'care and maintenance' state over the next few years, marking a first for the UK and signifying the removal of all major hazards from those sites.

Despite the challenges already outlined, we remain on track with adherence to our funding limits, anticipating that the tough

economic climate will continue over the next few years. As ever, we help to finance our programme through income generation and operations.



We have also begun to share our own experience of planning and contracting for decommissioning with other organisations including the Ministry of Defence (MoD), who are looking to embark on the decommissioning of some of their historic nuclear facilities. This extends our existing collaboration on strategy development and the management of spent fuels and nuclear materials, as well as possible options on the storage of waste.

Collaboration is also strengthening with international partners. Our dialogue with Japan continues, gathering pace as we joined the wider UK support initiatives led by David Cameron and shared our own experiences of decommissioning in the UK. We are also beginning to use our experience to open up discussions with other countries, such as East Asia, where decommissioning is beginning to get under way as facilities come off-line. In addition, we are learning from international decommissioning organisations, contributing to a shared global understanding of good practice and opening up opportunities for UK businesses.

Looking at our own internal organisation, I would like to extend a warm welcome to our new Non Executive Director Tom Smith, who brings many years experience of major infrastructure projects to the NDA. Tom replaces Alistair Wivell, who stepped down after serving his four-year term, having brought considerable experience and insight to the role. We wish him well for the future. Janette Brown and Patrick Dixon, meanwhile, who were appointed in 2009, will serve further three-year terms and we welcome their continued input.

Finally, I would like to recognise that the work of the NDA is dependent upon an estate-wide partnership and the involvement of many stakeholders. I would like to thank all those involved for their contribution to a year of real progress in our mission.

Chief Executive's Review

John Clarke
Chief Executive Officer

This review follows my first full year as Chief Executive and there is no doubt that it has been a year of challenge on a number of fronts but one where we have also made good progress with a range of issues across the estate. When I took on the role I stated that my top priority was Sellafield. This continues to be the case and will remain so for the foreseeable future.

Sellafield illustrates the difficulties the NDA and our SLCs face in tackling legacy issues, many of which date back to the birth of the nuclear industry. The report by the National Audit Office (NAO) on managing risk reduction at Sellafield, and the subsequent examination by the Public Accounts Committee (PAC), focused on the areas of greatest concern, areas that we had already identified and discussed at length with our Board and the Department of Energy and Climate Change (DECC).

The scrutinised projects represented around one quarter of the work currently being undertaken at Sellafield but include many of the most important projects. The NAO report was fair and balanced, raising concerns over cost and schedule growth in a number of projects but also acknowledging the scale of the hazards and uncertainties in these projects and the progress we are making. We are currently implementing the recommendations made by the NAO and the PAC and are committed to completing this work and ensuring that improvements are made.

At around £1.6 billion per annum, Sellafield accounts for more than half our annual expenditure and more than half of the resources across our estate. Our continuing focus will be to increase our understanding of the uncertainties associated with the oldest and most hazardous facilities and drive risk reduction.

Before many of these plants can be accessed to allow them to be emptied and decommissioned, a significant number of major new construction programmes are required. This means that Sellafield is set to become one of the biggest construction sites in Europe over the next 20 years.

One of our main priorities is the First Generation Magnox Storage Pond (FGMSP). Here we are working with the regulators, the operator and Government to see if a more flexible approach can be adopted allowing the experienced workforce greater discretion, giving the potential to bring about acceleration of hazard and risk reduction.

Operational performance at Sellafield has been disappointing. Magnox fuel reprocessing has been hampered by unreliable plant, much of which dates back 50 years. Completion of the reprocessing programme within the timeframe of the latest Magnox Operating Programme (MOP9), published last July, remains possible but challenging. The Thermal Oxide Reprocessing Plant (THORP) which handles oxide fuels from the more modern reactors in the UK and overseas has had a mixed year with operations interrupted by an unplanned outage; however, the 2018 closure date still remains feasible. Performance in the Vitrification Plant which converts Highly Active Liquor into a glass form for long-term storage and disposal has been below expectations but plans are in place to bring about improvements.

The complexities of the Sellafield site have attracted interest from international operators who wish to understand our approach in order to adapt the learning for their own facilities as they reach the end of their operational lives and prepare for decommissioning. We are pleased to

share with others and equally to learn from them. Over the past year we have welcomed visitors from several nations to many of our sites. Our dialogue with Japan has strengthened, building on the longstanding partnerships built over many years by our subsidiary International Nuclear Services (INS).

We are building further on this dialogue through our support for the UK's Trade and Investment (UKTI) department which pursues export opportunities on behalf of, and in partnership with, British businesses.

Elsewhere in our estate the Magnox Optimised Decommissioning Programme (MODP) has continued successfully with the largest ever programme of work delivered. A number of waste streams have been opened up or have continued to make progress, dealing with Fuel Element Debris (FED), sludges, resins and asbestos. We can now look forward to delivering the first Magnox site into care and maintenance within the next two or three years.

A particular success in the Magnox area has been the completion of defuelling at two further sites, Dungeness A and Chapelcross, the latter achieved ahead of a very demanding schedule.

This year has seen the start of a programme of work to consolidate materials from various sites to locations within the NDA estate that have the capabilities to deal with them more effectively. These transfers have required co-ordination across several SLCs and subsidiaries and extensive engagement with a wide range of stakeholders. We have progressed our Integrated Waste Strategy including taking forward the potential for collaboration between sites with A and B stations. Waste also continues to be successfully returned to overseas owners following reprocessing at Sellafield.

Several high profile topics concerning Sellafield and West Cumbria's nuclear heritage featured prominently in the media during the year. One of those was the discussion around the West Cumbrian community potentially volunteering to allow studies looking at the possibility of the region being suitable for a Geological Disposal Facility (GDF). Despite support by two local authorities for proceeding to the next stage, these discussions are now at an end following the vote by Cumbria County Council against moving to the next stage in the process.

The Government continues its deliberations on the GDF site selection process, and remains committed to implementing a GDF as the long-term solution for the UK's radioactive waste. We fully support the Government's ongoing process and anticipate continued involvement as the way forward becomes clearer.

Despite the West Cumbrian decision, the NDA's Radioactive Waste Management Directorate (RWMD) has made significant technical progress on many fundamental aspects of implementation, including development of the generic safety case. The selection of a suitable site through a voluntarist process remains the key outstanding issue.

Our mission to introduce competition and global expertise to our SLCs continues. We have now completed the first year under the contract awarded to the Babcock Dounreay Partnership (BDP) for our Dounreay Site with improvements consolidated into the lifetime plan and a successful year of delivery. We look forward to delivery of the accelerated outcomes which include more than £1 billion in savings and a prospective closure date up to 17 years earlier than originally anticipated.

We are currently part-way through the competition to award a contract for the management and operation of the 12 Magnox and RSRL sites. Valued at around £7 billion over the next 14 years, this represents one of the UK's largest procurement exercises and we are pleased to see a healthy appetite from the market, with four high-calibre consortia involved in the bidding process. The contract is on schedule to be awarded in 2014.

At the end of 2012/2013, a renewed contract was agreed with UK Nuclear Waste Management (UKNWM) for the management of the Low Level Waste Repository (LLWR) in West Cumbria. The additional five-year term follows the successful delivery of key commitments

since the original contract award in 2008, including the introduction of diverse low level waste management routes and savings of £30 million.

We are also in the process of considering how to proceed with the Sellafield contract which is entering the final year of the first five-year contract term under the ownership of Nuclear Management Partners (NMP). Much has been achieved but there is much more to do. During the coming year we will conclude our deliberations on the optimum way forward for the next phase.

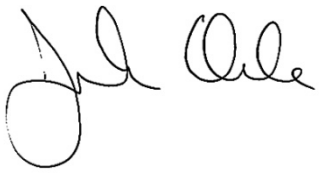
In November we concluded the successful transfer of our Capenhurst site in Cheshire to URENCO. We will continue our programme of asset disposal where this can generate funds to take the mission forward and transfer risk from the public to the private sector.

Given the nature and complexities of our legacy challenges, the need for innovation remains strong and we are pleased to see the emergence of exciting new technologies that have been supported by the NDA's Research and Development (R&D) funding. There is a growing UK consensus that a healthy, vibrant R&D sector will be vital in ensuring that British businesses secure a competitive edge in the global nuclear market, and the NDA is fully committed to making a substantial contribution. We are collaborating with other bodies leveraging additional funding from both public and private-sector partners.

In support of this agenda and the related requirement for a robust supply chain, we are actively promoting better visibility of opportunities across our estate. In collaboration with our SLCs, we have introduced a range of measures focused in particular on support for smaller businesses.

Support for the supply chain in turn helps to sustain employment in the regions that host our sites, which builds on the work already under way to provide socio-economic assistance for regions where decommissioning will have greatest impact. For example, at Trawsfynydd we are involved in the Snowdonia Enterprise Zone which is aiming to attract new economic activity to the area to follow the site's entry to care and maintenance. This builds on partnerships already under way in Caithness, North Wales, the Gretna and Annan corridor and West Cumbria.

Finally, the challenges overcome and successes achieved over the past year have resulted from the hard work, professionalism and dedication of the whole team in the NDA with whom it has been my pleasure to work. In turn, our mission cannot be delivered without the combined efforts and support of our subsidiary companies, the SLCs, their Parent Bodies, the supply chain and the communities within which we operate. I am enormously grateful to them all. Next year will be another challenging one and I look forward to working with the NDA team and all who support us to deliver a successful outcome.



Case Studies

Below is a selection of case studies illustrating some of the year's highlights

Site Restoration

The NDA's goal is to restore each of our sites to a condition suitable for an alternative use, a task that will take many decades and encompass the full range of decommissioning activities. Our approach is influenced by the level of environmental or health risk associated with individual sites or facilities. Addressing these risks is core to our mission. Restoration will drive our sites through a series of Interim States to a Site End State, at which point the NDA is able to release the site for other uses.

Case Study - First Generation Magnox Storage Pond (FGMSP)

A key priority for Sellafield is dealing with the ageing FGMSP. This pond dates from the 1960s when it was built to store spent fuel from the Magnox stations. Over the years the pond has accumulated large quantities of waste material, including sludge from corroded fuel cladding, fuel fragments, skips and debris.

Two major achievements have recently enabled work to progress on this high-hazard open air pond. These projects are both critical components in the long-term programme to decommission and eventually demolish the facilities. The pond is located in an extremely congested area of the site, meaning major construction projects are fraught with risk and logistical headaches.

A new pipe bridge, completed 18 months ahead of schedule, connects the pond to a treatment plant, allowing radioactive sludge to be moved for the first time. This pipe-bridge will allow the sludge to be transferred to the new Sludge Packaging Plant where it will be stored before being immobilised in boxes for long-term storage. The focus can now switch to retrieving fuel from the pond, scheduled to begin in 2015/2016.

Installing the 50-tonne pipe-bridge posed a series of huge challenges. Project manager Steve Harnwell said: "The job involved convincing ourselves, the safety experts and the regulators that we could safely build one of the world's largest mobile cranes at the heart of the Sellafield site.

"Just finding enough space between the buildings was a challenge, never mind lifting the pipe bridge over the top of neighbouring nuclear facilities."

Mark Steele, Head of Programme, Sellafield, for the NDA, said: "Getting to a position where work can begin on retrieving waste from facilities such as the FGMSP is key to successfully delivering risk and hazard reduction. It's complex and challenging work and I'm pleased to see progress being made."

Meanwhile, a specially designed crane that was once condemned as unfit for use has been brought back into service after a painstaking, complex refurbishment lasting many years. The crane straddles the pond and is used to move around skips of spent fuel, waste and equipment. The second project brought back into use the 60-tonne 'skip handler' crane that is now fully operational for the first time since the 1990s.

Refurbishment of the supporting steelwork and rails for the skip handler to run on took two years and involved over 300 workers. This required working at height over the pond, often in poor weather and with significant radiation levels to contend with.

A complete new control system was also installed in the original machine and new, enhanced tooling was designed and manufactured for the skip handler. This tooling will mean that fuel skips can be retrieved and relocated, and fuel and sludge can start to be retrieved from the storage pond.

Case Study - Pile Fuel Cladding Silo (PFCS)

The silo was built in 1951 to store radioactive fuel cladding from the old Windscale Pile reactors and later took material from the Calder Hall and Chapelcross reactors.

The decommissioning of the PFCS took a major step forward with the erection of a £3 million Semi Goliath crane. The crane arrived in 12 separate lorry loads and was erected over two weeks in an extremely tight space. It sits alongside the Waste Retrievals Facility (WRF) which is currently being constructed next to the 60-year-old silo.

Eventually waste will be exported from the silo through the WRF where it will be repackaged. The crane will be used to lift the packages out of the WRF and place them onto transporters which will then take the material to new, above surface interim storage facilities, pending final geological disposal.

The PFCS project will see a decommissioning team break through the thick concrete walls of the silo – effectively a giant concrete safe – to remove its radioactive contents.

The waste ultimately retrieved from the silo compartments will be packaged into $3m^3$ storage boxes. A procurement process is under way for the manufacture of 2,000 $3m^3$ boxes to accept the retrieved waste.

This is important work being carried out in a difficult environment but it is troubled by cost and schedule difficulties which are a cause for concern.

Case Study - Trawsfyndd Resin Vaults and Ponds North Void

With care and maintenance around three years away, Trawsfynydd is making good progress on key challenges, particularly in dealing with its waste streams.

The recent removal of radioactive sludge from one of the resin vaults marks a major first for the Magnox fleet and is a critical element in achieving care and maintenance.

The facility is one of three interlinked concrete vaults built within the ponds complex to hold the resins that became radioactive after being used as a filtering agent to maintain water purity. The ion-exchange resins formed a sludge-like liquid Intermediate Level Waste (ILW), which was stored in the vaults. All now need to be decontaminated, deplanted and demolished.

A specially designed Remotely Operated Vehicle was used to retrieve five cubic metres of sludge. This follows the recovery in 2012 of all bulk resins from Resin Vault 2. Both achievements are major milestones for the site.

Work is also under way to decommission one of the most complicated radiological hazards on the site, the Ponds North Void (PNV), which holds a diverse mix of liquid sludge and solid materials. Also located in the ponds complex is debris from the fuel elements (FED), nimonic (nickel alloy) springs, pins and various pieces of redundant equipment. Emptying this void is essential to enable the eventual demolition of the ponds.

Because of the diverse waste types and challenging environment, Magnox is retrieving the material with a unique Rotary Deployment Arm (RDA), which has required specialist training at the US

manufacturer for its operators and supervisors. The specialist skills and learning acquired will be shared across the NDA estate and wider nuclear industry.

Case Study - RSRL optimisation

A major achievement for Research Sites Restoration Ltd (RSRL) has been the development of an optimised plan that brings forward closure of the Winfrith site by 27 years, taking Harwell to care and maintenance five years earlier than originally planned, with potential cost savings totalling around £500 million.

The plan, agreed during the past 12 months, forms the basis of the ongoing competition process for the Magnox and RSRL sites. The restoration of Winfrith to heathland will represent a major milestone achievement for the UK.

Work has already been completed on Phase 1 of DRAGON decommissioning, with removal of all plant and ancillary equipment. Phase 2 will involve decommissioning of the reactor core and pressure vessel.

Another project completed was the removal of a large batch of hazardous sodium metal, stored at Winfrith for more than 30 years.

Although non-radioactive, extreme care was needed to deal with the 25 tonnes of metal including installation of a purpose-built processing facility.

At Harwell, an ILW store has received planning permission from the local authority, which will ensure that clean-up and decommissioning work can continue. The Harwell store will also house material from Winfrith and if the case can be made, ILW will also be transferred from the Culham site to the store.

Around one fifth of the original site has now been released from all nuclear regulations through the de-licensing and de-designation process, following many years of decommissioning and clean-up. This signals that the NDA's mission is complete for this portion of the site and the land is available for development by the adjacent science park.

Spent Fuels

The NDA has a diverse inventory of spent nuclear fuels, together with smaller quantities of non-standard fuels, known as 'exotic fuels'. We are committed to ensuring the safe and secure management of all these, either through continued reprocessing or treatment to enable disposal.

We aim to make maximum use of the last stocks of Magnox fuel by seeking to continue generation at Wylfa for as long as it can be safely achieved. This will also provide revenue to support our core decommissioning mission.

Defuelling of the Magnox reactors is scheduled to be complete within the next four years with all fuel subsequently reprocessed.

Case Study - Defuelling at Dungeness and Chapelcross

Two Magnox sites have completed defuelling over the past 12 months, removing 99% of the radioactive hazard from their sites and preparing the way for a full scale decommissioning programme.

The spent fuel elements at Dungeness A and Chapelcross were retrieved over a period of several years and transported in shielded flasks to Sellafield, where they will be reprocessed.

The two reactors at Dungeness, which stopped generating electricity in 2006, contained 55,000 fuel elements, while the four Chapelcross reactors contained 38,075. Chapelcross, Scotland's first nuclear power station and the second in the Magnox fleet, operated from 1959 to 2004.

Removal of the fuel marks a major milestone for both plants and allows them to embark on the next stages of decommissioning.

Dungeness is due to enter the interim care and maintenance phase by 2019. Chapelcross, meanwhile, achieved its target defuelling six weeks ahead of schedule after implementing innovations inspired by the successful British Cycling team's 'Marginal Gains' concept.

Only 3,800 tonnes of spent fuel are left to be shipped from four Magnox sites, out of a total 50,000 tonnes originally manufactured.

Shipments of spent Magnox fuel are organised in line with Magnox Operating Programme (MOP9), which covers the logistical arrangements to ensure the smooth supply and movement of flasks between Magnox sites and the reprocessing plant at Sellafield.

Case Study - Overseas waste shipments

The return of solid vitrified waste to Japan has continued, with the third shipment successfully completed early in 2013, representing a major achievement at a time when nuclear issues in that country are under great scrutiny.

The waste originates from overseas customers' spent fuel that was imported to Sellafield for reprocessing. Contracts for reprocessing that were signed after 1976 required the overseas owners of the used fuel to receive back the resultant waste from reprocessing their material.

Repatriating highly active waste to overseas customers is a complex task requiring close collaboration between the NDA, its subsidiaries Direct Rail Services (DRS) and INS, Sellafield Limited and stakeholders to build trust and understanding of the safety arrangements in place.

Sellafield Ltd prepares the waste flasks ready for transport, and DRS moves the flasks by rail from Sellafield to INS's port facility at Barrow-in-Furness where they are lifted onto purpose-built ships which belong to PNTL, a majority owned subsidiary of INS, for transport to Europe and Japan.

The NDA is delivering a decade long programme of waste returns from Sellafield to its overseas customers. Each shipment reduces the radioactive inventory and hazard in the UK, fulfilling the NDA's Strategy, delivering UK Government policy and meeting contractual obligations.

Integrated Waste Management

The NDA continues to promote the importance of waste characterisation, improved waste information and waste segregation to facilitate planning.

Case Study - Dounreay LLW facility

Work on the first two vaults of Dounreay's Low Level Waste facility is now more than half way to completion.

The facility is needed for the safe, long-term management of up to 175,000 cubic metres of low level radioactive waste that will arise as the site is decommissioned and buildings demolished. Low Level

Waste (LLW) includes paper, rags, tools, glass, concrete, clothing, scrap metal demolition and rubble.
The project to find a long-term solution for Dounreay's LLW began in 1999 and included consultations with the community and other interested organisations. The NDA is investing £4 million in a community fund associated with the development, to support regeneration initiatives in the local economy.

The new facility will consist of a series of shallow engineered vaults built in phases on NDA owned land adjacent to the site. A maximum of six vaults will built if required and two are so far in the construction phase, expected to be completed around the end of 2013.

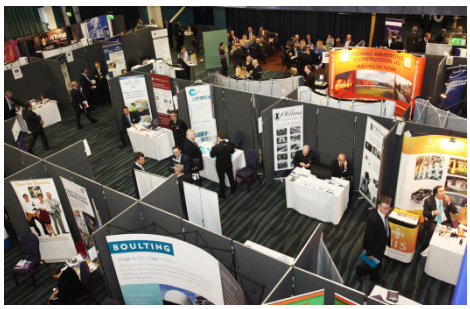
Following the start of construction at the end of 2011, the base slabs are complete and the steel for the roof has been installed. Each vault will be the size of a football pitch sunk to a depth of 20 metres.

Once completed, the site will be capped and grassed over to merge with the surrounding landscape.

Critical Enablers

The successful achievement of our mission depends on a strong support structure that is able to deliver technological innovation, a skilled workforce and effective site teams that make progress while ensuring value for the taxpayer.

Case Study – Small and Medium Enterprises (SME) Action Plan



The NDA has published a three-year plan to support greater opportunities for smaller businesses seeking work in the UK's decommissioning market.

The SME Action Plan available on our website builds on initiatives already under way across the NDA estate and meets a Government requirement for all departments to develop proposals that will help to increase the proportion of public contracts awarded to the SME community.

The NDA's plan forms part of a wider plan drawn up by DECC, and is approved by the Cabinet Office. It sets out a 20% target for annual sub-contract spend with SMEs (both direct and indirect) – at least £300 million - by 2015, almost doubling the currently reported level of 11%.

Half the NDA's current £3 billion annual budget is spent with the supply chain, via the SLCs, a figure that has grown steadily since the NDA was established eight years ago.

Ron Gorham, the NDA's Head of Supply Chain Optimisation and SME Champion, said: "We, together with our SLCs, have been working over the last few years to create improved opportunities for smaller businesses and this challenging but realistic target is part of those measures."

The Action Plan applies not only to SLCs but to the NDA as well and all its wholly owned subsidiaries. It will require the NDA and the SLCs to consider the 'SME friendliness' of their procurement plans, strategies and processes to support SMEs in the supply chain, as well as encouraging top-level Tier 2 contractors to make their sub-contracting opportunities more visible.

Case Study – Research & Development (R&D)

The NDA is collaborating with a number of Government organisations to invest a combined total of £18 million in nuclear R&D projects in the supply chain.

The awards, announced by Business Secretary Vince Cable, are intended to enhance the supply chain and increase opportunities to bring new technologies into full commercial use.

The funding will support 35 projects across the UK in developing new technologies for the construction, operation and decommissioning of nuclear power plants. This will bring together more than 60 experienced organisations including a range of international businesses who will work alongside innovative small and medium-sized enterprises (SMEs) and universities.

Provided jointly by the Technology Strategy Board (TSB), the Department of Environment and Climate Change (DECC), the NDA and the Engineering and Physical Sciences Research Council (EPSRC), the funding is expected to leverage an additional £13 million, making the total value of the projects £31 million.

Interested organisations and businesses were invited to take part in a competitive process early in 2012, and encouraged to form collaborative partnerships via a series of brokering events before submitting proposals.

Dr Melanie Brownridge, the NDA's Head of Research and Development, said: "We were extremely pleased with the level of interest in decommissioning projects from both established organisations and smaller, newer businesses. Our research strategy focuses very much on developing innovative technologies through collaborative working, and joint funding initiatives such as this increase the investment potential, while providing much broader opportunities for interested partners.

"We also welcome the comprehensive nature of the subject areas, covering new build as well as decommissioning, which will enable the sharing and transfer of technologies between the different nuclear sectors. Meanwhile, working closely with the TSB brings increased resources to develop projects more effectively, essentially delivering through others."

The total public funding comprises £10 million from the TSB, £3 million from DECC, £3 million from NDA and £2 million from EPSRC. For the NDA, the collaboration provides access to the TSB's established processes for monitoring projects and promoting their results.

By 2030, it is forecast that globally there will be £930 billion investment in building new reactors and £250 billion in decommissioning those that are coming off line. The nuclear new build programme in the UK alone could generate up to 40,000 jobs at its peak.

Case Study – Skills

A pioneering Nuclear Resource Transition Framework has been successfully launched nationwide, building an informal network of information sharing organisations to retain and optimise vital skills across the whole UK nuclear industry. The Framework is being led by the NDA, based on a scheme piloted by Magnox and EDF Energy.

Over the next 15 years, at least 34% of the UK's nuclear workforce will reach retirement age, creating a major shortfall in skills just as new build needs the expertise. Conversely, decommissioning sites will be well advanced on the journey to Care and Maintenance, with minimal

staff requirements, while the acceleration of site programmes is already leading to the early release of resources.

The NDA is working closely with a group that includes representatives from the Department of Energy and Climate Change, Cogent, National Skills Academy for Nuclear, Office for Nuclear Regulation, EDF, Horizon, Sellafield Ltd, Magnox Ltd and Springfields to develop plans for existing and future skills. Other partner organisations include Lloyds Register, Nuclear Technologies, AMEC, Jacobs, NNL, Rolls-Royce, and the trade unions.

Based on resource planning and informal networking, the Framework is a mechanism to share information, develop action plans, encourage UK-wide mobility and support decommissioning workers in the managed transition to new employment. It aligns with existing socio-economic and transition programmes across the NDA estate.

The development and maintenance of skills is an Energy Act requirement for the NDA, aimed at ensuring the capabilities exist within the SLCs and the supply chain to complete the clean-up mission effectively both now and into the longer-term.

The Framework builds on a number of initiatives to support the wider nuclear sector, including the successful *nucleargraduates* programme together with apprenticeship schemes across the estate.

The award-winning *nucleargraduates* has grown into one of the most highly rated training programmes in the UK since its launch by the NDA in 2008, collecting accolades from both the Times and the Guardian. Now administered by Energus with support from 20 partners in the public and private sector, the most recent cohort of 48 trainees is the largest contingent recruited so far, with 97% of those who have completed the two-year course so far now employed in a related field.

The NDA's People Strategy also focuses strongly on apprenticeships, and encouraging young people to consider a career in the industry. Almost 400 apprentices are now in place across the NDA and SLCs.

Further strands in the NDA's People Strategy cover the development and support for regional training centres, including Energus in West Cumbria, the Engineering and Skills Centre at North Highland College and establishment of the Dalton Cumbrian Facility, a joint investment with The University of Manchester for world-class research skills. Contributions are also made, from the socio-economic budget, to Bridgwater College and Coleg Menai.

NDA's Health, Safety, Security, Environment and Quality (HSSEQ) Report

Health and safety performance
As well as our obligations as owners of nuclear sites, we are directly responsible for the health and safety of our own employees.

The NDA had no RIDDOR reportable events in the year. There were 33 health and safety incidents recorded internally throughout the year which included near misses, minor injuries and damage which occurred at NDA offices or whilst employees were travelling on business. Appropriate actions were taken in response to these incidents.

The average sickness absence of our employees was 2.9 working days absence per employee for 2012/2013, well below the national average of 6.8 days and a significant decrease from 5.1 absence days in 2011/2012.

Driving on company business
Driving on NDA business continues to be one of the most significant risks to our employees. Our mileage driven this year was 822,430, a decrease of 2.5% on the miles driven in the previous year. Sixty eight of our employees attended Defensive Driver Training in 2012/2013.

Health and Wellbeing
The NDA is committed to ensuring that the risk of work related stress is effectively managed and controlled. As part of our continued commitment to the health and wellbeing of employees, a Stress Awareness workshop was developed and successfully piloted this year. The workshop will be available to all staff in 2013/2014.

The NDA also provides a confidential Employee Assistance Programme (EAP), which is intended to help employees deal with personal problems that might adversely impact their health, wellbeing or work performance.

In addition a series of health and wellbeing awareness campaigns were delivered to our staff which included:

- Walking for Health
- Breast Cancer Care and Men's Health
- Nutrition and Food Miles

Consultation with employees
The NDA Health, Safety & Environment Committee met twice in the year to discuss matters that may affect the health, safety and wellbeing of staff.

Security
Security arrangements within the NDA are compliant and remained so during the moves from NDA's own offices in Warrington to integrate with INS as part of efficiency and consolidation in office space. In 2013/2014, we will run the Centre for the Protection of National Infrastructure, CPNI's Secure2 programme within the NDA to gauge current and desired security culture improvement. The tool has been used successfully at some SLCs.

Environmental and quality performance
The NDA operates an Environmental Management System to ensure that we operate within our stated environmental policy, associated objectives and targets, and have processes for monitoring and controlling our environmental impacts. Objectives and targets are set to maintain continual improvement in environmental performance across the organisation and to raise awareness of environmental issues. These are:

- 25% reduction in C02e emissions from energy and business travel
- 25% reduction in waste arisings
- reduce water use and aim for the 'good practice' range of 4-6m^3 per FTE per year in each of our buildings
- 20% reduction in domestic air travel, and
- 10% reduction in paper use in 2011/2012.

NDA also successfully retained certification to ISO9001:2008 and ISO14001:2004 in August 2012 after the triennial audit carried out by Lloyds Register Quality Assurance.

A report explaining NDAs contribution to sustainability performance under the Greening Government Commitments (GGC) and our own environmental management system can be found at the end of this report.

SLCs Health, Safety, Security, Safeguards, Environment and Quality (HSSSEQ) Report

HSSSEQ is one of our critical enablers and the objective as expressed in the NDA Strategy, is:

> *To reduce the inherent health, safety, security and environmental risks associated with the nuclear legacy and encourage high standards in operational health, safety, security, safeguards, environmental and quality performance.*

The NDA has a duty to assure the safe and secure management of nuclear materials, operations and sites across the UK, encouraging high standards while focusing on reducing the risks in a timely and cost-effective manner. The SLCs carry out this duty on our behalf.

We target our assurance work to satisfy ourselves of the robustness of SLCs' processes, holding them to account for performance while also ensuring that controls are embedded throughout their organisations.

As part of our arrangements NDA carries out targeted monitoring of SLCs' activities to assure the effectiveness of the safety, environmental, security and quality management systems and identify any examples of good practice. We also incentivise the delivery of activities which will improve future performance.

Where we identify shortfalls or areas for improvement we ensure our SLCs address these. As part of our monitoring processes we have further developed the analysis and reporting of a set of metrics that incorporate both leading and lagging safety and security performance indicators.

To improve our own activities we have continued to develop our governance arrangements by providing regular reports for consideration to the NDA Board's Safety and Security Committee. This work has meant that we can appropriately manage the oversight of assurance across the estate.

Health and safety performance
Several of our SLCs won national safety awards at a corporate and site level, showing continued high-level safety performance. Notably this year, Magnox was the winner in RoSPA's engineering construction sector for the second year running. For the second time Dounreay Site Restoration Limited (DSRL) was awarded both the Sword of Honour for health and safety management and Globe of Honour for environmental management by the British Safety Council.

Industrial safety incident rates at Sellafield have significantly improved over previous years as a consequence of activities carried out under a Safety Improvement Programme. These include improved safety inspections, peer to peer observations, greater management attention to safety information and accident case management.

More details of the SLC's performance can be found from page 100 onwards.

Nuclear Safety and INES events

Number of INES events by SLC	2012/ 2013	2011/ 2012
Magnox	1	0
RSRL	0	0
DSRL	0	0
LLWR	0	0
Sellafield	4[1]	3
Total	**5**	**3**

[1] One event not yet confirmed

In 2012/2013 there were five events that were classed at the lowest level (Level 1 – Anomaly) of the International Atomic Agency's (IAEA) International Nuclear and Radiological Event Scale (INES).

Our estate has continued to undertake safety reviews while continuing with the main work of dealing with nuclear clean-up and waste management.

Important progress has been made in addressing the high hazards in the legacy ponds and silos at Sellafield, for example:

- the return to an operational state of the skip handler machine which will be required for all retrievals from the First Generation Magnox Storage

Pond, for the first time since the 1990s
- installation of an important pipe bridge which will provide a route for intermediate level waste sludge to be removed from the First Generation Magnox Storage Pond into the Sludge Packaging Plant, and
- removal of the first oxide fuel from the Pile Fuel Storage Pond

Significant legacy remediation has also been achieved by:
- the removal of spent nuclear fuel from Chapelcross and Dungeness sites for reprocessing at Sellafield, thereby removing 99% of the radioactivity from the sites
- Trawsfynydd site completing the clean-out of radioactive sludge from one of its resin vaults, which is a key part of the progress towards Care & Maintenance, and
- The disposal from Winfrith site of 25 tonnes of highly reactive sodium metal by the use of a purpose-built processing facility and a range of additional safety measures

All the SLCs have continued to be participants in the Office for Nuclear Regulation's (ONR) review of UK nuclear safety, undertaken on behalf of Government and are co-operating on the actions identified in that review.

Industrial Safety and RIDDOR

Safety Injuries by SLC	total injuries rate[2] 2012/2013	Number of safety events 2012/ 2013	2011/ 2012
Magnox	127	10	10
RSRL	136	1	4
DSRL	103	5	4
LLWR	0	0	2
Sellafield	132	19	33
Average / Total	**128**	**35**	**53**

[2] - total injuries rate is the number of fatal, non-fatal and over-3-day injuries per 100,000 employees.

The total number of industrial safety events reported by SLCs to NDA for the year 2012/2013 was 35, down from 53 in 2011/2012. By RIDDOR category this includes 12 Major Injuries, 14 Lost Time Accidents (LTAs greater than seven days), five reportable Dangerous Occurrences and no cases of work-related disease.. Therefore to improve comparability with the latest Health & Safety Executive's statistics, the table of RIDDOR safety events includes four LTA's with a duration between three and seven days

A measure for industrial safety performance is the rate of injuries or cases of ill health per 100,000 employees, either overall or for a particular industry or area. For our SLCs the averaged rate for 2012/2013 was 128 per 100,000 employees. This is a significant decrease on the value of 244 for the previous financial year. As a comparison, the latest HSE statistics showed an average UK incident rate of 446 incidents per 100,000 employees[3].

[3] *-source HSE 2012;* http://www.hse.gov.uk/statistics/overall/hssh1112.pdf

Slips, trips and falls still cause the majority of LTAs and in general are not severe injuries. However all incidents are investigated and appropriate actions taken in response. Our SLCs have put in place improvements and awareness campaigns to help reduce these events.

Sickness absence

Sickness absence rates (days per employee per year)	2012/ 2013	2011/ 2012
Magnox	5.43	4.06
RSRL	9.01	6.78
DSRL	7.87	6.41
LLWR	7.80	8.30
Sellafield	8.60	8.20
Total	**7.78**	**6.91**

The weighted average SLC sickness rate of 7.78 days per year per employee, including cases of long-term sickness absence, increased from 2011/2012. The national average sickness absence rate is 6.8 days lost per year per employee[4]. The SLCs are required to implement targeted programmes in the coming year.

[4] *- source CIPD 2012*

Protection of the environment

Number of Environmental non compliances by SLC	2012/ 2013	2011/ 2012
Magnox	4	6
RSRL	0	0
DSRL	7	5
LLWR	3	0
Sellafield	21	26[5]
Total	**35**	**37[5]**

[5] *- some corrected values*

The number of confirmed environmental non-compliances has decreased slightly compared to 2011/2012. Many of these non-compliances are minor or administrative in nature with no significant effect on the environment. The few events of potential significance have been thoroughly investigated with appropriate corrective actions taken. Any lessons to be learnt are shared within our estate and with other nuclear operators.

Nuclear security and safeguards
Keeping our sites and nuclear material secure against malicious attack is important to ensuring nuclear safety and meeting UK strategic goals for security. Similarly, accounting for our civil holdings of nuclear materials ('Safeguards') is key to the Government's non-proliferation commitments.

In support of this:

- security arrangements at our sites are kept under constant review and upgraded as necessary by the SLCs to meet new regulatory requirements
- there will be continued oversight of SLC security and safeguards performance taking into account findings from the SLCs' own, and also regulators', assurance programmes
- the NDA's Director of Security, Safety, Safeguards & Environment is a board member of the Civil Nuclear Police Authority overseeing the operation of the Civil Nuclear Constabulary which protects our sites

Regulatory matters
The SLCs continue to engage with the nuclear regulators on operational, decommissioning and strategic issues.

During 2012/2013, there were two regulatory enforcement actions:

- Sellafield Limited pleaded guilty in February 2013 to offences relating to a failure to correctly dispose of low level radiological waste in April 2010
- RSRL was served an Improvement Notice from ONR covering standards of control and supervision and the training of operators. The notice has been closed out

Chief Financial Officer's Review

Introduction
The NDA continues to respond to the challenges set by the difficult fiscal climate through continuous pursuit of value for money across the Estate whilst ensuring that real progress is maintained on the core mission.

The NDA has met short term financial targets, whilst maintaining the necessary focus on the long term direction of the nuclear estate. The complexity of projects, particularly at Sellafield, means the future costs and schedule dates are an area of concern and focus.

Key financial highlights of the 2012/2013 financial year include:

- reducing costs and overheads – through the continued success of the NDA's initiative to reduce support and overhead costs across the nuclear estate
- reducing long term expenditure - through the establishment of new programmes and plans
- maintaining progress on the NDA's key programmes, although enhancing capability to manage complex projects remains a challenge.
- exceeding commercial income targets due to commercial deals and continued electricity generation, and
- providing for the future: the discounted Nuclear Provision has increased despite £700 million savings and £2.4 billion of work performed in the Estate

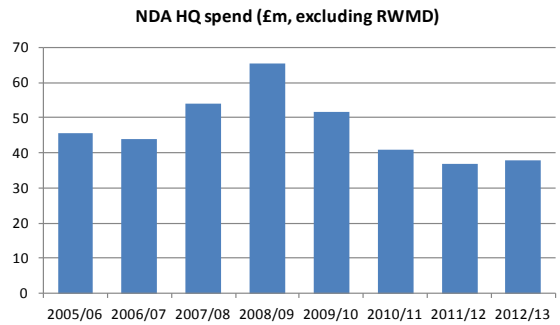
Reducing costs and overheads
Under the Support and Overhead Cost Reduction (SOCR) initiative, the SLCs continue to achieve the challenging targets set at the beginning of the initiative, achieving 23% compared to the target of 20%, and have delivered benefit of £136 million over the last 3 years.

This financial year was the third year of the initiative, which will continue into a fourth year in 2013/2014, in which savings (compared to the original baseline) are targeted at 25%.

The estate-wide SOCR programme and careful management of the NDA's portfolio mean that progressively a lower proportion of NDA's funding is spent on support costs, freeing up resources to fund the essential new construction programmes needed to progress against the NDA's mission.

Within the NDA itself, following the major restructuring of the organisation in the 2010/2011 financial year, and the historically low net administration expenditure by the NDA in 2011/2012, spend has been maintained at this level in real terms.

The following graph shows the trend in NDA administrative costs (excluding RWMD), illustrating the savings achieved in recent years, with expenditure in 2012/2013 of under net £38 million.



Reducing long term expenditure
Following the conclusion of the competition for a new PBO for the Dounreay site at the end of 2011/2012, the NDA has commenced the equivalent competition for a new PBO for the sites managed by the Magnox Limited and Research Sites Restoration Limited (RSRL) site licence companies.

The aim of the competition is to introduce a target cost based contract to produce efficiencies and continue progress towards the goal of placing the sites into their long term care and maintenance phases.

The new PBO will be expected to develop the existing baseline – which already assumes innovations and efficiencies – and make further savings.

Maintaining progress
The NDA's programme for cleaning up the nuclear estate by its nature involves a range of complex, inter-dependent and often unique projects. The ability of NDA and its contractors in the estate to achieve progress in this challenging environment requires continuous improvement in the areas of project/programme and supply chain management.

As part of its drive for Value for Money, the NDA has strengthened its assurance by establishing procedures to review and improve the performance of major projects through its Programme and Project Review Group (PPRG) and the Sellafield Priorities Group (SPG).

I anticipate that the assurance brought to bear by NDA will drive improved performance but in the short to medium term it is likely that achievement of cost and schedule will continue to be significant issues on the more complex projects.

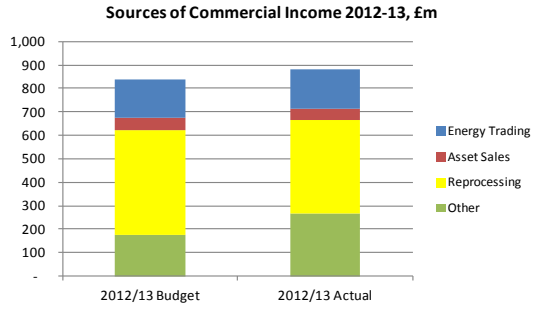
Exceeding commercial income
The NDA's expenditure is funded by grant, and at the same time the NDA generates a substantial amount of commercial income which is passed to the Government. The NDA is therefore required to manage both expenditure and commercial income such that financial targets are met and the NDA's net impact on the public purse is in line with agreed limits.

In 2012/2013 expenditure was within the budget, while commercial income exceeded the target, with both electricity generation and spent fuels reprocessing and management exceeding expectations.

The Wylfa station is the last remaining reactor-powered station in the NDA estate, following the closure of the Oldbury station in 2012. Wylfa is planned to continue to generate during 2013/2014.

The NDA continues to explore commercial opportunities which offer value for the public purse. The deal to transfer the Capenhurst site into the private sector was completed during the year, realising income of around £50 million. The resulting lifetime savings were reflected in the nuclear provision at the end of 2010/2011.

Further, recent commercial deals regarding the management and ownership of plutonium generated over £100 million of income during 2012/2013.



Providing for the future
The NDA recognises the future cost of the decommissioning and clean up of the estate by way of the Nuclear Provision. In line with the approach introduced in the 2010/2011 annual accounts, the Provision's value is calculated using management judgement of future costs based on the plans produced by the Site Licence Companies and adjusted for known changes in assumptions and facts.

The incorporation of new initiatives into plans at Magnox and RSRL, and savings on remaining work at the Springfields site has produced reductions in the provision figure in 2012/2013 – together saving a total of £700 million.

The value of work completed during the financial year is released from the provision, thereby producing a reduction of £2.4 billion.

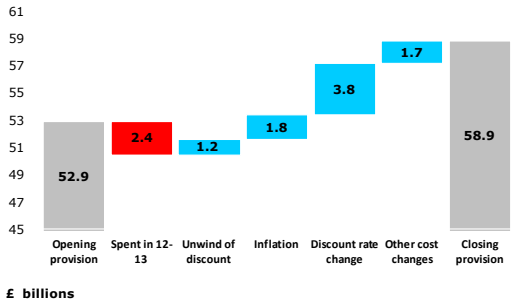
Increases to the provision have resulted from:

- the introduction of new discount rates by HM Treasury for use in Government accounts from 2012/2013 onwards – increases the provision by £3.8 billion

- the unwinding of the existing discount £1.2 billion and inflation £1.8 billion applied to the provision every year
- increases in the Sellafield programme to cover site developments, major project costs and accounting adjustments, partly offset by the reductions on other sites to produce a net increase of £1.7 billion, of which £0.4 billion is recoverable from external customers.

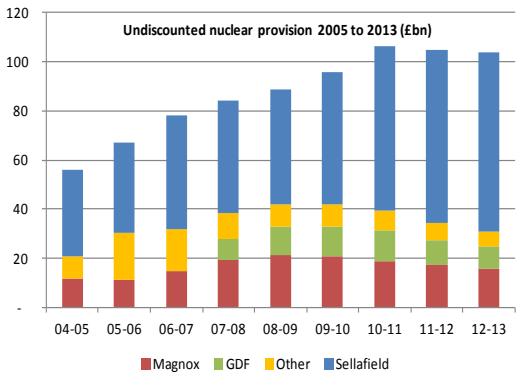
Costs of the Sellafield programme have increased as the SLC develops the programme of work necessary to address the challenges on site, including the costs of the Magnox Swarf Storage Silo and the Pile Fuel Cladding Silo. Both of these are part of the legacy facilities on site, and the uncertainty inherent in finalising the cost of delivering this work was recognised in the NAO report on Managing Risk at Sellafield

The rest of the Estate does however show a reduction in the Provision; this reflects the maturity of their plans.



Particular attention should be paid to the impact of the change in discount rates, which applies to the provisions held by all government departments and bodies for the 2012/2013 financial year onwards. The undiscounted total of the nuclear provision was £104 billion at the end of 2012/2013,

The evolution of the undiscounted provision is set out in the graph below:

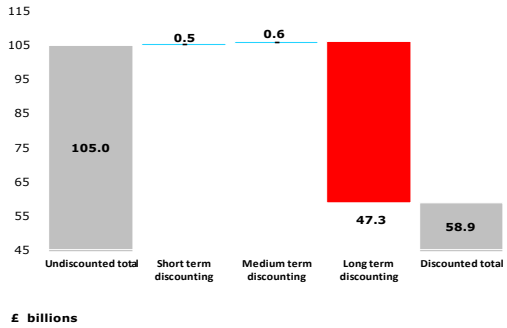


Figures restated to constant March 2013 Money Values; GDF costs prior to 2007-08 were not split out from the SLCs

In overall terms, the undiscounted provision has remained largely unchanged for the last 3 years, following the major restatement of the Sellafield plan following the change of PBO after competition. Subsequent increases in the costs at Sellafield have been offset as the NDA delivers benefits through innovation elsewhere in the estate

Until 2012/2013, provisions were calculated by discounting the current estimate of future expenditure (the 'undiscounted' total) by a uniform 2.2% per annum discount rate which meant that the discounted value was always lower than the undiscounted total. This effect was particularly noticeable in very long term provisions such as those held by the NDA.

The recent changes to discount rates means that, while the above remains true for long term expenditure (beyond ten years), expenditure planned for the first ten years is 'negatively discounted' meaning its discounted value is actually higher than its undiscounted total. This is because the rates are intended to represent the real term cost of government borrowing which at the present time, creates a negative rate because the interest payable on UK gilts is less than the rate of inflation – typically in the past the rate was higher than inflation which produced a 'positive' discount rate.



The application of the new discount rates means that this produces an increase on the NDA's nuclear provision of £3.8 billion in the 2012/2013 accounts compared to the methodology used in previous years, to give the overall provision shown in the accounts of £58.9 billion.

HM Treasury has also indicated that the long term (beyond ten years) discount rate will be changed in the future – possibly in time to impact the 2013/2014 accounts and current indications are that this rate could be neutral, or even negative, either of which would result in further substantial increases in the nuclear provision (with the discounted value approximating to or exceeding the undiscounted value) if and when they are applied.

The NDA has reviewed a number of scenarios with a range of possible outcomes: the discounted nuclear provision has a potential range from £54.6 billion to £63.8 billion

Examples of the range of scenarios covered and sensitivities have included:

- sensitivity to change in the discount rate applied – a 0.5% change in discount rate would move the provision by £6 billion
- least favourable geological conditions for the geological disposal facility (GDF) would increase provision by £1.6 billion
- different outcomes of the achievement of efficiencies at the Sellafield site – would increase provision by £2.6 billion or reduce it by £2.2 billion
- sensitivities in the delivery of decommissioning at other sites could reduce the provision by £0.8 billion or increase it by £0.4 billion

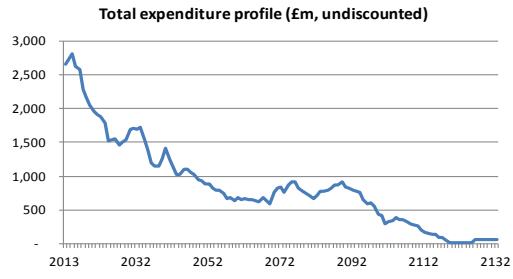
Not included in the published range is the impact of the long term (beyond 10 years) discount rate being zero or positive. The estimated increase in the provision value from a zero long term rate is approximately £50 billion.

Whilst the legacy, and consequently the provision, is better characterised than previously it continues to be subject to ongoing risks that could impact on the costs of delivering the NDA mission, such as:

- a significant nuclear safety incident leading to delays in the management of current liabilities and/or increased costs
- the discovery of currently unknown additional hazards or other challenges are discovered
- future regulatory or Government policy changes
- changes to the final agreed end state for sites

The NDA will continue to review and update the Nuclear Provision, and to incorporate the impact of new opportunities as they arise – for example acceleration of work on legacy ponds and silos (LP&S), integrated waste management, optimised decommissioning and site restoration. Some of these opportunities may require us to reprioritise our allocation of funding in the short term.

The following graph shows the undiscounted Annual Expenditure profile for future years (excluding NDA administrative and other non programme costs).



The expenditure profile illustrates a downward trend in expenditure over the next 50 years as sites enter into care and maintenance, with subsequent increases in expenditure in the period from 2070 when final site clearance work is undertaken.

Going concern

The accounts show a deficit on the Statement of Comprehensive Net Expenditure of £7,348 million for the year ended 31 March 2013 and net liabilities of £60,092 million on the Statement of Financial Position primarily attributable to the nuclear provision.

We acknowledge the support and understanding that DECC has given us and there is no reason to believe that DECC's sponsorship and parliamentary approval will not be forthcoming. On this basis it has been considered appropriate to prepare these financial statements on a going concern basis.

Total discounted Nuclear Provision by site and SLC

Total discounted nuclear liabilities	2011/12 **£m**	Inflation and unwind of discount £m	Discount rate change £m	Spent in year £m	Other changes £m	2012/13 **£m**
Sizewell A	**(768)**	(42)	(67)	39	25	**(813)**
Bradwell	**(506)**	(31)	(49)	82	82	**(422)**
Berkeley	**(659)**	(35)	(55)	54	53	**(642)**
Dungeness A	**(647)**	(38)	(60)	41	109	**(595)**
Hinkley Point A	**(699)**	(40)	(63)	35	31	**(736)**
Hunterston A	**(667)**	(37)	(58)	32	45	**(685)**
Oldbury	**(981)**	(47)	(74)	77	50	**(975)**
Chapelcross	**(728)**	(48)	(76)	62	76	**(714)**
Trawsfynydd	**(611)**	(34)	(54)	77	28	**(594)**
Wylfa	**(982)**	(48)	(76)	68	156	**(882)**
Magnox central costs	**(811)**	(42)	(66)	58	(271)	**(1,132)**
Magnox Limited	**(8,059)**	**(442)**	**(698)**	**625**	**384**	**(8,190)**
Sellafield Limited	**(36,601)**	**(2,066)**	**(2,476)**	**1,496**	**(2,330)**	**(41,975)**
Dounreay Site Restoration Limited	**(1,904)**	**(104)**	**(269)**	**167**	**0**	**(2,111)**
Research Site Restoration Limited	**(1,122)**	**(62)**	**(102)**	**67**	**39**	**(1,180)**
LLW Repository Limited	**(253)**	**(14)**	**(18)**	**11**	**0**	**(274)**
INS Contracts	**(16)**	**(1)**	**0**	**0**	**(3)**	**(20)**
Springfields	**(384)**	**(21)**	**(27)**	**40**	**37**	**(355)**
Capenhurst	**(647)**	**(36)**	**(52)**	**6**	**6**	**(724)**
Geological Disposal Facility	**(3,840)**	**(214)**	**(130)**	**19**	**227**	**(3,938)**
Authority	**(52,826)**	**(2,960)**	**(3,772)**	**2,431**	**(1,640)**	**(58,768)**
NDA group companies	**(67)**	(1)	0	0	(23)	**(90)**
NDA Group	**(52,893)**	**(2,961)**	**(3,772)**	**2,431**	**(1,663)**	**(58,858)**

David Batters
Chief Financial Officer

Directors and Executives

The NDA Board

Back Row L-R: Mark Lesinski, Janette Brown, Tom Smith, Patrick Dixon, David Batters
Front Row L-R: Stephen Henwood, Murray Easton, John Clarke, Chris Fenton

The NDA Executive Team

Back Row L-R: Adrian Simper, Mark Lesinski, Sean Balmer, Jon Phillips, Jim McLaughlin,
Front Row L-R David Batters, John Clarke

Directors and Executives

Non Executive Directors

Stephen Henwood CBE - Chairman

Stephen was appointed Chairman of the NDA on 1 March 2008. He was made a Commander of the Order of the British Empire (CBE) in the New Year Honours list in 2013, in recognition of his services to the nuclear industry and charity.

A Chartered Management Accountant, his career has included senior financial and operational roles with Tate & Lyle plc and BAE Systems.

He left BAE Systems at the end of 2006 and has undertaken a number of Non Executive appointments. He is currently a Non Executive Director of Aerogility Limited. He is also Honorary Treasurer and a member of the Council of the Royal Geographical Society and Chair of the Board of the University of Cumbria.

Patrick Dixon

Patrick is the Chairman of the NDA Safety and Security Committee and a member of the Audit Committee.

He currently sits as an Expert Chair of the Office of Carbon Capture and Storage (OCCS) within DECC and is responsible for providing strategic and expert guidance to Ministers, DECC's Departmental Board and officials on OCCS objectives.

His career of more than 30 years in the oil industry has included Executive and Non Executive roles in refining, petrochemicals, trading and marketing in many parts of the world, as well as strategy, operations, mergers and acquisitions and change management. He has broad experience of English and European corporate governance.

Janette Brown

Janette is the Chair of the NDA Audit Committee.

She is a Chartered Accountant and currently works as a Managing Director at Santander where she is responsible for the global relationships of certain UK and Scandinavian headquartered international companies.

Janette has more than 15 years experience in the corporate finance sector, concentrating on providing strategic, financial and transaction advice for a wide range of clients.

A former senior Managing Director of ING Barings and a Director of Citigroup, Janette worked for a wide range of major clients on acquisitions and raising finance, prior to joining Santander in 2009.

Murray Easton CBE

Murray is a member of the Remuneration Committee.

He is currently an adviser to the UK Ministry of Defence (MoD), Chairman of QiResults Ltd and Governor of the Health Foundation. Prior to that he had an extensive industrial career including: Executive Director of construction company Murray & Roberts, Managing Director of BAE Systems (Submarine Solutions) based in Barrow, a main Board Director at Babcock International Group plc, and Managing Director of Yarrow Shipbuilders Ltd.

Murray was awarded the CBE in 2008 for Services to Industry and was both Chairman of Barrow Vision and a Board Member of Cumbria Vision in 2008/2009.

Murray is a Chartered Engineer, Fellow of the Royal Academy of Engineering, Fellow of the Royal Institute of Naval Architects, and has an Honorary Doctorate from Paisley University.

Chris Fenton

Chris brings extensive experience in the chemicals and infrastructure services industries and of complex public procurements. This includes senior international positions at Courtaulds (now Akzo Nobel), BSI and most recently as an Executive Director at Amey and its activities in Tube Lines.

He studied material sciences at St John's College, Cambridge, and then completed a Master of Business Administration at Manchester Business School.

Chris is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Tom Smith

Tom is a former diplomat and senior executive with many years' experience of working on major infrastructure projects.

Tom has extensive experience of the interface between Government and the business community. He is currently Chair of the Association of Train Operating Companies and a former Managing Director of Midland Expressway Ltd, where he oversaw development of the UK's first, and only, private toll motorway.

An Oxford chemistry graduate, Tom started his career in the diplomatic service, specialising in China and European affairs, before moving to major infrastructure projects.

Executive Directors

John Clarke
Chief Executive Officer

On the 2 April 2012, John took up the position as the NDA's Chief Executive and Accounting Officer.

Since joining the NDA Board in 2008, John has worked on commercial and business planning issues and played a leading role in the restructuring of the NDA under its previous CEO.

John has held a number of business leadership roles during his 30 years working in the nuclear sector. He joined the NDA Board in 2008 from INS Ltd where he was Managing Director. Prior to that, he spent eight years as part of the Sellafield Ltd Executive team, with five years as Head of Environmental, Health, Safety and Quality followed by three years as Director of Production, with accountability for the majority of operational activities at Sellafield.

A Chartered Engineer and Fellow of the Institution of Chemical Engineers, his early career involved a range of roles in the design, development, commissioning and operation of nuclear fuel processing plants.

David Batters
Chief Financial Officer

David joined the NDA in October 2010 as the Chief Financial Officer and during the period Christmas 2011 to April 2012 he was the Accounting Officer and Acting Chief Executive Officer of the NDA.

As Chief Financial Officer he is responsible for Finance, Modelling, Risk, Insurance, Legal, Pensions, Business Planning and operationally oversees the non-Sellafield sites on behalf of the Chief Operating Officer.

David is a Chartered Management Accountant and his appointment to the NDA followed more than 20 years with BAE Systems and predecessor companies in which he held a variety of roles, primarily in finance, including Mergers & Acquisitions, Planning & Analysis, Reporting, Project Accounting, and was Finance Director of a number of businesses.

Mark Lesinski
Chief Operating Officer

As Chief Operating Officer, Mark is accountable for the delivery of the programme of operations and decommissioning at the NDA's 19 nuclear sites. In his role he works through the Tier 1 contractors to ensure the safe and efficient delivery of circa £2.5 billion of operations and decommissioning work across the United Kingdom each year.

Prior to joining the NDA in November 2010, Mark held a number of senior roles with Magnox South Limited, latterly as Managing Director.

Mark supported decommissioning works in the United States for nine years before his arrival in the UK, holding senior management roles at both government facilities and commercial reactor sites, and transitioning their workforces from operations to successful, accelerated decommissioning.

Mark also spent 15 years involved in large retrofit projects and operations on US reactors across the country, totalling some 35 years in the nuclear industry.

Directors

Jim McLaughlin
Director of Human Resources

Jim joined the NDA in April 2008 from the Royal Bank of Scotland where he had worked since 2003 as their Head of Learning.

Jim has more than 25 years of experience in the construction, power generation and supply industries, including the roles of Director of Learning for Scottish Power and International HR Director for Pacificorp based in the USA.

He is a Chartered member of the Institute of Personnel and Development and has an MBA.

Jim is also Chairman of the Energus Board, a Director of DRS and National Skills Academy (NSAN) and a Trustee of the Combined Nuclear Pension Plan (CNPP).

Jon Phillips
Director of Communications and Stakeholder Relations

Jon joined the NDA in March 2005, from BAA plc, where he held a number of roles in Community Relations, Media Relations and Public Affairs. He leads NDA's corporate communications and is responsible for stakeholder engagement and socio-economic activities across the estate.

Immediately prior to joining the NDA, Jon was Communications Director at Heathrow where he was involved in building awareness and support for the sustainable growth and physical transformation of the airport, including the construction of Terminal 5.

Jon spent five years working in consultancy public relations before joining BAA and in 1998 he was awarded an MBA from Surrey University.

Adrian Simper
Strategy and Technology Director

Adrian joined the NDA in October 2005 from British Nuclear Fuels (BNFL) where he played a key role in setting up the NDA through the transfer of Assets and Liabilities to the NDA and in the associated re-structuring of BNFL. He joined the nuclear industry in R&D at Sellafield. His subsequent career, all in the nuclear sector, has included strategic roles in R&D and technology, project delivery, commercial and finance both in the UK and the US.

Adrian is Chairman of INS and acts as Chairman for the RWMD Management Board as it prepares to become a standalone subsidiary.

Adrian has a PhD in mathematics and is a Chartered Mathematician.

Sean Balmer
Commercial Director

Sean joined the NDA from BNFL in 2005. Prior to his appointment of Commercial Director, Sean was Head of Commercial Revenue and Projects with overall responsibility for revenue management of a portfolio in the region of £1.2 billion per annum from across the NDA estate.

He was the Senior Responsible Officer for the asset disposals including the surplus land at Wylfa, Oldbury, Bradwell and Sellafield and the disposal of Springfields to Westinghouse and Capenhurst to URENCO.

He has more than 20 years of engineering and commercial experience and has worked for most of his career in contracting for a variety of industries. Sean has a degree in Mechanical Engineering, and an MBA.

Sean is a Director of INS and Chairman of the NDA Properties Limited Board. He is also Chairman of the Britain's Energy Coast Business Cluster and INSPIRA Limited

Directors' Report

The Nuclear Decommissioning Authority is an executive Non-Departmental Public Body (NDPB) established on 22 July 2004 under the Energy Act 2004.

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

Since then, the NDA's remit has been extended to include the long-term management of all the UK's radioactive waste by finding appropriate storage and disposal solutions.

Accounts direction
These accounts have been prepared in a form directed by the Secretary of State with the approval of HM Treasury and in accordance with section 26 of the Energy Act 2004.

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

No director has any personal, private or commercial interests which would conflict with his or her role as a director of the NDA.

The directors who served on the Board during the year to 31 March 2013 and their responsibilities were:

Stephen Henwood	Chairman
Janette Brown	Non Executive Director
Patrick Dixon	Non Executive Director
Murray Easton	Non Executive Director
Chris Fenton	Non Executive Director
Tom Smith	Non Executive Director (Appointed 5.3.2013)
Alistair Wivell	Non Executive Director (Retired 4.3.2013)
John Clarke	Chief Executive and Accounting Officer
David Batters	Chief Financial Officer
Mark Lesinski	Chief Operating Officer

External auditors
The NDA Group's auditor, the Comptroller and Auditor General (C&AG), appointed under the Energy Act 2004, audits the NDA's financial statements. The services provided by the C&AG relate to statutory audit work for the NDA.

Disclosure of information to the NDA's external auditor
As Accounting Officer, as far as I am aware, the NDA's auditors have been given all relevant information. I have taken all the appropriate steps to establish that the NDA's auditors are aware of that information.

Employees and employment
The number of the NDA's permanent full-time equivalent employees at 1 April 2012 was 276 increasing to 295 by 31 March 2013, with an average of 286. (2011/2012 - start 265, end 276, average 271). The total number of staff employed across the NDA Group averaged 935 during the same period (see note 6 to the accounts for more detail).

Pensions
All Authority employees are entitled to join the Principal Civil Service Pension Scheme (PCSPS). Employees within the Group participate in the Combined Nuclear Pension Plan (CNPP), the Merchant Navy Officers Pension Fund and the Merchant Navy Ratings Pension Fund. Details of the schemes are given in note 29 to the accounts.

Equal opportunities
The NDA believes that every individual has a right to equal treatment and opportunities. Discrimination or harassment on the grounds of gender, age, marital status, ethnic or national origin, religion, sexual orientation or disability will not be tolerated.

The NDA's Equal Opportunities and Diversity Policy outlines the rights of all employees as well as the responsibility on all staff to comply with equal opportunities legislation. Furthermore, ongoing monitoring of equal opportunities data is undertaken to ensure compliance with this policy.

Learning and development
A comprehensive learning and development programme continues to be rolled out at individual, team and organisational level to meet the needs of the business.

Staff Consultation Group
Employee involvement is critical to the success of the business and to this end a Staff Consultation Group exists to discuss management and policy matters between staff and management. All staff other than the Executive are covered by a Collective Bargaining agreement with Prospect which covers pay, hours and holidays.

Better payment practice
The NDA supports the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. During the year, the NDA has achieved a 96% success rate for payment of suppliers in accordance with terms (2011/2012 - 97%). The average number of payment days from receipt was 17 days and for a valid invoice, (i.e. one entered on the accounting system) was 8 days.

The proportion that is the aggregate amount owed to trade creditors at the year end compared to the aggregate amount invoiced by suppliers expressed as a number of days is 20 days.

Charitable and political donations
The NDA made no charitable or political donations during the year. (2011/2012 - £Nil).

Investment in socio-economic developments
In accordance with its remit under the Energy Act 2004, during the year the NDA made socio-economic grants of £17 million (2011/2012 - £7 million).

Research and development
During the year, the NDA directly funded expenditure of £4 million (2011/2012 - £4.7 million) on research and development.
In addition, the NDA funded research and development undertaken by our contractors.

Funding, counterparty and foreign exchange risk
Although an NDPB, the NDA is also responsible for certain commercial activities and is, therefore, subject to risks and uncertainties surrounding a commercial operation. Its electricity trading activity is subject to price variation risk and is managed by EDF Energy Ltd. The NDA's foreign exchange risk is managed by the site licensees who hedge foreign currency transactions. Details can be found in notes 2.7 and 23 of the accounts.

Data security and information risk management
The NDA's IT network is designed and built to comply with Government information security standards and is subject to inspection by the Office for Nuclear Regulation (ONR) to ensure that it remains compliant. As an NDPB the NDA is required to apply all new policies concerning IT security, including the restrictions on the use of CDs, DVDs and memory sticks. The NDA network is also subject to annual independent penetration testing, which gives assurance that existing security policies are complied with.

The NDA has appointed a Senior Information Risk Owner (SIRO) who is accountable for Information Risk Management, and whose task is to ensure that the NDA and its wider nuclear estate are compliant with Cabinet Office Guidelines and other regulatory and statutory requirements.

There has been one reportable incident this year, which did not result in sensitive information being generally disclosed. Each of our SLCs has conducted baseline assessments against ISO27001 in preparation for the implementation of the new Security Policy Framework and has nominated an Executive Director to be responsible for Information Risk Management.

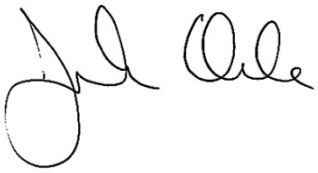
Summary of results for the period
The summary of the results for the year is as stated in the Chief Financial Officers Review.

Transfers to and from reserves are detailed in the Statement of Changes in Taxpayers' Equity.

The accounts show a Statement of Comprehensive Net Expenditure of £7,348 million for the year ended 31 March 2013, principally arising from changes in provisions, and net liabilities of £60,092 million primarily attributable to the Nuclear Provision.

Events after the reporting period
Energy Capital Partners II LLC became the ultimate parent of Energy Solutions EU Ltd (and therefore Magnox Ltd) on 24 May 2013

Going concern
A full explanation of the adoption of a going concern basis appears in the Accounting Policies, note 2.1 to the Annual Accounts.



John Clarke
Chief Executive and Accounting Officer
12 June 2013

Governance Statement

Introduction
This statement is constructed in line with the guidance given in Managing Public Money, updated in May 2012. It summarises the structure of the NDA Board and the Executive; the key activities undertaken during 2012/2013, the control and assurance frameworks in place to monitor the effectiveness of delivery, and the findings of reviews undertaken and any associated improvement actions to assess their effectiveness.

The Department of Energy and Climate Change (DECC) as the NDA sponsor Department utilises the services of the Shareholder Executive (ShEx) to provide oversight and governance of the NDA. The formal agreement between NDA and DECC is set out in the Management Statement and Financial Memorandum which is supported by the Memorandum of Understanding in place between DECC and ShEx.

NDA
The NDA operates in accordance with the provisions of the Energy Act 2004; the Management Statement and Financial Memorandum and Cabinet Office guidelines for NDPBs. It seeks to apply, where appropriate, best practice in corporate governance as represented by the Corporate Governance Code.

The Board
The Board sets the strategic framework and direction within which the NDA operates. It is responsible for ensuring that high standards of corporate governance are observed at all times within the NDA. In particular, it is responsible for agreeing the plans against which the performance of the NDA is measured. It also ensures the maintenance of an appropriate control framework through which it obtains assurances that risk is properly assessed and managed and appropriate internal controls are in force and complied with.

During 2012/2013 the Board comprised six Non Executive Directors including the Non Executive Chairman, Stephen Henwood, who is in his second three-year term which will conclude on 28 February 2014, and three Executive Directors including the Chief Executive Officer, John Clarke who took up post on 2 April 2013. The tenure of one Non Executive Director, Alistair Wivell ended on 4 March 2013. Tom Smith was appointed Non Executive Director with effect from 5 March 2013. Patrick Dixon is the Senior Non Executive Director.

The Board generally meets formally on a bi-monthly basis with the meeting agenda closely aligned with corporate activities and driven principally by the annual planning and performance management cycles. The Board met outside of this cycle on several occasions to consider the performance of the Sellafield Ltd contract as the Parent Body Organisation (PBO), Nuclear Management Partners (NMP), approaches the completion of the initial five-year contract period.

The Board approves the NDA's Schedule of Delegated Authority (SoDA) under which day-to-day business management of the NDA is delegated to the Chief Executive Officer and who, in turn, discharges his responsibilities through the wider Executive Team. The Board is supported by Audit, Remuneration and Safety & Security Committees which are comprised wholly of Non Executive Board members and to which it has delegated specific responsibilities. The NDA Chairman has an open invitation to attend all three Committees and attends for items of particular interest.

The Chairman
The Chairman is accountable to the Secretary of State and to the Scottish Ministers, where appropriate, for the delivery of the NDA's obligations under the Energy Act (2004) and for the Authority's activities and performance in implementing its Strategy and Annual Business Plan. The Shareholder Executive, acting on behalf of the DECC Secretary of State, issues annual objectives to the Chairman for the NDA to deliver and provide the formal governance interface between the NDA and Government.

The Chairman has particular responsibility for providing effective leadership and strategic direction to the Board. He is also responsible for ensuring the Board has the necessary balance of skills and experience to discharge its duties effectively; for setting the tone for high standards of regularity and propriety; for ensuring the NDA's affairs are conducted openly, transparently and with probity; for representing the NDA to the public and

stakeholders and for providing the Secretary of State with an annual statement on the effectiveness of its Board Members.

The Chairman has routine meetings with DECC Ministers and the Permanent Secretary which augment the existing interface between NDA senior management and Shareholder Executive. During the year, the Chairman presented on NDA activities and performance to the DECC Management Board. The Chairman meets routinely with Scottish Government representatives.

The Audit Committee
The Audit Committee reviews the effectiveness of the NDA's internal control system, including financial, operational and compliance controls and risk management in accordance with best practice. Key activities during 2012/2013 included a review of the approach taken by the organisation to develop an assurance map as an executive management tool and its relationship to the process and rationale behind the Internal Audit plan and other assurance activities undertaken by the organisation, the effectiveness of risk management processes both within NDA and across its estate including a specific review of the Sellafield Ltd Risk Improvement Plan, the accounting practices deployed by the NDA in line with DECC and HM Treasury guidance and oversight, and oversight of the information risk management control framework and associated improvement plans. The Committee typically meets four times a year.

The NDA Audit Committee membership during 2012/2013 was:
- Janette Brown (Chair)
- Patrick Dixon
- Chris Fenton

Regular attendees at Committee meetings include the Chief Executive Officer and Accounting Officer, the Chairman, Chief Financial Officer, the Heads of Internal Audit, Risk and Financial Operations, and representatives from the sponsor department, Shareholder Executive (ShEx) and the National Audit Office (NAO).

The Remuneration Committee
The Remuneration Committee advises on the remuneration and terms of service for the Chief Executive Officer and the Executive Team and monitors their performance in delivering the annual objectives agreed by the Board, and assesses the NDA's arrangements for succession planning and talent management. The Committee typically meets four times a year.

The NDA Remuneration Committee membership during 2012/2013 was:
- Alistair Wivell (Chairman until 4 March)
- Chris Fenton (Chairman from 5 March)
- Murray Easton

The Chief Executive Officer and Accounting Officer, Chairman, and the Director of Human Resources are regular attendees at Committee meetings, except for discussion of issues relevant to their own remuneration.

Safety and Security Committee
The Safety and Security Committee supports the Board in discharging its responsibilities in respect of issues of health, safety (including both nuclear and occupational safety) and environment in the NDA estate and nuclear safeguards and security matters. Issues addressed by the Committee during 2012/2013 included defining the respective roles of the NDA and the SLCs in safety management, monitoring estate-wide safety performance with particular focus on assessment of specific incidents, the SLC response to these, and overall trend analysis. The Committee also provides oversight of security across the estate.

The Safety and Security Committee membership during 2012/2013 was:
- Patrick Dixon (Chairman)
- Alistair Wivell (until 4 March 2013)
- Murray Easton (from 20 June 2012)

Also in attendance are the Chief Executive Officer and Accounting Officer, the Chairman, the Chief Operating Officer and NDA Director NSSSE.

The Accounting Officer and Chief Executive Officer
The NDA Chief Executive Officer is responsible for the leadership and operational management of the NDA. The responsibilities of the Accounting Officer are set out in a letter from the DECC Permanent Secretary, the Accounting Officer Memorandum, and the Management Statement and Financial Memorandum. The Accounting Officer is accountable to Parliament for the activities of the NDA, the stewardship of public funds entrusted to the NDA and the extent to which

key performance targets and objectives are met. John Clarke was appointed Accounting Officer on 2 April 2012. He has a schedule of regular meetings with the DECC Permanent Secretary in his capacity as DECC Accounting Officer, and also has a schedule of regular meetings with ShEx and separately with Scottish Government representatives.

Executive team
The Executive Team is accountable for implementing the Strategy and plans approved by the Board. It articulates the NDA's requirements to the PBOs and SLCs that manage and run the 19 sites under contract to the NDA and reviews their performance against those requirements. The Executive Team lead on the five core processes essential to successful delivery of the NDA mission:

- strategy (long-term scenario planning, options development)
- planning (corporate planning, securing and allocating funds, operational planning)
- incentives (incentivisation principles and process)
- sanctioning (sanctioning of major programmes / projects / procurements, post investment appraisal), and
- performance (monitoring, assurance, reporting).

The Executive reviews estate-wide performance monthly, reporting to the Board and to Government on this and on its interventions to address deviations from the plan. Quarterly Business Reviews are held with each of the SLC Executive Teams with participation from the respective PBO.

Separate meetings are held with the PBO Executive which address the more strategic intentions of the Parent Body Agreement. Performance against plan is a standing Board agenda item. Monthly Governance Meetings are held with ShEx, and Quarterly Governance Meetings are held with Government (ShEx, Scottish Government, HM Treasury and DECC) to report on performance, including targets set by Government, and on strategic matters. NDA is included within the scope of the DECC Approvals Committee for consideration of high-risk, high expenditure proposals and as required on to the Treasury Approval Panel.

Board Attendance Record

	Board 9	**Audit 5**	**RemCo 5**	**Safety & Security 4**
S Henwood	9/9	*(4)*	(*4*)	*(3)*
J Brown	8/9	5/5		
P Dixon	9/9	4/5		4/4
M Easton	9/9		5/5	*(4)*
C Fenton	8/9	5/5	1/1	
A Wivell	8/8		4/4	3/3
T Smith	1/1			
J Clarke	9/9	*(4)*	*(4)*	*(4)*
D Batters	9/9	*(5)*		
M Lesinski	9/9			*(4)*

() in attendance at meeting – not a member

Performance of the Board and its Committees
The Chairman carries out an annual effectiveness assessment of the Board and the Committees to assess compliance with the Corporate Governance Code. For 2012/2013, the assessment was facilitated by an external body, Independent Audit Limited, who interviewed the Board, Shareholder Executive and the Executive team members in the course of their review. The scope included:

- the extent and quality of focus of the Board and Committees on the NDA mission and key activities
- the discharge of statutory responsibilities
- the quality of dialogue and decision-making
- appropriateness of the structure of the Board and its Committees in relation to the balance of skills, experience and knowledge relative to the matters to be addressed, and
- procedural matters such as Board agendas and time provided for Board and Committee meetings relative to the matters to be addressed.

In summary the review found that the Board is working effectively and has many strengths including specifically its Chairman, Non-Executive and Executive Directors and operates with a strong sense of purpose, integrity and positive dynamics. The Board was found to be a forum for constructive challenge with a broad range and good mix of relevant expertise and experience. The review proposed some areas of improvement including moving to a more strategic level of focus from the current operational level, continuous improvement in the information provided to the Board, and some process

points. The findings were considered by the Chairman and shared with members. The Senior Non Executive Director is developing an action plan to address the findings.

Separately, the Chairman assesses the performance of each Board member annually and this is reported to the Shareholder Executive. For Non Executive Directors this covers generic issues about the quality of the contribution to the Board as well as the input on specific areas for which the member was appointed. For the Executive Members, objectives (both corporate and personal) are proposed to and approved by the Remuneration Committee. Performance against both the corporate and personal targets is assessed by the Remuneration Committee with the Chairman presenting written submissions from the Chief Executive Officer and Accounting Officer and an independent audit report.

The Board's current and future focus is to ensure the NDA maintains and enhances its position as the intelligent client with particular attention on the longer-term strategic direction. This is translated into plans and targets approved by the Board against which in-year performance by the NDA, the PBOs and the SLCs is measured. The Board has given particular scrutiny during the year to the performance of major projects at the Sellafield site and is driving the approach to programme level management and reporting. In its capacity as sanction authority, the Board has approved expenditure for a number of strategic investments across the estate.

The Board endorsed the award of a second five-year term to UK Waste Management Partners Ltd for the operation of the Low Level Waste repository and delivery of the national Low Level Waste strategy. This followed extensive reviews of performance including external independent review by the Major Projects Authority (MPA), and marks the first review of a PBO contract let under the NDA competition process.

The PBO contract awarded to Nuclear Management Partners Ltd for the operation of the Sellafield site is approaching the end of its first five-year term and the Board is giving close consideration to the future options Its decision will be based on performance against contract deliverables and the findings of internal and external review, including the MPA, NAO and PAC. The Board is maintaining close oversight of the competition process for a new Magnox / RSRL Parent Body Organisation which was formally launched via OJEU in July 2012 and is scheduled to conclude in 2014.

The Board continues to provide strong technical support to HM Government to inform its policy and strategy development relating to the nuclear industry.

Approach to risk

Risk management is a fundamental element of the NDA's approach to discharging its responsibilities. The risk management policy and procedures set out the NDA's attitude to risk and defines roles and responsibilities throughout the organisation. While the Accounting Officer has overall responsibility for risk management, ownership of risks lies with the management team and wider staff. The Head of Risk facilitates the effective management of risk and through the culture of 'continuous improvement', and with the support of all staff, continues to enhance the infrastructure to support, embed and report on risk management at every level of the business.

The NDA's capacity to handle risk is influenced and supported by its governance structure that supports the decommissioning and commercial operations undertaken under contract by site licensees. Throughout this contractual relationship, we seek assurance of high-risk management standards across our estate. Risk management is an embedded feature of the monthly reporting cycle and reviews and audits are regularly undertaken to ensure these standards are maintained.

The risk framework serves to capture and promote all magnitudes of risk. As well as risks relating to the nuclear cost estimates, we are exposed to some generic, estate-wide risks as well as specific SLC risks. Risks are frequently reviewed and escalated where required, so as to ensure that senior management is fully appraised of the risks faced, their magnitude, and any proposed mitigating actions. Reviews are conducted within the NDA functions, by the NDA Executive, and by the NDA Board with the NDA Audit Committee keeping the approach to risk under scrutiny. Specific risks flow across to DECC and are included in their risk assessments and reported to their Audit

Committee and, where appropriate, the DECC Board.

The principal business risks are:

- SLCs do not deliver expected schedule, performance and cost improvements
- performance of the ageing operational plants adversely affects commercial revenue and delivery of the mission, and
- unplanned events may result in the NDA having insufficient funding to meet its planned programme of work

System of Internal Control

The Accounting Officer has the responsibility for maintaining a sound System of Internal Control and reviewing its effectiveness in supporting the achievement of the NDA's policies, aims and objectives, while safeguarding the public funds and departmental assets for which he is personally responsible, in accordance with the responsibilities outlined in Managing Public Money. The Accounting Officer is supported and informed by the NDA Internal Audit function, external auditors (the NAO) and other assurance functions both within the NDA and across the estate.

The System of Internal Control has been in place in the NDA for the period commencing 1 April 2012 up to the date of approval of the Annual Report and Accounts, in accordance with Treasury guidance. It is designed to manage risk to a reasonable level while ensuring compliance with mandated rules and regulations. As it is not feasible to eliminate all risk of failure in the achievement of policies, aims and objectives, the system can therefore only provide reasonable and not absolute assurance of effectiveness. The NDA Executive Team have responsibility for the development and maintenance of the Internal Control Framework as it applies to their functional responsibilities. The Board and the Audit Committee provide oversight and challenge to the system of internal control and ensure plans to address weaknesses to the system are in place

The NDA System of Internal Control is subject to continual review and assessment. In addition to the controls operated by the NDA, significant reliance is placed on the controls and assurances operated across the estate by the NDA subsidiaries and the Site Licence Companies. The NDA provides an Internal Audit service to its subsidiaries while each SLC makes provision for an Internal Audit service that supports its individual business model and risk profile. During the year, NDA was subject to an NAO Value for Money Review "Managing Risk at Sellafield" and a subsequent Public Accounts Committee hearing which resulted in a number of recommendations. NDA's action plan approved by ShEx and DECC, was set out in an HM Treasury minute published in May 2013.

The Accounting Officer has concluded that the System of Internal Control is generally sound and appropriate to meet the Authority's objectives and in general there is an adequate and effective control environment across the NDA estate.

During 2012/2013 the NDA has initiated the development of an 'Assurance Framework/map'. This is designed to ensure alignment between the NDA's obligations, the risks it faces in delivering these obligations and the assurances in place to help mitigate the risks. In addition, the framework will help ensure NDAs resources are aligned to priorities and higher risk activities. The assurance framework will strengthen the existing System of Internal Control and will provide additional assurance to the Executive and the Board to ensure attention is focused appropriately and to underpin decision making

Internal audit

The NDA internal audit function consists of a small in-house team that works closely with the NDA Executive in developing and delivering the internal audit work programme. The core team is augmented by an outsourced delivery team, currently provided by RSM Tenon. The internal audit mandate is to look across management systems as a whole and to develop and deliver a robust internal audit plan that reviews high-risk activities and assesses the effectiveness of the internal controls both within the NDA and across its estate.

The NDA internal audit function not only has oversight of the assurance work carried out within other functions of the NDA but also has a strong working relationship with the SLC Internal Audit functions which gives it access to the SLC audit personnel and their Audit Committee members along with full oversight of audit plans and resulting audit reports. A number of audits are undertaken by joint NDA/SLC audit teams or, for estate-wide

topics, on a collaborative basis with audits being conducted by the SLC in line with a standard approach as set by the NDA. These arrangements allows the NDA internal audit function to evaluate the impact of any audit findings on the overall estate-wide system of internal control which in turn assists the Accounting Officer in his overall assessment. Internal Audit reports on the progress on delivering audit plans, audit findings and agreed actions to the Executive and to the Audit Committee on a regular basis.

The internal work programme for 2012/2013 covered a broad range of operational risks with a balance between activities concerning the NDA only and activities involving expenditure across its full estate. Examples of the former include NDA key financial controls, incident reporting and NDA 'client' arrangements for reviewing programmes and projects under the control of its main contractors while examples of the latter include estate-wide procurement controls, estate-wide IT expenditure and a review of a project to provide IT desktop support to a large portion of the estate. The majority of reviews undertaken showed that the process and controls could be categorised as either reasonable or good with only the two IT related reviews highlighting some significant concerns in the control environment. All agreed improvements are monitored from implementation through to completion by a 'recommendation tracking software tool' managed by the internal audit function.

A significant review was undertaken during 2012/2013 on the Magnox Operating Decommissioning Programme (MODP). The aim of MODP is to coordinate hazard reduction across the 10 Magnox sites with the aim of producing operational efficiencies without compromising safety and security. The programme, developed by Magnox Ltd introduced technical innovations, new ways of working, acceleration of two sites (Bradwell and Trawsfynydd) into early Care and Maintenance and a reduction in support and overhead costs. Since the intention was for MODP to be the baseline programme for the competition to secure a new PBO for the 10 Magnox sites together with the Harwell and Winfrith sites, assurance was required that the MODP had been developed in an appropriate manner to fulfil this role. The review concluded that strong and robust processes had been deployed by Magnox Ltd and Energy Solutions Ltd (the incumbent PBO) in developing the programme and by the NDA in its review and challenge to the proposals and that the programme appears to be suitably underpinned with residual risks and uncertainties clearly understood and recorded.

During this period two central government driven reviews were undertaken. The first was a 'spend recovery' audit to check finance and procurement records for errors, duplicate payments or indications of fraudulent activity. This review demonstrated that the controls in these areas are operating correctly at the NDA and no errors were found. This activity will be extended to cover the records held by the NDA subsidiaries and the Site Licence Companies during the 2013/2014 financial year. The second government directed review was on the management of the Information Assurance Maturity Model which is the tool used by Government to assess the effectiveness of the implementation of the Security Policy Framework Mandatory Requirements. This review also demonstrated a strong control environment operated by the NDA.

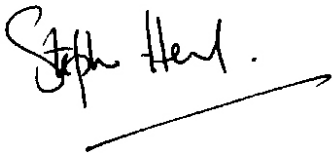
Across the estate seven audit reports were rated as 'red', signifying major weakness in the process under review. This represents a small percentage against audits undertaken. Action plans were agreed for all weaknesses and these plans are either complete or being progressed.

NDA information risk management
This year has seen considerable advances in the NDA's planning and readiness to deliver its Information Governance Programme (IGP). At the start of the year we were informed by the DECC Senior Information Risk Owner (SIRO) that our Information Assurance Maturity Model (IAMM) score was unacceptable (against a DECC target of two, we scored below one in four out of six categories). We gave assurances to DECC that we were preparing a major programme of change, the IGP, whose aim was to address Information Governance (IG) issues across the whole of our estate. This was accepted by DECC who recognise the scale of the historic estate-wide challenge the NDA faces and there is a general understanding amongst senior stakeholders such as DECC and Regulators that the IGP represents an acceptable direction of travel, provided the NDA can demonstrate continuous improvement.

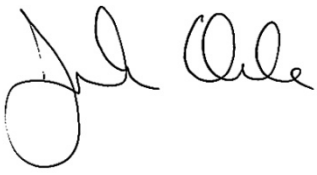
Individual components of this year's improvements are:

- internal acceptance of the NDA Information Governance Strategy, leading to the development of the IGP as an NDA National Programme
- approval and financing for National Nuclear Archive (a key IGP enabler)
- Record Retention Policy agreed with SLCs and subsidiaries
- Knowledge Management Policy agreed with SLCs and subsidiaries
- SLC commitment to IGP and associated initiatives, and
- NDA Record Management Project implemented and ongoing

The IAMM has this year, for the first time, been applied in full to all of our subsidiaries and SLCs. All of the bodies making up the estate have received help and assistance from the NDA's IG, Security and Audit Departments in how to complete the IAMM submissions. Assessment results along with any improvement actions will be rolled into the IGP development programme already scheduled to be implemented during 2013/2014.



Stephen Henwood
NDA Chairman
12 June 2013



John Clarke
Chief Executive Officer and Accounting Officer
12 June 2013

Remuneration Report

Executive Remuneration Summary

- NDA's model of procuring world class private sector expertise to deliver decommissioning requires a highly professional Executive skilled in commercial, financial and technical expertise
- the Committee seeks to balance the need to attract, incentivise and retain an Executive in a competitive market for a limited talent pool with the need to provide value for money, and
- salaries are benchmarked across private and public sector roles

Role of Committee

The Remuneration Committee's primary role is to provide confidence to stakeholders that, through its remuneration policy the NDA is able to attract, incentivise and retain Executives who have the skills and experience to achieve the organisations goals effectively and that in so doing it is providing value for money for the taxpayer.

Further information can be found within the Governance section on page 31.

Economic and Market Context

Executive rewards should rightly acknowledge the high level of experience and professional expertise required to address the demanding challenge of nuclear decommissioning in the UK while also seeking to provide value to the taxpayer in an economic climate that necessitates restraint in all sectors.

The NDA needs leaders who have operated at the highest levels of industry, with relevant experience and the business acumen to secure the best value from major contracts that bring in private-sector expertise from across the world.

This requires a combination of commercial skills, specialised technical expertise and management experience, a highly sought after blend of qualities that inevitably commands a premium in a competitive global economy. The increasingly competitive market for such talent is exacerbated in the light of growing demands for decommissioning expertise, not only in nuclear but now also for oil and gas installations in the North Sea.

The Committee has sought independent advice on pay and, in reaching its conclusions, has assessed both the public and private sectors, to set a level of reward that ensures NDA can confidently drive forward the improved performance needed across our estate.

Committee Membership

Membership comprises of two independent Non-Executive Directors – Chris Fenton and Murray Easton, with Chris Fenton as the Chairman with effect from 5 March 2013. Chris replaced Alistair Wivell who had completed his four-year term on the NDA's Board.

A minimum of four meetings are held annually and are also attended by the Chairman, Chief Executive Officer and Accounting Officer and Director of Human Resources for topics where there is no conflict of interest. Independent advice is sought as appropriate from consultants specialising in remuneration and the provision of relevant market data.

Remuneration Policy

The remuneration of the Chief Executive and Accounting Officer and Executive Directors comprises base pay, an annual performance-related payment and a Long-Term Incentive Plan, pension and other benefits.

Salaries

In setting salaries the Committee noted that pay across the NDA and wider Public Sector had been frozen in the two previous years and was set at 1% this year. The Committee also noted the modest pay increases across the private sector and the demands on public spend. Consequently, the salaries of the Board Executive Directors had no inflation or market related increase again in 2012/2013.

The CEO base salary was set balancing external market forces and the appropriate Public Sector restraint. The internal appointment avoided the need to pay a premium to attract a new CEO from an external position and below the previous CEO base salary. This underlines the need to build and strengthen talent within the NDA at all levels. Further benchmarking will be completed in 2013/2014 to ensure the salaries and overall reward packages remain appropriate to attract and retain talent.

Performance-related Pay
Executive awards are linked to the achievement of personal and corporate objectives, both aligned to the NDA's Corporate Plan. Objectives are approved at the beginning of the financial year by the Board.

Last year, the Remuneration Committee introduced a new 'modifier' process. The modifier is designed to focus on the behaviours, approach and overall quality of delivery of the NDA Executive team and their impact on the NDA mission. The confidential and independent assessment by the Non-Executive Directors can modify the performance related pay by a factor of 0.7 – 1.1 based upon performance against a range of criteria. The assessment this year concluded that the Executive team met expectations and the modifier factor was set at 0.99.

Around two-thirds of Corporate Targets for 2012/2013 were achieved, reflecting the performance outlined elsewhere in the annual report. This outcome was subject to internal audit review, endorsement by the Internal Audit Director of DECC and acceptance by the Audit Committee of the NDA. The Remuneration Committee reviewed this outcome in the context of the NDA's performance. The CEO noted that the performance at Sellafield fell short of his own and the Board's expectations and recommended that certain achieved and audited milestones be excluded from the award and the assessment reduced by circa 8% to 58% (and 56% for the Executive Directors). The Remuneration Committee endorsed this recommendation.

Long-term Incentive Plan (LTIP)
The LTIP represents an additional award equal up to 50% of the annual performance-related payment earned during the previous year. This Basic Award will be paid out after a period of three years, providing the participant remains in employment with the NDA. The LTIP will operate with rolling annual awards with a new payment figure calculated at the start of each three-year period.

Before payment, the Basic Award will be adjusted according to the level of the average annual performance-related payment made across the LTIP participant group during the previous three financial years. The Basic Award will be doubled if the annual average performance-related payment is made in full following the achievement of 'stretch' targets. If targets are met, the Basic Award remains the same, and if annual performance-related payment is zero, the Basic Award reduces to nil. Between these points, an adjustment is carried out on a straight-line basis.

The Remuneration Committee continues to endorse the approach to remuneration of senior executives as vital to attracting and retaining high quality personnel to lead the NDA team in delivering its challenging mission.

Other Benefits
Benefits are listed in the Directors Emoluments table with appropriate footnotes.

For the CEO this included the provision of a taxable allowance of £48,000 per annum to enable the CEO to rent a property in London. This is driven by the role requiring significant time in London to successfully lead the business and fully engage with all stakeholders.

Other Major Remuneration Committee decisions in 2012/2013:
1. the awards for the LTIP plan to vest in 2015 were agreed
2. the vesting of the awards granted in 2009 were agreed
3. a review of Governance of other arms length bodies was undertaken by the Board Secretary. The output of this review was considered by the Remuneration Committee who noted that no improvements to the Committees governance were required and that our approach mirrored best practice
4. the Remuneration Committee commissioned a review of effectiveness of the Long Term Incentive Plan in March 2012. The results of this review are now being considered

Non Executive Directors
Non Executive Directors are appointed by the Secretary of State for the Department of Energy and Climate Change in conjunction with Scottish Ministers following consultation with the NDA Chair and in line with Codes of Practise issued by the Commission of Public Appointments.

Alistair Wivell retired on 4 March 2013 having completed his four year term.

Tom Smith was appointed for a three-year term with effect from 5 March 2013.

Janette Brown and Patrick Dixon's terms were extended for a further three years from 5 March 2013 to 4 March 2016.

Fees
The remuneration of the Chairman and Non Executive Directors is determined by DECC. Non Executive Directors are not involved in decisions relating to their own remuneration.

In line with an offer made by the Chairman in March 2011, his fee was reduced by £10,000 (5%), followed by a further £10,000 in March 2012 and a further reduction of £10,000 from March 2013.

Non Executive Directors are entitled to fees of £25,000 per annum – held at this level since the inception of the NDA. The Non Executive Directors and Chairman receive basic fees with the Chairman of the Audit, Remuneration and Safety and Security Committees receiving supplementary fees of £7,500 for the performance of those roles, reduced from £10,000 in 2010/2011.

Janette Brown, Patrick Dixon and Alistair Wivell will receive this amount for chairing the Audit, Safety and Security and Remuneration Committees respectively. Chris Fenton assumed the Chair of the Remuneration Committee from 5 March 2013 and will receive £7,500 per annum from that date.

Non Executive Directors and the Chairman do not receive performance related bonuses or pension entitlements but are reimbursed for reasonable expenses incurred in the performance of their duties as directors.

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

Service Details of Executive Directors

	Date Employment Commenced	Notice Period
John Clarke	1 June 2008	12 months
David Batters	18 October 2010	6 months
Mark Lesinski	1 November 2010	6 months

Service Details of Non Executive Directors

	Date Employment Commenced	Duration of current term
Stephen Henwood	1 March 2008	1 March 2011 – 28 February 2014
Janette Brown	5 March 2009	5 March 2013 – 4 March 2016
Patrick Dixon	5 March 2009	5 March 2013 – 4 March 2016
Alistair Wivell	5 March 2009	5 March 2009 – 4 March 2013
Murray Easton	1 March 2012	1 March 2012 – 28 February 2015
Chris Fenton	1 March 2012	1 March 2012 – 28 February 2015
Tom Smith	5 March 2013	5 March 2013 – 4 March 2016

Directors' Emoluments 2012/2013

This information has been audited:

	2012/2013 Salaries £000's	2012/2013 Car and other benefits £000's	2012/2013 Performance Related Payment £000's	2012/2013 LTIP payments made £000's	2012/2013 Total emoluments £000's	2011/2012 Salaries £000's	2011/2012 Car and other benefits £000's	2011/2012 Performance Related Payment £000's	2011/2012 LTIP payments made £000's	2011/2012 Total emoluments £000's
Stephen Henwood	179,167	-			179,167	189,167	-	-	-	189,167
Murray Easton	25,000	-			25,000	2,083	-	-	-	2,083
Chris Fenton (i)	25,545	-			25,545	2,083	-	-	-	2,083
Alistair Wivell (ii) (iii)	30,141	-			30,141	32,500	-	-	-	32,500
Janette Brown (iv)	32,500	-			32,500	26,875	-	-	-	26,875
Patrick Dixon (v)	32,500	-			32,500	32,500	-	-	-	32,500
Tom Smith	1,815	-			1,815	-	-	-	-	-
David Illingworth (vi)	-	-			-	26,250	-	-	-	26,250
Tony Cooper (vi)	-	-			-	18,750	-	-	-	18,750
John Clarke (vii) (viii)	264,778	28,000	83,003	38,074	413,855	185,000	12,000	52,725	40,132	289,857
David Batters (ix) (x) (xi)	206,651	49,871	47,153	-	303,675	190,000	48,458	50,925	-	289,383
Mark Lesinski (xii)	185,000	52,083	44,563	-	281,646	185,000	73,667	51,615	-	310,282
Tony Fountain (xiii)	-	-	-	-	-	273,750	117,101	-	-	390,851

Notes

(i) Includes additional fees of £545 for the role of Chair of the Remuneration Committee from 5 March 2013 (£0 in 2011/2012)
(ii) Retired 4 March 2013
(iii) Includes additional fees of £6,955 for the role of Chair of the Remuneration Committee (£7,500 in 2011/2012)
(iv) Includes additional fees of £7,500 for the role of Chair of the Audit Committee from 1 January 2012 (£1,875 in 2011/2012)
(v) Includes additional fees of £7,500 for the role of Chair of the Safety and Security Committee (£7,500 in 2011/2012)
(vi) Retired 31 December 2011
(vii) The LTIP payment made was in respect of awards granted in 2010 which vested in 2013 by reference to average annual performance for the 3 years 2010/2013 in line with the scheme rules
(viii) The CEO receives an allowance of £48,000 per annum to allow him to rent a property in London in view of the significant amount of time he spends there.
(ix) Includes a temporary allowance of £24,000 for a period supporting the COO
(x) The relocation allowance payable to David Batters was to have operated over a three year period. It comprised amounts payable as an annual allowance equal to 25% of basic salary in the first year, dropping to 21% of base salary in the second year. This allowance was reviewed and converted into a flat rate of £30,000 per annum from 1 January 2013 until 31 May 2014 ceasing thereafter
(xi) 2011/2012 salary included a temporary allowance of £15,000 for a three month period as Acting CEO and Accounting Officer
(xii) The relocation allowance payable to Mark Lesinski operates over a three year period. It comprises of a one-off lump sum then amounts payable as an annual allowance equal to 25% of basic salary in the first year dropping to 21% in the second year then 15% in the third and final year ceasing thereafter
(xiii) Resigned 31 December 2011

Civil service pensions
Pension benefits are provided through the Civil Service Pension Arrangements. From 30 July 2007, civil servants may be in one of four defined schemes: either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are currently increased annually in line with the Pensions Increase Legislation.

Employee contributions are set at the rate shown in the table below

	Classic Scheme	**Premium, Classic plus** and **Nuvos**
Annual Pensionable Earnings (full-time equivalent basis)	2013 contributions	2013 contributions
Up to £15,000	1.50	3.50
£15,001 - £21,000	2.70	4.70
£21,001 - £30,000	3.88	5.88
£30,001 - £50,000	4.67	6.67
£50,001 - £60,000	5.46	7.46
Over £60,000	6.25	8.25

Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.

In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members' earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set up by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos Pension Scheme.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

Executive Directors' Pensions

This information has been audited:

	Real Increase in Pension during the year 2012/2013 £000's	Real Increase in Lump Sum during the year 2012/2013 £000's	Accrued Pension at 31 March 2013 £000's	CETV at 31 March 2012 £000's	CETV at 31 March 2013 £000's	Real Increase in CETV Funded by Employer £000's
David Batters	2.5-5	n/a	10-15	62	113	35
John Clarke	5-7.5	n/a	20-25	207	302	63
Mark Lesinski	2.5-5	n/a	10-15	84	151	49

Notes:

The actuarial factors used to calculate CETVs were changed in 2012/13. The CETVs at 31/3/12 and 31/3/13 have both been calculated using the new factors, for consistency. The CETV at 31/3/12 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the Civil Service Pension Arrangements and for which the Civil Superannuation Vote (CS Vote) has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

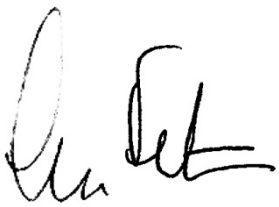
This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangements) and uses common market valuation factors for the start and end of the period.

Ratio between Median earnings of organisations workforce and highest paid Director

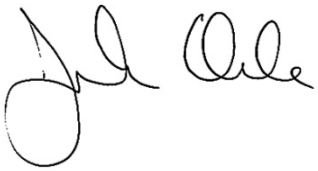
	2012/2013 Salaries and Benefits £000's	2012/2013 Bonus £000's	2012/2013 LTIP £000's	2012/2013 TOTAL £000's		2011/2012 Salaries and Benefits £000's	2011/2012 Bonus £000's	2011/2012 LTIP £000's	2011/2012 TOTAL £000's
Highest Director	292,778	83,003	38,074	413,855		445,681	-	-	445,681
Median	54,073	9,293	-	63,367		53,592	12,599	-	66,191
Ratio	6.5:1					6.7:1			

This table shows the ratio of the highest earning Director against that of the employee at the median in earnings. The data includes base pay, allowances and performance related payments as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. This follows a recommendation made in the Hutton report and continues to ensure that the NDA Remuneration Report takes account of best practice in its production.

The data for 2011/2012 relates to the then CEO who left on 31 December 2011, the figure having been annualised accordingly. No performance-related payments were made to the CEO in that year.



Chris Fenton
Chairman of the Remuneration Committee
12 June 2013



John Clarke
Accounting Officer and Chief Executive Officer
12 June 2013

Statement of the Authority's and Accounting Officer's Responsibilities

Under Section 26 of the Energy Act 2004, the Secretary of State (with approval of HM Treasury) has directed the NDA to prepare a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NDA and of its income and expenditure, recognised gains and losses and cash flows for the accounting period.

In preparing the accounts the NDA is required to:

- observe the Accounts Direction issued by the Secretary of State (with approval of HM Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, as set out in the *Government Financial Reporting Manual,* and disclose and explain any material departures in the accounts, and
- prepare the accounts on a going concern basis.

The Chief Executive of the NDA has been designated as the Accounting Officer by the Accounting Officer for the Department of Energy and Climate Change (DECC).

The responsibilities of an Accounting Officer including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records for the safeguarding the NDA's assets, are set out in the Accounting Officers' Memorandum published by HM Treasury.

The Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Nuclear Decommissioning Authority for the year ended 31 March 2013 under the Energy Act 2004. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure and the Group and Authority Statements of: Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Authority, Accounting Officer and auditor
As explained more fully in the Statement of Accounting Officer's Responsibilities, the Authority and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, and report on the financial statements in accordance with the Energy Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the Nuclear Decommissioning Authority's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Nuclear Decommissioning Authority, and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity
In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Emphasis of Matter – Nuclear Provisions
Without qualifying my opinion, I draw attention to the disclosures made in notes 3 and 27 to the financial statements concerning the uncertainties inherent in the nuclear decommissioning provision. As set out in these notes, given the very long timescales involved and the complexity of the plants and materials being handled, a considerable degree of uncertainty remains over the value of the liability for decommissioning nuclear sites designated by the Secretary of State. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Authority.

Opinion on financial statements
In my opinion:
- the financial statements give a true and fair view of the state of the group's and of the Nuclear Decommissioning Authority's affairs as at 31 March 2013 and of the group's net expenditure for the year then ended and
- the financial statements have been properly prepared in accordance with the Energy Act 2004 and Secretary of State directions issued thereunder

Opinion on other matters
In my opinion:
- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Energy Act 2004 and

- the information given in "Chief Executive's Review", "Health, Safety, Security, Safeguards and the Environment Report", "Chief Financial Officer's Review" and "Directors' Report" for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff, or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance

Report
My explanatory report is at pages 126 to 136

Amyas C E Morse
Comptroller and Auditor General

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

13 June 2013

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

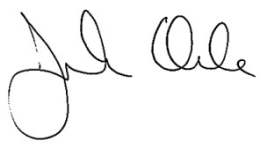
	Note	2013 £m	2012 £m
Continuing operations			
Expenditure			
Authority administration expenditure	5	39	38
Programme expenditure	7	934	1,113
Adjustments to provisions	8	7,106	5,368
Other expenditure	9	101	172
		8,180	6,691
Income	4	(824)	(1,004)
Net expenditure		7,356	5,687
Interest receivable	4	(16)	(5)
Interest payable	4	1	4
Net expenditure for the year		7,341	5,686
Other comprehensive (income)/expenditure:			
Net loss on revaluation of property, plant and equipment	12	2	-
Gain on disposal of asset held for sale	17	(5)	-
Actuarial loss on defined benefit pension schemes	29	10	16
Total comprehensive net expenditure for the year		7,348	5,702

Consolidated Statement of Financial Position

as at 31 March 2013

	Note	2013 £m	2012 £m
Non-current assets			
Property, plant and equipment	12	967	1,012
Recoverable contract costs	15	2,004	1,420
Finance lease receivables	22	42	19
Trade and other receivables	23	41	13
Defined benefit pension scheme surplus	29	-	2
		3,054	2,466
Current assets			
Assets classified as held for sale	17	51	100
Inventories	18	119	95
Other investments	21	296	305
Finance lease receivables	22	1	-
Trade and other receivables	23	387	297
Cash and cash equivalents	24	268	139
		1,122	936
Total assets		4,176	3,402
Current liabilities			
Derivative financial liabilities	19	(1)	(2)
Finance lease payables	25	(1)	-
Trade and other payables	26	(1,434)	(1,257)
Nuclear provisions	27	(2,687)	(2,168)
Other provisions	28	(178)	(224)
		(4,301)	(3,651)
Total assets less current liabilities		(125)	(249)
Non-current liabilities			
Finance lease payables	25	(1)	-
Trade and other payables	26	(1,939)	(1,960)
Nuclear provisions	27	(56,171)	(50,725)
Other provisions	28	(1,845)	(1,877)
Defined benefit pension scheme deficits	29	(11)	(5)
		(59,967)	(54,567)
Net liabilities		(60,092)	(54,816)
Taxpayers' equity			
Revaluation reserve		70	349
General reserve		(60,162)	(55,165)
Total taxpayers' equity		(60,092)	(54,816)

The financial statements on pages 48 to 94 were approved by the Board on 12 June 2013 and were signed on its behalf by:



John Clarke
Chief Executive and Accounting Officer
12 June 2013

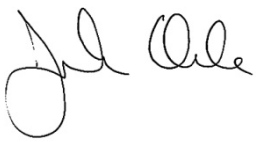
The related notes numbered 2 to 36 form part of these financial statements. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its subsidiaries. Details of subsidiaries are given in note 14.

Authority Statement of Financial Position

as at 31 March 2013

	Note	2013 £m	2012 £m
Non-current assets			
Property, plant and equipment	12	615	678
Investments in subsidiaries	14	226	226
Recoverable contract costs	15	2,004	1,420
Finance lease receivables	22	42	19
Trade and other receivables	23	41	13
		2,928	2,356
Current assets			
Assets classified as held for sale	17	51	100
Inventories	18	102	79
Other investments	21	-	17
Finance lease receivables	22	1	-
Trade and other receivables	23	645	531
Cash and cash equivalents	24	192	90
		991	817
Total assets		3,919	3,173
Current liabilities			
Derivative financial liabilities	19	(1)	(2)
Trade and other payables	26	(1,408)	(1,221)
Nuclear provisions	27	(2,685)	(2,167)
Other provisions	28	(176)	(222)
		(4,270)	(3,612)
Total assets less current liabilities		(351)	(439)
Non-current liabilities			
Trade and other payables	26	(1,932)	(1,953)
Nuclear provisions	27	(56,083)	(50,660)
Other provisions	28	(1,816)	(1,850)
Defined benefit pension scheme deficit	29	(10)	(4)
		(59,841)	(54,467)
Net liabilities		(60,192)	(54,906)
Taxpayers' equity			
Revaluation reserve		50	329
General reserve		(60,242)	(55,235)
Total taxpayers' equity		(60,192)	(54,906)

The financial statements on pages 48 to 94 were approved by the Board on 12 June 2013 and were signed on its behalf by:



John Clarke
Chief Executive and Accounting Officer
12 June 2013

The related notes numbered 2 to 36 form part of these financial statements. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its subsidiaries. Details of subsidiaries are given in note 14.

Statement of Cash Flows

for the year ended 31 March 2013

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Cash flows from operating activities				
Net expenditure for the year	(7,341)	(5,686)	(7,358)	(5,707)
Adjustments for:				
Interest receivable (note 4)	(16)	(5)	(3)	(2)
Interest payable (note 4)	1	4	-	1
Depreciation of property, plant and equipment (note 12)	97	117	91	99
Impairment of property, plant and equipment (note 12)	4	55	-	41
Profit on sale of assets held for sale (note 17)	-	(25)	-	(25)
(Increase)/decrease in recoverable contract costs	(584)	(90)	(584)	(90)
(Increase)/decrease in inventories	(24)	23	(23)	32
(Increase)/decrease in receivables	(87)	(57)	(91)	(48)
Increase/(decrease) in payables	156	279	166	280
Increase/(decrease) in nuclear provisions	5,942	3,719	5,941	3,719
Increase/(decrease) in other provisions	(78)	(133)	(80)	(128)
Net cash outflow from operating activities	(1,930)	(1,799)	(1,941)	(1,828)
Cash flows from investing activities				
Interest receivable (note 4)	16	5	3	2
Interest payable (note 4)	(1)	(4)	-	(1)
Proceeds on disposal of assets held for sale (note 17)	-	252	-	252
Proceeds on disposal of property, plant and equipment (note 12)	-	-	-	8
Proceeds on disposal of investments (note 21)	-	14	17	29
Purchases of property, plant and equipment (note 12)	(37)	(53)	(29)	(41)
Loan to subsidiary (note 33)	-	-	(20)	-
Purchase of investments (note 21)	9	-	-	(20)
Net cash (outflow)/inflow from investing activities	(13)	214	(29)	229
Cash flow from financing activities				
Grants from parent department	3,157	2,698	3,157	2,698
Surrender of receipts to Consolidated Fund	(1,085)	(1,223)	(1,085)	(1,223)
Net cash inflow from financing activities	2,072	1,475	2,072	1,475
Net increase / (decrease) in cash and cash equivalents	129	(110)	102	(124)
Cash and cash equivalents at beginning of year	139	249	90	214
Cash and cash equivalents at end of year	268	139	192	90

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

NDA Group	Revaluation £m	General £m	Total £m
Balance at 31 March 2011	320	(50,947)	(50,627)
Changes in taxpayers' equity 2011/2012			
Gross grants from parent department		2,698	2,698
Surrender of receipts to Consolidated Fund		(1,223)	(1,223)
Surplus arising on revaluation of PPE	29	9	38
Net comprehensive expenditure		(5,702)	(5,702)
Balance at 31 March 2012	349	(55,165)	(54,816)
Changes in taxpayers' equity 2012/2013			
Gross grants from parent department		3,157	3,157
Surrender of receipts to Consolidated Fund (a)		(1,085)	(1,085)
Transfer between reserves	(279)	279	-
Net comprehensive expenditure		(7,348)	(7,348)
Balance at 31 March 2013	70	(60,162)	(60,092)

Authority	Revaluation £m	General £m	Total £m
Balance at 31 March 2011	300	(51,000)	(50,700)
Changes in taxpayers' equity 2011/2012			
Gross grants from parent department		2,698	2,698
Surrender of receipts to Consolidated Fund		(1,223)	(1,223)
Surplus on revaluation of PPE	29	9	38
Net comprehensive expenditure		(5,719)	(5,719)
Balance at 31 March 2012	329	(55,235)	(54,906)
Changes in taxpayers' equity 2012/2013			
Gross grants from parent department		3,157	3,157
Surrender of receipts to Consolidated Fund (a)		(1,085)	(1,085)
Transfer between reserves	(279)	279	-
Net comprehensive expenditure		(7,358)	(7,358)
Balance at 31 March 2013	50	(60,242)	(60,192)

The revaluation reserve is used to record the increases in the fair value of property, plant and equipment carried at valuation and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in taxpayers' equity.

The general reserve is used to record the deficit or surplus arising from the Statement of Comprehensive Net Expenditure, and the deficit or surplus arising on the transfer of assets and liabilities to the NDA from other parts of the public sector.

The transfers between reserves relate to the realisation of surpluses on disposal of revalued assets.

(a) Surrender of receipts to Consolidated Fund of £1,085 million includes £71 million payable as at 31 March 2013. This amount is included within current trade and other payables in the Statement of Financial Position of Group and Authority at 31 March 2013.

Notes to the financial statements

for the year ended 31 March 2013

1. General information

The Nuclear Decommissioning Authority (NDA) is an executive non-departmental public body (NDPB) that was established on 22 July 2004 under the Energy Act 2004 and is currently sponsored by the Department of Energy and Climate Change (DECC). Its headquarters are at Herdus House, Westlakes Science & Technology Park, Moor Row, Cumbria, CA24 3HU. The NDA was created with the primary objective of overseeing and monitoring the decommissioning and clean up of the UK's civil nuclear legacy. The Chief Financial Officer's Review on pages 18 to 23 provides further information on the NDA's operations.

These financial statements are presented in pounds sterling and all values are rounded to the nearest million (£m) except when otherwise indicated.

2 Statement of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared under the accounts direction issued by the Secretary of State for the Department of Energy and Climate Change (DECC) in accordance with section 26 of the Energy Act 2004. The accounts direction requires compliance with the 2011 Government Financial Reporting Manual (FReM) and any other guidance issued by HM Treasury. The NDA has a specific direction in respect of the accounting for waste management assets on an historical cost basis. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NDA for the purpose of giving a true and fair view has been selected. The significant accounting policies adopted by the NDA are described below. They have been applied consistently in dealing with items that are considered material to the financial statements, unless otherwise stated.

These financial statements have been prepared on the historical cost basis, except for the revaluation of property, plant and equipment (other than waste management assets). Investments, financial assets and financial liabilities (including derivative financial instruments) are measured at fair value through profit or loss.

The consolidated statement of financial position at 31 March 2013 shows net liabilities of £60 billion. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the NDA's other sources of income, may only be met by future grants in aid from the NDA's sponsoring department, DECC. Under the normal conventions applying to parliamentary control over income and expenditure, such grants in aid may not be issued in advance of need. Grants in aid for 2013/2014, taking into account the amounts required to meet the NDA's liabilities falling due in this year, has already been included in the DECC's estimates, which have been approved by Parliament. There is no reason to believe that DECC's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2.2 Adoption of new and revised Standards

No new or revised Standards and Interpretations have been adopted in the current year.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the NDA and entities controlled by the NDA (its subsidiary undertakings) made up to 31 March each year. Control is achieved where the NDA has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.4 Income recognition
Income, including rental income, is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes, and electricity purchases relating to short-term balancing of output volume and hedging activities. Income received in advance of work performed is held on the statement of financial position (under trade and other payables as payments received on account) and released to the statement of comprehensive net expenditure when the work is completed and the liability extinguished. Income from contracts is recognised in accordance with the NDA's accounting policy on contracts (see below).

2.5 Contracts
Where the outcome of a contract can be estimated reliably, income and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract income is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract income, the expected loss is recognised as an expense immediately.

For contracts in progress at the reporting date, where costs incurred plus recognised profits less recognised losses exceed amounts invoiced to date the balance is shown under non-current assets as recoverable contract costs. Where amounts invoiced to date exceed costs incurred plus recognised profits less recognised losses the balance is shown under trade and other payables as payments received on account.

2.6 Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.6 (a) The NDA Group as lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The aggregate costs of any incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 (b) The NDA Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between interest charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest charges are charged directly to the statement of net expenditure.

Rentals payable under operating leases are charged to the statement of net expenditure on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.7 Foreign currencies
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in pounds sterling, which is the functional currency of the NDA, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual reporting entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted rate if the transaction is covered by a forward foreign exchange contract. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the statement of net expenditure in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's general reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The turnover, assets and liabilities of the foreign operations included within these consolidated financial statements are minor in the context of the Group as a whole and therefore the potential impact of any foreign currency movements are deemed to be negligible.

2.8 Retirement benefit costs
The Group participates in various pension schemes, both defined contribution and defined benefit schemes.

For defined contribution schemes the amount charged to operating costs is the contributions payable in the year. Contributions made to multi-employer pension schemes where there is insufficient information to identify the Group's obligations are dealt with as payments to defined contribution schemes.

For defined benefit schemes, the liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of scheme assets, together with any adjustments for unrecognised past service costs, and less any amounts recoverable from third parties. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in operating costs to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested. The interest cost and the expected return on assets are shown as a net amount of interest costs.

Pension scheme assets are recognised to the extent that they are recoverable and pension scheme liabilities are recognised to the extent that they reflect a constructive or legal obligation.

Further information on the Principal Civil Service Pension Scheme (PCSPS) can be found within the Remuneration Report on page 38

2.9 Research and development expenditure
Expenditure on research activities not specifically recoverable directly from customers is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

2.10 Taxation
Deferred tax assets are currently not recognised as the NDA does not anticipate a taxable surplus arising in the foreseeable future. Deferred tax liabilities are currently not recognised as they are offset by deferred tax assets.

VAT is accounted for in that amounts are shown net of VAT except:
(i) Irrecoverable VAT is charged to profit or loss, and included under the heading relevant to the type of expenditure
(ii) Irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset
The net amount due to, or from, HM Revenue & Customs in respect of VAT is included within payables or receivables respectively within the statement of financial position.

2.11 Property, plant and equipment
Property, plant and equipment includes assets purchased directly by the Group and assets for which the legal title transferred to the Group under Transfer Scheme arrangements pursuant to the Energy Act 2004.

In accordance with FReM, property, plant and equipment should be carried at fair value. However, in accordance with the accounts direction issued by the Secretary of State for DECC, waste management assets are excluded from this requirement where there is no reliable and cost effective revaluation methodology. Such waste management assets are therefore carried at cost less accumulated depreciation and any impairment charges. Where a reliable and cost effective revaluation methodology does exist, such waste management assets are carried at valuation.

For property, plant and equipment carried at valuation, revaluations are currently performed on an annual basis to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated and the resulting net amount restated to equal the revalued amount. Any revaluation increase arising is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent derecognition of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to the general reserve.

Assets used to support commercial activities are carried at valuation. Property located outside nuclear licensed site boundaries is revalued annually by external qualified valuers. Property located inside nuclear licensed site boundaries is only carried at valuation where a reliable and cost effective revaluation methodology exists. Where this is not possible it is are carried at cost less accumulated depreciation and any impairment charges in line with the treatment of waste management assets.

Where economic facilities have been commissioned, the estimated cost of decommissioning the facilities is recognised, to the extent that it is recognised as a provision under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as part of the carrying value of the asset and depreciated over the useful life of the asset. All other decommissioning costs are expensed as incurred. A change in estimated decommissioning costs is added to or deducted from the carrying value of the related asset. To the extent that such a treatment would result in a negative asset, the effect of the change is charged as an expense. The change in depreciation charge is recognised prospectively.

Depreciation is charged so as to write off the cost or valuation of assets, other than assets under construction, to their residual values over their useful lives, using the straight-line method, on the following bases:

Land	Not depreciated
Buildings	10 to 60 years
IT equipment	3 years
Fixtures and fittings	3 to 10 years
Plant and equipment	10 to 30 years
Transport equipment	4 to 14 years

Assets under construction are not depreciated until brought in to use.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.12 Investments in subsidiaries
Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

2.13 Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution.

Reprocessed uranium inventory is held at nil value, pending development of long term options and cost estimates for disposition of this material.

2.15 Assets classified as held for sale
Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the asset is actively marketed for sale. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.16 Financial instruments
Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

2.16 (a) Financial Assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those assets classified as at fair value through profit or loss, which are initially measured at fair value (transaction costs are expensed in operating costs).
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity investments, available for sale financial assets or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group has not classified any financial assets as held to maturity investments or available for sale.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading (for example other investments) or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as FVTPL. Financial assets at FVTPL are stated at fair value with any resultant gain or loss being recognised in profit or loss. Short term energy trading forward contracts are not revalued where the carrying amount is a reasonable approximation of fair value. The net gain or loss recognised in the statement of net expenditure incorporates any dividend or interest earned on the financial asset.

Loans and receivables
Finance lease receivables, trade and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying value of the financial asset.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one

or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of net expenditure.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of net expenditure to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value*.*

Derecognition of financial assets
Financial assets are derecognised only when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.16 (b) Financial Liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value with any resultant gain or loss being recognised in profit or loss. Short term energy trading forward contracts are not revalued where the carrying amount is a reasonable approximation of fair value. The net gain or loss recognised in the statement of net expenditure incorporates any interest paid on the financial liability.

Other financial liabilities
Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying value of the financial liability.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.16 (c) Derivative Financial Instruments
The NDA enters into derivative financial instruments to manage its exposure to commodity price risk and foreign exchange rate risk, including commodity contracts and forward foreign exchange contracts.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of net expenditure immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

2.17 Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are the Authority's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Nuclear Provisions
The financial statements include provisions for the NDA's obligations in respect of nuclear liabilities, being the costs associated with the nuclear decommissioning of designated sites. These are the licensed nuclear sites designated to the NDA by the Secretary of State under powers provided by the Energy Act 2004 and operated under contract to the NDA by the Site License Companies. These provisions are based on the latest assessments of the processes and methods likely to be used in the future, and represent best estimates of the amount required to discharge the relevant obligations. The NDA's obligations are reviewed on a continual basis and provisions are updated accordingly. Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party, in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the recoverable amount is treated as a non-current or current asset. Provision charges in the Statement of Comprehensive Net Expenditure are shown net of changes in the amount recoverable from customers. Provision changes are accounted for in the year in which they arise.

The Nuclear Provision and recoverable balances are expressed at current price levels and discounted using the rates determined by HM Treasury in Public Expenditure System (PES) paper 15, published in 2012, being:

- **Short-term rate**: between 0 and up to and including 5 years, -1.80% per annum.
- **Medium-term rate**: after 5 and up to and including 10 years, -1.00% per annum
- **Long-term rate**: exceeding 10 years, +2.20% per annum.

In the 2012 accounts a single discount rate of +2.20% per annum was used in accordance with previous HM Treasury guidance. Provision movement expenditure in the statement of comprehensive net expenditure includes the adjustments necessary to amortise one year's discount and restate the liabilities to current price levels. The movement also includes the adjustments arising from the change in discount rates from the previous basis to the new basis described above.

2.18 Grants from parent department
In accordance with the FReM the NDA prepares its financial statements showing grants received from DECC as credited to the general reserve, and as financing in the statement of cash flows. From April 2012 grants were received gross from DECC and receipts were surrendered separately. In previous years' Statements of Changes in Taxpayers' Equity and Cash Flow Statements the net grant is grossed up by the amount of receipts due for surrender to the Consolidated Fund, and the receipts surrendered shown separately.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the NDA's accounting policies, which are described in note 2, the Authority is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the NDA's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the NDA's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Income recognition

The Group uses the percentage of completion method in accounting for its contracts. Use of the percentage of completion method requires the Group to estimate the work performed to date as a proportion of the total work to be performed.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

Impairment is measured by comparing the carrying value of the asset or cash-generating unit with its recoverable amount. The NDA has therefore reviewed the asset base and all assets are reviewed for evidence of impairment. Given the ageing asset base this calculation has a degree of uncertainty within it. The carrying amount of property, plant and equipment at the reporting date was £967 million.

Nuclear Provisions

The Nuclear Provision represents the best estimate of the costs of delivering the NDA objective of decommissioning the plant and equipment on each of the designated nuclear licensed sites and returning the sites to pre-agreed end states in accordance with the published strategy. This programme of work will take until 2137. The estimates are necessarily based on assumptions of the processes and methods likely to be used to discharge the obligations, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, Government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years, although this is in part mitigated by the impact of discounting for the purposes of provision calculation.

In preparing the estimate of the cost of decommissioning the designated sites, the NDA has focussed in particular on the first 20 years, which represents £36.1 billion out of the total £58.9 billion Provision. For each of the sites the process commenced with the cost estimates and assumptions used to support the NDA submissions into the Government Spending Review, which concluded in October 2010. Individual plans were scrutinised and alternatives considered to obtain the best combination of activity to balance the requirements of affordability and scheduling, whilst making clear and demonstrable progress in tackling the hazards. The review process was scrutinised by the sponsoring Department, and included input from the Nuclear Regulators.

As part of the preparation of the financial statements, the principal assumptions and sensitivities for the cost estimates have again been updated and reviewed by the NDA executive and, where appropriate, updates to the estimates have been made to reflect changed circumstances and more recent knowledge.

In preparing the best estimate of the Provision required to settle the NDA obligations, it is recognised that there remains a significant degree of inherent uncertainty in the future cost estimates. These include:

- potential changes in the NDA funding profile, requiring the tailoring of expenditure across the estate to ensure the right balance between addressing high risk, hazard and affordability; for example emanating from either economic conditions or changes in funding resulting from the next Government Spending Review.
- the length of time over which the necessary programme of work will be delivered – stretching out to 2137;
- interdependencies between programmes of work both within SLCs and across SLC boundaries. For example, a shortage of flasks for transport of spent fuel from the Magnox power stations to Sellafield could delay defueling and increase costs at Magnox, and also impact the production schedule and direct operations costs at Sellafield.
- a lack of detailed information on the design of the Legacy Ponds and Silos at Sellafield and the exact quantities and chemical composition of the historical wastes held in them, resulting in potential significant uncertainty in both the process and costs of dealing with these materials;
- uncertainty over future Government policy positions and potential regulatory changes;
- possible technological advances which may occur which could impact the work to be undertaken to decommission and clean up the sites.

Government has indicated that the preferred policy for management of plutonium is for reuse. Any final decision is conditional on business case approval for reuse of the material. Following review of the likely costs of the preferred policy, and the credible alternatives of either storage and disposal in the near term or storage and disposal in the long term, a prudent estimate of £2bn (discounted) has been included within the Provision.

4 Operating segments

For management purposes, the NDA is currently organised into various operating units, which are grouped by a combination of revenue generation, SLC activity, NDA Headquarters and NDA owned operating subsidiaries. The segmental analysis in the following table presents the net expenditure for each of the continuing operations.

NDA Group 2013	Sellafield, reprocessing & transport £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Springfields £m	NDA Admin and other non-programme £m	Subsidiaries and Group adjustments £m	Total 2013 £m
Authority administration expenditure	-	-	-	-	-	-	39	-	39
Authority administration expenditure	-	-	-	-	-	-	39	-	39
Contractor costs less capitalised	1,700	710	156	69	25	-	9	(86)	2,583
Decommissioning costs charged to nuclear provision	(1,187)	(625)	(167)	(67)	(11)	-	(59)	-	(2,116)
Other non-cash items	141	-	-	-	-	-	14	-	155
Fee, R&D and other programme expenditure	183	80	1	-	-	-	195	108	567
Programme expenditure	837	165	(10)	2	14	-	159	22	1,189
Other expenditure	90	1	-	-	-	-	1	10	102
Programme expenditure and other non-cash items	927	166	(10)	2	14	-	160	32	1,291
Nuclear Provision increase/(decrease)	5,413	315	269	63	18	(50)	948	-	6,976
Other provisions increase/(decrease)	(125)	-	-	-	-	-	(3)	2	(126)
Provisions increase/(decrease)	5,288	315	269	63	18	(50)	945	2	6,850
Income (a),(b),(c)	(592)	(163)	(2)	(1)	(4)	-	(13)	(49)	(824)
Interest payable	1								1
Interest receivable	(2)	-	-	-	-	-	(2)	(12)	(16)
Net expenditure/(income) from continuing operations for the year (d)	5,622	318	257	64	28	(50)	1,129	(27)	7,341

(a) Sellafield, reprocessing and transport income is generated through spent fuel reprocessing, waste management, waste and product storage, and revenue from the transportation of spent fuel, waste and products.
Magnox income is primarily from electricity generation.
(b) Revenues from transactions with EdF amounted to more than 10 per cent of total revenues in the year, being £163m
(c) The policy regarding the treatment of transactions between reportable segments is as given in note 33.
(d) The result of the Sellafield reprocessing & transport segment of £5,622m includes £52m in respect of the Capenhurst site which was disposed of in November 2012

NDA Group 2012	Sellafield, reprocessing & transport £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Springfields £m	NDA Admin and other non-programme £m	Subsidiaries and Group adjustments £m	Total 2012 £m
Authority administration expenditure	-	-	-	-	-	-	38	-	38
Authority administration expenditure	-	-	-	-	-	-	38	-	38
Contractor costs less capitalised	1,652	679	156	65	29	-	7	(99)	2,489
Decommissioning costs charged to nuclear provision	(1,104)	(535)	(156)	(65)	(13)	-	(63)	-	(1,936)
Other non-cash items	172	(3)	-	-	-	-	-	-	169
Fee, R&D and other programme expenditure	346	78	-	-	(5)	-	171	84	674
Programme expenditure	1,066	219	-	-	11	-	115	(15)	1,396
Other expenditure	114	1	-	(8)	30	-	4	31	172
Programme expenditure and other non-cash items	1,180	220	-	(8)	41	-	119	16	1,568
Nuclear Provision increase/(decrease)	3,290	933	(231)	81	27	87	1,032	-	5,219
Other provisions increase/(decrease)	(127)	(1)	-	(2)	-	-	-	(4)	(134)
Provisions increase/(decrease)	3,163	932	(231)	79	27	87	1,032	(4)	5,085
Income (a),(b)	(640)	(288)	(3)	(1)	(15)	-	(23)	(34)	(1,004)
Interest payable	1						3		4
Interest receivable	-	-	-	-	-	-	(5)	-	(5)
Net expenditure/(income) from continuing operations for the year	3,704	864	(234)	70	53	87	1,164	(22)	5,686

(a) Sellafield, reprocessing and transport income is generated through spent fuel reprocessing, waste management, waste and product storage, and revenue from the transportation of spent fuel, waste and products.
Magnox income is primarily from electricity generation.

(b) Revenues from transactions with EDF amounted to more than 10 per cent of total revenues in the year, being £288m

Geographical information

The NDA Group's income is attributed to countries on the basis of the customer's location, as follows:

	2013 £m	2012 £m
United Kingdom	729	845
Germany	34	55
Japan	53	88
Other countries	8	16
Total income	824	1,004

The Group's non-current assets are primarily located or based in the United Kingdom

5 Authority administration expenditure

Authority	2013 £m	2012 £m
Staff costs (see note 6)	22	18
Administration costs	16	18
Rentals under operating leases - other	1	1
Auditors' remuneration	-	1
	39	38

Directors' emoluments are included in the above figures and can be seen in the Remuneration Report on page 38.

Auditors' remuneration represents fees payable to the National Audit Office (NAO) for the audit of the Authority and the NDA Group and amounted to £475,000 (2012: £600,000). No other remuneration has been paid to the NAO.

6 NDA Group staff costs

NDA Group 2013	Permanently employed staff £m	Others £m	Total 2013 £m
Wages and salaries	50	2	52
Social security costs	5	-	5
Pension costs (see note 29)	8	-	8
Total staff costs	63	2	65

NDA Group 2012	Permanently employed staff £m	Others £m	Total 2012 £m
Wages and salaries	46	1	47
Social security costs	5	-	5
Pension costs (see note 29)	7	-	7
Total staff costs	58	1	59

NDA Group staff costs comprise Authority staff costs of £22 million (2012: £18 million) - see note 5 - plus other staff costs of £43 million (2012: £41 million) included within programme expenditure in note 7. NDA Group staff costs include the cost of the exit packages referred to below.

The Group participates in various pension schemes, both defined contribution and defined benefit. Further details can be found in note 29.
Pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

The average number of full-time equivalent persons employed during the year was as follows:

NDA Group	Permanently employed staff No.	Others No.	Total 2013 No.	Total 2012 No.
Directly employed - Authority	197	10	207	202
Directly employed – RWMD and subsidiaries	715	13	728	693
Total	912	23	935	895

No individuals leaving the Group during the year were in receipt of an exit package. One individual left the Group in 2012 with an exit package as set out below:

2012 Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost £
£50,000 - £99,999	0	1	1	81,834

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

7. Programme expenditure

NDA Group	2013 £m		2012 £m	
Contractor costs	2,611		2,528	
Less: Decommissioning costs charged to Nuclear Provision (see note 27)	(2,116)		(1,936)	
Less: Costs charged to other provisions (see note 28)	(256)		(283)	
Less: Contractor costs capitalised	(28)		(39)	
Contractor costs relating to commercial activity	211		270	
Revalorisation of advance payments (see note 26)	156		172	
Amortisation of recoverable contract costs (see note 15)	172		243	
M&O contractor fees	102		112	
Trading costs	57		50	
Skills & socio-economic development programme	17		15	
Rentals under operating leases - other	9		5	
Insurance	5		7	
Research and development costs	4		5	
Profit on disposal of assets held for sale	-		(25)	
Unrealised net (gains)/losses on financial assets/liabilities	(1)		(3)	
Dividend payable to minority interest	1		-	
Other costs	201		262	
Fee, R&D & other programme expenditure		723		843
		934		1,113

8. Adjustments to provisions

NDA Group	2013 £m	2012 £m
Movement in nuclear provisions:		
Provided for in the year (see note 27)	5,842	4,175
Unwinding of discount (see note 27)	1,134	1,044
	6,976	5,219
Movement in other provisions:		
Provided for in the year (see note 28)	77	94
Unwinding of discount (see note 28)	53	55
	130	149
Total provisions movement	7,106	5,368

9. Other expenditure

NDA Group	2013 £m	2012 £m
Depreciation of property, plant and equipment (see note 12)	97	117
Impairment of property, plant and equipment (see note 12)	4	55
	101	172

10. Tax

The explanation for the nil tax charge for the year is set out below.

NDA Group	2013 £m	2012 £m
Net expenditure before tax	7,341	5,686
Deficit on ordinary activities before tax at the UK standard rate of corporation tax of 24% (2012: 26%)	1,762	1,478
Effects of:		
Income and expenditure which is not taxable or tax deductible	(1,613)	(1,288)
Capital allowances for the year in excess of depreciation	80	93
Unutilised losses	(229)	(283)
Current tax charge for the year	-	-
Deferred tax release	-	-
Total tax charge/(credit)	-	-

The NDA does not pay tax on any profits arising from its activities in relation to decommissioning, and similarly losses are not deductible in relation to decommissioning. Subsidiaries do not pay tax on profits arising as these are offset against the taxable losses of the NDA. A deferred tax asset has not been recognised in respect of any non-decommissioning losses incurred by the NDA as the NDA does not anticipate taxable surpluses arising in the foreseeable future.

11. Total comprehensive net expenditure attributable to the Authority

As a consolidated statement of comprehensive net expenditure is included in these financial statements, the Authority's individual statement of comprehensive net expenditure has not been included. The result for the financial year of the Authority was total comprehensive net expenditure of £7,358 million (2012: £5,719 million).

12. Property, plant and equipment

NDA Group 2013	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2012	19	2,402	7	27	5,101	46	210	7,812
Additions	-	-	-	-	-	-	37	37
Reclassifications	-	-	-	-	45	6	(28)	23
Disposals	-	-	-	-	(2)	(7)	-	(9)
Revaluations (b)	-	(2)	-	-	(4)	-	-	(6)
Impairments (c)	-	-	-	-	-	-	(5)	(5)
At 31 March 2013	**19**	**2,400**	**7**	**27**	**5,140**	**45**	**214**	**7,852**
Depreciation								
At 1 April 2012	-	(2,290)	(7)	(25)	(4,455)	(23)	-	(6,800)
Charged in year	-	(33)	-	-	(60)	(4)	-	(97)
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	2	5	-	7
Revaluations (b)	-	-	-	-	4	-	-	4
Impairments (c)	-	1	-	-	-	-	-	1
At 31 March 2013	**-**	**(2,322)**	**(7)**	**(25)**	**(4,509)**	**(22)**	**-**	**(6,885)**
Net book value at 1 April 2012	19	112	-	2	646	23	210	1,012
Net book value at 31 Mar 2013	**19**	**78**	**-**	**2**	**631**	**23**	**214**	**967**

The net book value of plant & equipment at 31 March 2013 (£631 million) includes £285 million relating to future decommissioning costs.

NDA Group 2012	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2011	19	2,421	6	27	5,169	42	224	7,908
Prior year adjustment	-	(8)	-	-	27	-	-	19
Elimination of fully written off assets with no economic value (a)	-	-	-	(1)	(68)	-	-	(69)
Additions	-	-	-	-	2	-	51	53
Reclassifications	-	(7)	-	1	(10)	4	(15)	(27)
Disposals	-	(6)	-	-	(13)	-	-	(19)
Revaluations (b)	-	2	1	-	(6)	-	-	(3)
Impairments (c)	-	-	-	-	-	-	(50)	(50)
At 31 March 2012	**19**	**2,402**	**7**	**27**	**5,101**	**46**	**210**	**7,812**
Depreciation								
At 1 April 2011	-	(2,261)	(6)	(26)	(4,436)	(20)	-	(6,749)
Prior year adjustment	-	-	-	-	(27)	-	-	(27)
Elimination of fully written off assets with no economic value (a)	-	-	-	1	68	-	-	69
Charged in year	-	(34)	(1)	-	(79)	(3)	-	(117)
Reclassifications	-	7	-	-	13	-	-	20
Disposals	-	(5)	-	-	12	-	-	7
Revaluations (b)	-	(3)	-	-	6	-	-	3
Impairments (c)	-	6	-	-	(12)	-	-	(6)
At 31 March 2012	**-**	**(2,290)**	**(7)**	**(25)**	**(4,455)**	**(23)**	**-**	**(6,800)**
Net book value at 1 April 2011	19	160	-	1	733	22	224	1,159
Net book value at 31 March 2012	**19**	**112**	**-**	**2**	**646**	**23**	**210**	**1,012**

The net book value of plant & equipment at 31 March 2012 (£646 million) includes £274 million relating to future decommissioning costs.

Authority 2013	Land £m	Buildings £m	IT Equipment £m	Fixtures &Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2012	12	2,373	6	25	4,749	2	160	7,327
Additions	-	-	-	-	-	-	29	29
Reclassifications	-	-	-	-	16	-	(16)	-
Disposals	-	-	-	-	-	-	(1)	(1)
Revaluations (b)	-	-	-	-	(4)	-	-	(4)
Impairments (c)	-	-	-	-	-	-	(3)	(3)
At 31 March 2013	**12**	**2,373**	**6**	**25**	**4,761**	**2**	**169**	**7,348**
Depreciation								
At 1 April 2012	-	(2,287)	(6)	(24)	(4,330)	(2)	-	(6,649)
Charged in year	-	(34)	-	-	(57)	-	-	(91)
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	4	-	-	4
Impairments (c)	-	1	-	-	2	-	-	3
At 31 March 2013	**-**	**(2,320)**	**(6)**	**(24)**	**(4,381)**	**(2)**	**-**	**(6,733)**
Net book value at 1 April 2012	12	86	-	1	419	-	160	678
Net book value at 31 Mar 2013	**12**	**53**	**-**	**1**	**380**	**-**	**169**	**615**

The net book value of plant & equipment at 31 March 2013 (£380 million) includes £195 million relating to future decommissioning costs

Authority 2012	Land £m	Buildings £m	IT Equipment £m	Fixtures &Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2011	12	2,389	5	26	4,790	2	171	7,395
Prior year adjustment	-	-	-	-	27	-	-	27
Elimination of fully written off assets with no economic value (a)	-	-	-	(1)	(68)	-	-	(69)
Additions	-	-	-	-	-	-	41	41
Reclassifications	-	(7)	-	-	8	-	(10)	(9)
Disposals	-	(12)	-	-	(1)	-	-	(13)
Revaluations (b)	-	3	1	-	(7)	-	-	(3)
Impairments (c)	-	-	-	-	-	-	(42)	(42)
At 31 March 2012	**12**	**2,373**	**6**	**25**	**4,749**	**2**	**160**	**7,327**
Depreciation								
At 1 April 2011	-	(2,259)	(5)	(25)	(4,301)	(2)	-	(6,592)
Prior year adjustment		-	-	-	(27)			(27)
Charged in year	-	(33)	(1)	-	(65)	-	-	(99)
Elimination of fully written off assets with no economic value (a)	-	-	-	1	68	-	-	69
Reclassifications	-	7	-	-	(5)	-	-	2
Disposals	-	(6)	-	-	-	-	-	(6)
Impairments (c)	-	7	-	-	(6)	-	-	1
Revaluations	-	(3)	-	-	6	-	-	3
At 31 March 2012	**-**	**(2,287)**	**(6)**	**(24)**	**(4,330)**	**(2)**	**-**	**(6,649)**
Net book value at 1 April 2011	12	130	-	1	489	-	171	803
Net book value at 31 March 2012	**12**	**86**	**-**	**1**	**419**	**-**	**160**	**678**

The net book value of plant & equipment at 31 March 2012 (£419 million) includes £207 million relating to future decommissioning costs

(a) In 2012, the NDA wrote off non-commercial waste management assets with a gross book value, and accumulated depreciation, of £69 million. These assets have no ongoing value in use to the NDA. Once decommissioned, they will not be replaced by the NDA as the services they relate to are subject to decommissioning rather than ongoing operational activity. Due to regulatory requirements governing nuclear licensed sites they cannot be sold, other than as scrap material which does not have to be stored as waste, and which realises only occasional, negligible amounts (accounted for as miscellaneous other income). The costs of decommissioning these assets have been provided for, in accordance with IAS 37, in the nuclear provisions.

The NDA accounts for non-waste management assets on nuclear licensed sites, which have an ongoing value in use or realisable value, in accordance with IAS 16 and the requirements of FReM. Assets outside the nuclear licensed site boundaries are revalued in accordance with FReM.
The NDA continues to require SLCs to maintain inventories of all property, plant and equipment held on nuclear licensed sites and which are subject to validation and audit as part of the contractual terms in place between the NDA and license holders.

(b) Land and buildings located outside the nuclear licensed site boundaries, were revalued at 31 March 2013 on the basis of existing use value or market value, as appropriate, by external qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) by Lambert Smith Hampton Chartered Surveyors. The majority of the monetary revaluation adjustment relates to land identified as having potential for alternative use and where there have been subsequent disposals of land assets

(c) The impairment charge to expenditure of £4 million (2012: £55 million) arose in connection with commercial assets at Sellafield and Magnox, and assets belonging to the subsidiary Pacific Nuclear Transport Limited.

(d) A reclassification to assets classified as held for sale was made in 2012 in respect of the Capenhurst site (see note 17).

(e) The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Assets held under finance leases and capitalised in transport equipment have a carrying amount of £2 million (2012: £1 million).

13. Intangible assets

Intangible assets had no economic value at 31 March 2013 and 31 March 2012 and were fully written off in the books of the Authority and the Group during the year ended 31 March 2011.

14. Investments in subsidiaries

Authority	£m
Cost	
At 1 April 2012	229
Additions	-
At 31 March 2013	**229**
Impairment	
At 1 April 2012	(3)
Charge	-
At 31 March 2013	**(3)**
Net book value at 1 April 2012	226
Net book value at 31 March 2013	**226**

Details of the Authority's subsidiaries at 31 March 2013 are as follows:

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by NDA
Direct Rail Services Limited	UK	*Rail transport services within the UK*	100%
INS Rokkasho KK	Japan	*Technical support to the nuclear industry*	66%
International Nuclear Services France SAS *	France	*Transportation of spent fuel*	100%
International Nuclear Services Japan KK *	Japan	*Transportation of spent fuel*	100%
International Nuclear Services Limited	UK	*Contract management and the transportation of spent fuel, reprocessing products and waste*	100%
NDA Properties Limited	UK	*Property management*	100%
Pacific Nuclear Transport Limited *	UK	*The transportation of spent fuel, reprocessing products and waste*	62.5%
Rutherford Indemnity Limited	Guernsey	*Nuclear insurance*	100%

* Ownership through International Nuclear Services Limited

The results of all of the above subsidiaries are included within these consolidated financial statements.

NDA is a member of Energus, a company limited by guarantee registered in the UK, providing training facilities in support of the nuclear estate. NDA's liability is limited to £10.

NDA is a member of North Highland Regeneration Fund Limited, a company limited by guarantee registered in Scotland and contributing to socio-economic development in the North Highland region. NDA's liability is limited to £10.

15. Recoverable contract costs

The NDA and the Authority have commercial agreements in place under which some or all of the expenditure required to settle Nuclear Provisions will be recovered from third parties.

NDA Group and Authority	2013 £m	2012 £m
Recoverable contract costs relating to Nuclear Provisions:		
Gross recoverable contract costs	5,685	4,775
Less applicable payments received on account (see note 26)	(3,363)	(2,989)
Less associated contract loss provisions (see note 28)	(318)	(366)
	2,004	1,420

The movements in the gross recoverable contract costs during the year are detailed in the table below.

NDA Group and Authority	2013 £m	2012 £m
Gross recoverable contract costs at 1 April	4,775	4,655
Prior year adjustment	-	(18)
Increase in year (see note 27)	1,355	688
Unwinding of discount (see note 27)	42	36
Amortisation of recoverable contract costs (see note 7)	(172)	(243)
Release in year – continuing operations (see note 27)	(315)	(343)
Gross recoverable contract costs at 31 March	5,685	4,775

16. Deferred taxation

Deferred tax liability not recognised

A deferred tax liability of £12 million (2012: £26 million) has not been recognised in respect of assets classified as held for sale as it has been offset by a deferred tax asset arising from accelerated capital allowances. The remaining unrecognised deferred tax asset arising from accelerated capital allowances is disclosed below.

Deferred tax assets not recognised

IAS 12 paragraph 81(e) requires disclosure of all unrecognised deferred tax assets. The following deferred tax assets have not been recognised as the NDA does not anticipate a taxable surplus arising in the foreseeable future:

NDA Group	2013 £m	2012 £m
Tax losses	697	695
Accelerated capital allowances	441	516
Intangibles	8	9
Short term timing differences	10	3
Deferred tax asset at UK standard rate of Corporation Tax for 2013 of 24% (2012: 26%).	1,156	1,223

The UK standard rate of Corporation Tax decreased from 24% to 23% on 1 April 2013. The NDA does not anticipate a taxable surplus arising in the foreseeable future and therefore no adjustments have been made to its deferred tax asset as at 31 March 2013 as a result of the future changes in the standard rate of Corporation Tax.

17. Assets classified as held for sale and discontinued operations

Assets classified as held for sale

The sale of land at Capenhurst to Urenco UK Limited was completed on 30 November 2012. The final disposal value of £54 million gave rise to a £5 million gain on disposal over the asset held for sale value of £49m in the 2011-12 accounts. This £5 million is shown within other comprehensive income in the Statement of Comprehensive Net Expenditure.

On 29 October 2009, the NDA agreed an option for disposal of land at Sellafield for £51 million. This option expires in October 2014, with a further one year extension possible under certain conditions.

NDA Group and Authority	**£m**
At 1 April 2012	100
Disposal of Capenhurst	(49)
At 31 March 2013	**51**

18. Inventories

	NDA Group		Authority	
	2013 £m	**2012 £m**	**2013 £m**	**2012 £m**
Nuclear fuels	1	4	1	4
Raw materials and consumables	42	40	38	37
Work-in-progress	76	51	63	38
	119	95	102	79

19. Financial instruments by category

The accounting classification of each category of financial instruments, and their carrying values, is set out in the following table:

	Note	NDA Group		Authority	
		2013 £m	**2012 £m**	**2013 £m**	**2012 £m**
Financial assets					
Fair value through profit or loss (FVTPL):					
Other investments	*21*	296	305	-	17
Loans and receivables:					
Non-current finance lease receivable	*22*	42	19	42	19
Non-current other receivables	*23*	41	13	41	13
Current trade and other receivables excluding prepayments and VAT (a)	*23*	307	159	566	395
Current finance lease receivables	*22*	1	-	1	-
Cash and cash equivalents	*24*	268	139	192	90
		955	**635**	**842**	**534**

	Note	NDA Group 2013 £m	NDA Group 2012 £m	Authority 2013 £m	Authority 2012 £m
Financial liabilities					
Fair value through profit or loss (FVTPL):					
Derivative financial liabilities		(1)	(2)	(1)	(2)
Other financial liabilities:					
Current finance lease payables	*25*	(1)	-	-	-
Current trade and other payables excluding finance lease payables, other taxes and social security, payments received on account, deferred income, and grants (b)	*26*	(813)	(695)	(788)	(661)
Non-current finance lease payables	*25*	(1)	-	-	-
Non-current trade and other payables excluding payments received on account, finance lease payables, deferred income and grants (b)	*26*	-	-	-	-
		(816)	**(697)**	**(789)**	**(663)**

a) Prepayments and VAT are excluded as this analysis is required only for financial instruments
b) Payments received on account, deferred income, grants and, where applicable, other taxes and social security, are excluded as this analysis is required only for financial instruments

Generally, financial assets and financial liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the NDA in undertaking its activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2.

The fair value of financial instruments represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values are calculated by discounting cash flows at prevailing rates. The Authority considers that the carrying amount of loans and receivables and other financial liabilities approximates their fair value.

The Group has a small number of Euro-denominated contracts which are not significant to the Financial Statements of the Group. This small currency risk is nonetheless still mitigated through the use of forward currency contracts placed with the Government Banking Service. The Group is not exposed to any significant level of interest rate risk due to the absence of any commercial borrowings in its Consolidated Statement of Financial Position.

The Group is exposed to a low level of price risk in respect of its energy trading operations. This risk is mitigated by the trading strategy employed which stipulates how far ahead of time energy products are purchased and sold, and is reviewed regularly by the Energy Output Trading Committee. Due to the pricing structure and historical nature of reprocessing contracts, there is no significant exposure to price risk. There is no significant exposure of the Group to liquidity risk due to the nature of its funding arrangement with DECC.

The NDA is required to place deposit deeds as collateral in respect of certain energy trading costs incurred. £2 million of such collateral is included within current trade and other receivables in both the Authority and Group Statement of Financial Position at 31 March 2013 (2012: £1 million). The risk of loss associated with these deposits is considered to be minimal.

In addition to this, two letters of credit are issued by a commercial bank on the NDA's behalf in favour of certain suppliers, with respect to energy trading costs. These do not give rise to a financial asset in the accounts of NDA Authority or Group.

20. Financial risk management

The NDA is financed by a combination of Government funding and commercial activities, and as such is not exposed to the degree of financial risk faced by other business entities. Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. It does however experience some degree of risk due to the variability of commercial income.

The NDA applies for funding as part of the Government Spending Review, with the latest four-year funding cycle having concluded in October 2010. This set the annual expenditure limit net of the NDA's commercial income, derived from ageing power stations and reprocessing plants. The NDA is required to prioritise and allocate funding to deliver the required programme of work within this net limit, whilst mindful of the potential vulnerability of commercial income to plant breakdown. This is achieved through the use of an extensive reporting and control mechanism, which supports a portfolio based approach to managing the opportunities and risks within both the expenditure and commercial income. The approach has enabled the NDA to consistently control net expenditure within the prescribed limits set by the funding regime.
Separately the NDA has developed an extensive programme to embed risk management practices, covering both operational and financial risks, across all its functions and to provide contractual mechanisms to obtain assurance of good risk management practices from the SLCs.

The primary financial risks faced by the NDA are commodity price risk and credit risk. Market risk, comprising foreign currency risk, liquidity risk and interest rate risk, is not considered to be a significant risk for the NDA.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements and their impact on the commercial income and therefore ultimately on the funding requirements of the NDA.
The NDA aims to reduce commodity price risk by forward selling a proportion of forecast electricity production whilst minimising the risk of resultant loss from failing to meet production targets. The position is monitored on a monthly basis along with regular review of this forward selling strategy.
The primary risk is that electricity prices will move adversely affecting commercial income between the time that the NDA's funding requirements are set and the time when revenues are recognised, exposure to which cannot be effectively hedged.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the NDA. This risk is managed through the use of credit checking procedures for any new customers, and ongoing monitoring of the aging of receivables. The NDA has two types of contract, commodity contracts and supply and reprocessing contracts. No sensitivity analysis has been performed in respect of any of the above risk areas, due to immateriality.

21. Other investments

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Investments carried at fair value:				
Bank deposits	65	63	-	17
Other investments	231	242	-	-
	296	305	-	17

The above investments are held for purposes other than to meet short-term cash commitments. Bank deposits include £nil (2012: £17 million) of funds which are held by the NDA within charge over deposit accounts (CODAs). These represent funds provided by customers which are held in accounts controlled and owned by the NDA, over which the customer had a legal charge until the associated work had been completed. The work has been completed and the charge released in the year. Other investments include funds held within Rutherford Indemnity Limited in order to allow it to provide insurance for assets across the NDA estate.

22. Finance lease receivables

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts receivable under finance leases:				
Not later than one year	2	1	2	1
Later than one year and not later than five years	6	3	6	3
Later than five years	179	103	179	103
	187	107	187	107
Less: unearned finance income	(144)	(88)	(144)	(88)
Present value of minimum lease payments receivable	43	19	43	19

	Present value of minimum lease payments			
	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts receivable under finance leases:				
Not later than one year	1	-	1	-
Later than one year and not later than five years	3	-	3	-
Later than five years	39	19	39	19
Present value of minimum lease payments receivable	43	19	43	19

	Present value of minimum lease payments			
	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Of which:				
Non-current assets	42	19	42	19
Current assets	1	-	1	-
Present value of minimum lease payments receivable	43	19	43	19

The finance lease receivable relates to:

a) Land and buildings of the Springfields Fuels operation which was disposed of to Westinghouse Electric UK Holdings Limited by way of a 150 year lease on 1 April 2010. The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum; and
b) Certain land and buildings of the Capenhurst site which was disposed of to Urenco UK Ltd on 29 November 2012 by way of a combination of freehold and leasehold sales. The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.

No contingent rents were recognised as income in the period (2012: £nil).

The finance lease receivable balance is secured over the assets leased. The NDA is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The maximum exposure to credit risk of the finance lease receivable is the carrying amount. The finance lease receivable is not past due and not impaired, and no allowance is made for uncollectible minimum lease payments receivable.

23. Trade and other receivables

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Non-current:				
Prepayments	30	-	30	-
Other receivables	11	13	11	13
	41	13	41	13
Current:				
Trade receivables	168	127	436	368
Less: allowance for doubtful debts	(3)	(3)	(3)	(3)
	165	124	433	365
Accrued income	122	23	121	21
Other receivables	20	12	12	9
	307	159	566	395
Prepayments	12	71	11	70
VAT	68	67	68	66
	387	297	645	531

Non-current other receivables relate to lump sum payments made under early retirement arrangements to individuals working for Site License Companies who have retired early, or who have accepted early retirement, before 31 March 2013. These payments are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

Credit risk
NDA sells the majority of the power generated to EDF Energy under the terms of a bi-lateral trading contract, with a small amount also being traded by EDF Energy on NDA's behalf and ultimately being sold to third party customers. The NDA's credit exposure position is reviewed monthly by the Electricity and Output Trading Committee (an NDA committee attended by representatives from EDF).

There exists a limited level of credit risk in respect of reprocessing contracts which is mitigated by the nature of the contracts, under which a high proportion of the income is paid in advance by customers

Included in the NDA Group's current trade receivables balance are receivables with a carrying amount of £8 million which are past due at the reporting date for which the NDA has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of current trade receivables:

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Neither impaired nor past due	156	116	427	358
Impaired (net of allowance for doubtful debts)	-	-	-	-
Not impaired but past due in the following periods:				
within 30 days	8	7	6	6
31 to 60 days	1	1	-	1
61 to 90 days	-	-	-	-
91 to 120 days	-	-	-	-
120 days+	-	-	-	-
Total	165	124	433	365

Movement in the allowance for doubtful debts:

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Balance at 1 April	3	3	3	3
Amounts recovered during the year	-	-	-	-
Balance at 31 March	3	3	3	3

In determining the recoverability of a trade receivable the NDA considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Authority believes that there is no further provision required in excess of the allowance for doubtful debts.

24. Cash and cash equivalents

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Balance at 1 April	139	249	90	214
Net change in cash and cash equivalent balances	129	(110)	102	(124)
Balance at 31 March	268	139	192	90
The balances at 31 March were held at:				
Commercial banks	83	64	7	15
Government Banking Service	185	75	185	75
	268	139	192	90

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

25. Finance lease payables

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts payable under finance leases:				
Not later than one year	1	-	-	-
Later than one year and not later than five years	1	1	-	-
Later than five years	-	-	-	-
	2	1	-	-
Less: future finance costs	-	-	-	-
Present value of minimum lease payments payable	2	1	-	-

	Present value of minimum lease payments			
	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts payable under finance leases:				
Not later than one year	1	-	-	-
Later than one year and not later than five years	1	1	-	-
Later than five years	-	-	-	-
Present value of minimum lease payments payable	2	1	-	-

	Present value of minimum lease payments			
	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Of which:				
Non-current assets	1	1	-	-
Current assets	1	-	-	-
Present value of minimum lease payments payable	2	1	-	-

The finance lease payables relate to the purchase of locomotives under leases expiring during 2014 and 2015. In each case the interest rate inherent in the lease is fixed at the contract date for all of the lease term and the average effective interest rate contracted approximates to 2% above bank base rate as at the inception of the lease. The finance lease payable balance is secured over the assets leased and is not past due.

26. Trade and other payables

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Current:				
Trade payables	130	456	123	445
Receipts to surrender to the Consolidated Fund	71	-	71	-
Other payables	3	2	-	-
Accruals	609	237	594	216
	813	695	788	661
Finance leases	1	-	-	-
Other taxes and social security	10	9	8	8
Payments received on account	609	551	611	551
Deferred income	1	1	-	-
Grants	1	1	1	1
	1,435	1,257	1,408	1,221
Non-current:				
Finance leases	1	-	-	-
	1	-	-	-
Payments received on account	1,939	1,959	1,932	1,952
Grants	-	1	-	1
	1,940	1,960	1,932	1,953

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Movement on payments received on account				
Balance at 1 April:				
Current	551	578	551	578
Non-current	1,959	1,891	1,952	1,884
	2,510	2,469	2,503	2,462
Revalorisation (see note 7)	156	172	156	172
Movement in amount deducted from recoverable contract costs (see note 15)	(374)	(209)	(374)	(209)
Cash received	736	688	736	688
Released to income	(480)	(610)	(478)	(610)
Balance at 31 March	2,548	2,510	2,543	2,503
Of which:				
Current	609	551	611	551
Non-current	1,939	1,959	1,932	1,952
	2,548	2,510	2,543	2,503

Trade and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The NDA has procedures in place to ensure that all payables are paid within the pre-agreed credit terms. Payments received on account relate to amounts which customers have paid for the provision of services under long-term contracts. These payments will be recognised as income when the services are provided. Payments received on account are shown net after deduction of any applicable recoverable contract costs (see note 15).

27. Nuclear Provisions

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Balance at 1 April	52,893	49,152	52,827	49,086
Provided for in the year charged to Statement of Comprehensive Net Expenditure (see note 8)	5,842	4,175	5,841	4,173
Provided for in the year charged to recoverable contract costs (a) (see note 15)	1,355	688	1,355	688
Unwinding of discount charged to Statement of Comprehensive Net Expenditure (see note 8)	1,134	1,044	1,134	1,043
Unwinding of discount charged to recoverable contract costs (a) (see note 15)	42	36	42	36
Decommissioning costs utilised in the year (see note 7)	(2,116)	(1,936)	(2,116)	(1,936)
Recoverable contract costs released in year (see note 15)	(315)	(343)	(315)	(343)
Provision changes impacting property, plant and equipment (see note 12)	23	5	-	8
Provision changes offset by reclassification	-	72	-	72
Total change in provision	5,965	3,741	5,941	3,741
Balance at 31 March	58,858	52,893	58,768	52,827
Of which:				
Current	2,687	2,168	2,685	2,167
Non-current	56,171	50,725	56,083	50,660
	58,858	52,893	58,768	52,827

(a) The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the Nuclear Provision are recoverable from third parties. Changes in the future cost estimates of discharging the Nuclear Provision are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the Nuclear Provision but are treated as a separate asset. The amount recoverable at 31 March 2013 (NDA Group and Authority) is £5,685 million (2012: £4,775 million) - see note 15.

The discount implicit in recognising nuclear provisions is unwound over the life of the provisions, with the impact of the amortisation of one years' discount shown in adjustments to provisions in the Statement of Comprehensive Net Expenditure. An increase of 0.5% in the discount rate would reduce the provision to £52.9 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £65.4 billion.

Changes in the cost estimates of discharging the nuclear provision (representing increase or decrease in future decommissioning costs, less under or overspend of decommissioning delivered in year) are charged to the adjustments to provisions in the Statement of Comprehensive Net Expenditure. This charge includes the impact of restating liabilities from March 2012 values to current price levels. The overall increase in the provision was £5,965 million (2012: £3,741 million) of which the Authority estimates that £1,783 million related to changes in price levels (2012: £1,903 million).
The introduction of new discount rates (see page 60) in the current financial year produced an increase of £3.77 billion.

Actual costs of £2,431 million (2012: £2,279 million) incurred in discharging provisions in the year to 31 March have been charged against the Nuclear Provision. Any variance between the costs incurred discharging the Provision and the amount provided for discharging the Provision is incorporated within the change in amount provided.
Changes in the estimated future cost of decommissioning, related to commercial property, plant and equipment, are offset by matching changes in the value of the IAS 37 property, plant and equipment asset. An increase of £23 million was recognised in the year (2012: increase of £5 million).

Analysis of expected timing of discounted cashflows for the NDA Group Nuclear Provision is as follows:

NDA Group	Waste £m	Research £m	LPS £m	Other Sellafield £m	Fuel manufacturing and generation £m	Total £m	2012 Total £m
Within 1 year	33	241	613	1,096	704	2,687	2,172
2 – 5 years	125	1,072	2,391	5,228	2,539	11,355	9,088
After 5 years	4,054	1,979	5,058	28,423	5,302	44,816	41,633
	4,212	3,292	8,062	34,747	8,545	58,858	52,893
Sensitivity							
Increase	1,600	130	600	2,200	400		
Reduction	(300)	(430)	(100)	(2,600)	(800)		

The NDA's decommissioning programme of work will take until 2137, with further analysis shown below:

- waste activities cover the Low Level Waste Repository and the Geological Disposal facility. Construction of the latter facility is currently planned to allow receipt of waste from around 2040. Key sensitivity is around the geology of the rock in which the facility would be constructed – potentially increasing costs by £1,600 million; a delay in constructing the facility by five years would reduce discounted costs by £300 million
- activities on the sites primarily used for research (Dounreay, Harwell, Winfrith and Windscale) are concerned with final decommissioning of assets and site clearance. Sites will be cleared by 2064. Options are being explored to accelerate site clearance, which in the case of Dounreay would reduce the provision by £430 million in the event of Parent Body achieving the 2022 Interim State date; a delay of one year past the latest anticipated Interim State date (2025) would increase the provision by £130 million.

- Legacy Ponds and Silos ('LP&S'); represent the major hazard and decommissioning challenge at Sellafield, with activity scheduled for completion in 2036; shown without inclusion of site overheads. Principal sensitivities are around the technical challenges in emptying the facilities (which may result in increased costs of £600 million), with general schedule efficiencies potentially reducing costs by £100 million.
- Sellafield (other than LP&S) represents activities associated with operation of the site, reprocessing and eventual decommissioning includes all site overhead. Principal sensitivities are around the extent to which the contractor delivers planned efficiencies embedded within the performance plan, with the range of outcomes that could reduce the provision by £2.6 billion, or increase it by £2.2 billion.
- fuel manufacturing and generation (which for this purpose includes Magnox, Capenhurst and Springfields) programme of work includes defueling the generating stations and preparing for interim Care and Maintenance (complete by 2030) followed by a final site clearance phase around 2070 to 2102. The overall provision value may reduce depending on the extent of cost savings achieved following the PBO competition with, for example, a 10% overall saving reducing the provision by £800 million; alternatively a 5% rise in costs would increase the provision by £400 million.

28. Other provisions

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Restructuring provision	95	94	94	93
Contract loss provision	1,886	1,966	1,886	1,966
Other provision	42	41	12	13
	2,023	2,101	1,992	2,072
Of which:				
Current	178	224	176	222
Non-current	1,845	1,877	1,816	1,850
	2,023	2,101	1,992	2,072

NDA Group	Restructuring £m	Contract loss £m	Other £m	Total £m
Balance at 1 April 2012	94	1,966	41	2,101
Provided for in the year (see note 8)	14	62	1	77
Released in the year (see note 7)	(17)	(239)	-	(256)
Unwinding of discount (see note 8)	3	50	-	53
Movement in contract loss provision deducted from recoverable contract costs (see note 15)	-	48	-	48
Balance at 31 March 2013	94	1,887	42	2,023

Authority	Restructuring £m	Contract loss £m	Other £m	Total £m
Balance at 1 April 2012	93	1,966	13	2,072
Provided for in the year	14	61	-	75
Released in the year	(15)	(239)	(1)	(255)
Unwinding of discount	2	50	-	52
Movement in amount deducted from recoverable contract costs (see note 15)	-	48	-	48
Balance at 31 March 2013	94	1,886	12	1,992

Restructuring provisions have been recognised to cover continuing annual payments to be made under early retirement arrangements to individuals working for SLCs who retired early, or had accepted early retirement, before 31 March 2013. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as receivables, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

Contract loss provisions have been recognised to cover the anticipated shortfall between total income and total expenditure on relevant long term contracts. The above balances are shown net after deduction from any applicable recoverable contract costs (see note 15). The amount provided in the year for the contract loss provision relates to changes in estimates of the costs of existing contracts.

Other provisions include provisions for insurance claims and early retirements not covered by the restructuring funding arrangements with DECC.

29. Retirement benefit schemes

The NDA Group has a range of pension schemes including both defined contribution and defined benefit plans.

Defined contribution schemes

NDA employees have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme in which the NDA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservice.gov.uk/pensions. In accordance with guidance issued by HM Treasury, the PCSPS is accounted for as a defined contribution scheme in these financial statements.

Direct Rail Services Limited (DRSL) employees joining after 1 April 2008 participate in the GPS DRS section of the defined contribution structure of the Combined Nuclear Pension Plan (CNPP).

International Nuclear Services Ltd (INSL) employees participate in the United Kingdom Atomic Energy Authority (UKAEA) Combined Pension Scheme, the CNPP and the Magnox Electric Group section of the Electricity Supply Pension Scheme. Participation in these schemes is in sections with other employers and INSL is unable to identify its share of the underlying assets and liabilities. Consequently INSL's participation in these schemes is accounted for as if they were defined contribution schemes, as permitted under IAS 19.

Pacific Nuclear Transport Ltd (PNTL) employees participate in two industry wide defined contribution schemes: the Merchant Navy Officers' Pension Plan (MNOPP) and the Merchant Navy Ratings' Pension Plan (MNRPP).

The total cost charged to expenditure of £5,222,000 (2012: £4,997,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. No contributions were outstanding at this or the previous year end.

Defined benefit schemes

Parts of the Group participate in various pension schemes which are accounted for as defined benefit schemes.

On 1 April 2012 the GPS Pension Scheme and the Nirex Pension Scheme merged into the CNPP. The assets and liabilities of the DRS section of the GPS Pension Scheme and the Nirex Pension Scheme were transferred in their entirety into new financially segregated sections of the CNPP; the GPS DRS section, and the Nirex section. There was no change in the obligations on the Authority or the Group as a result of the merger.

GPS DRS section of the CNPP
Direct Rail Services Limited (DRS) employees participate in the GPS DRS section of the CNPP, a defined benefit (final salary) funded pension scheme. The defined benefit structure was available to all DRS employees until 31 March 2008 when it was closed to new entrants.

Nirex section of the CNPP
The Nirex section of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants on 1 April 2007 and has no active members.

Merchant Navy Officers Pension Fund (MNOPF)
Pacific Nuclear Transport Ltd (PNTL) employees participate in the Merchant Navy Officers Pension Fund (MNOPF). The MNOPF is an industry wide defined benefit (final salary) funded pension scheme. The scheme was closed on 1 November 1996. All costs relating to 'Pacific' vessels are recoverable under contract from customers and hence a recoverable amount is recognised to offset the related pension scheme deficit.

Merchant Navy Ratings Pension Fund (MNRPF)
Pacific Nuclear Transport Ltd (PNTL) employees participate in the Merchant Navy Ratings Pension Fund (MNRPF). The MNRPF is an industry wide defined benefit (final salary) funded pension scheme. The scheme was closed on 31 May 2001. The liabilities of the scheme have been capped at the level of benefits accrued to employees at the closure date, subject to adjustment for future actuarial valuations. All costs relating to 'Pacific' vessels are recoverable under contract from customers and hence a recoverable amount is recognised to offset the related pension scheme deficit.

Closed Section of the CNPP
On the disposal of the Springfields Fuels operation, the NDA took over direct responsibility of the pension liability within the Springfields Fuels section of the CNPP on 1 April 2010. The Closed section (formerly the Springfields Fuels Section) of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants and further accrual on 31 March 2010.

Actuarial valuations for the various defined benefit schemes referred to above have been updated at 31 March 2013 by independent actuaries using assumptions that are consistent with the requirements of IAS 19 and the results of those calculations have been incorporated in the figures below. Investments have been valued for this purpose at fair value.

NDA Group

Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	**2013 £m**	**2012 £m**
Benefit obligations	204	174
Fair value of scheme assets	(189)	(163)
Deficit / (surplus) in schemes	**15**	**11**
Receivable from third parties	(4)	(8)
Net deficit / (surplus) recognised in schemes	**11**	**3**

Statement of Comprehensive Net Expenditure

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:	2013 £m	2012 £m
Current service cost	3	2
Interest on obligation	8	8
Expected return on scheme assets	(9)	(9)
Past service cost	-	-
Net cost in SOCNE	**2**	**1**
Actuarial loss / (gain)	6	19
Receivable from third parties	4	(3)
Actuarial loss / (gain) recognised in OCE	**10**	**16**

Changes in the present value of the defined benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2013 £m	2012 £m
Opening defined benefit obligation	174	149
Obligation taken on over year	-	-
Current service cost	3	2
Interest cost	8	8
Employee contributions	1	1
Actuarial losses	22	18
Past service cost	-	-
Benefits paid	(4)	(4)
Closing defined benefit obligation	**204**	**174**

Changes in the fair value of the scheme assets are as follows:

	2013 £m	2012 £m
Opening fair value of scheme assets	163	154
Assets taken on over year	-	-
Expected return	9	9
Actuarial gain / (loss)	16	(1)
Employer contributions	3	4
Employee contributions	1	1
Benefits paid	(4)	(4)
Closing fair value of scheme assets	**188**	**163**

Estimated expected employer contributions over the next financial year are as follows:

2013 £m	2012 £m
4	4

The major categories of plan assets as a percentage of total scheme assets and, for 2012, the expected rates of return are as follows:

	2013 %	2012 %	Expected return 2012
Equities	53	53	7.1%
Property	3	3	6.1%
Fixed Interest Gilts	6	10	3.1%
Index Linked Gilts	16	14	3.1%
Corporate Bonds	21	19	4.8%
Cash	1	1	2.0%
Total	100	100	

Principal actuarial assumptions at the date of the SOFP (expressed in weighted averages):

	2013	2012
Discount rate	4.25%	4.80%
Future salary increases *	3.40% - 3.90%	3.75%
Rate of increase of pensions in payment	3.40%	3.25%
Rate of increase of pensions in deferment	3.00%	2.80%
Retail Price Inflation	3.40%	3.25%
Life expectancy for a male pensioner aged 65 (in years)	22.1	22.1
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.4	23.5

* For those schemes with members accruing benefits future salary increases for 2013 are assumed to be 3.40% for the next three years then 3.90% thereafter.

Mortality assumption

2013	2012
S1NA Year of Birth tables with CMI 2011 projections subject to minimum improvements of 1%trend for males and 0.5% trend for females	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1%trend for males and 0.5% trend for females

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Experience adjustments on plan liabilities	4	2	(3)	3	-
Experience adjustments on plan assets	16	(1)	3	25	(21)

Authority

Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2013 £m	2012 £m
Benefit obligations	108	91
Fair value of scheme assets	(98)	(87)
Deficit / (surplus) in schemes	**10**	**4**
Receivable from third parties	-	-
Net deficit / (surplus) recognised in schemes	**10**	**4**

Statement of Comprehensive Net Expenditure

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:	2013 £m	2012 £m
Current service cost	-	-
Interest on obligation	4	4
Expected return on scheme assets	(5)	(6)
Past service cost	-	-
Net cost in SOCNE	**(1)**	**(2)**
Receivable from third parties	-	-
Actuarial loss / (gain) recognised in OCE	**(6)**	**(12)**

Changes in the present value of the defined benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2013 £m	2012 £m
Opening defined benefit obligation	91	78
Obligation taken on over year	-	-
Current service cost	-	-
Interest cost	4	4
Employee contributions	-	-
Actuarial losses	15	11
Past service cost	-	-
Benefits paid	(2)	(2)
Closing defined benefit obligation	**108**	**91**

Changes in the fair value of the scheme assets are as follows:

	2013 £m	2012 £m
Opening fair value of scheme assets	86	84
Assets taken on over year	-	-
Expected return	5	6
Actuarial gain / (loss)	9	(2)
Employer contributions	-	-
Employee contributions	-	-
Benefits paid	(2)	(2)
Closing fair value of scheme assets	**98**	**86**

Estimated expected employer contributions over the next financial year:

Estimated expected employer contributions over the next financial year are nil (2012: nil) as the Authority has no employees participating in any of these schemes.

The major categories of plan assets as a percentage of total scheme assets and, for 2012, the expected rates of return are as follows:

	2013 %	2012 %	Expected return 2012
Equities	64	64	7.1%
Property	-	-	6.1%
Fixed Interest Gilts	-	7	3.1%
Index Linked Gilts	18	15	3.1%
Corporate Bonds	18	14	4.8%
Cash	-	-	2.0%
Total	100	100	

Principal actuarial assumptions at the date of the SOFP (expressed in weighted averages):

	2013	2012
Discount rate	4.25%	4.80%
Future salary increases	-	-
Rate of increase of pensions in payment	3.35%	3.25%
Rate of increase of pensions in deferment	3.10%	2.95%
Retail Price Inflation	3.40%	3.25%
Life expectancy for a male pensioner aged 65 (in years)	22.1	22.1
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.4	23.5

Mortality assumption

2013	2012
S1NA Year of Birth tables with CMI 2011 projections subject to minimum improvements of 1%trend for males and 0.5% trend for females	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1%trend for males and 0.5% trend for females

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience adjustments on plan liabilities	-	(1)	(1)	1	-
Experience adjustments on plan assets	8	(1)	1	5	(5)

30. Capital commitments

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	196	160	176	160

31. Commitments under leases

31.1 (a) Operating leases - NDA as lessee

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Minimum lease payments under operating leases recognised as an expense in the year	10	6	1	1

Total future minimum lease payments under operating leases are given in the table below:

	NDA Group		Authority	
	2013 £m	2012 £m	2013 £m	2012 £m
Buildings and other:				
Not later than one year	7	6	1	1
Later than one year and not later than five years	31	9	3	2
Later than five years	8	6	2	2
	46	21	6	5

Operating lease payments represent rentals payable by the Group for some of its properties, vehicles, locomotives and office equipment. All properties are rented on commercial terms and include office buildings with leases expiring between 2013 and 2020, and leases for industrial facilities with expiry dates between 2021 and 2146.

31.1 (b) Operating leases - NDA as lessor
Property rental income earned during the year amounted to £5 million (2012: £7 million).

Total future minimum lease receivables under operating leases are given in the table below:

	NDA Group			Authority		
	2013 £m	2012 £m	2011 £m	2013 £m	2012 £m	2011 £m
Buildings:						
Not later than one year	5	5	4	2	2	1
Later than one year and not later than five years	2	5	2	-	2	1
Later than five years	7	12	2	1	8	1
	14	22	8	3	12	3

Operating lease receipts represent rentals receivable by the Group in respect of various properties leased on commercial terms and historical agricultural lease agreements.

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

a. At 31 March 2013 the NDA held inventories of reprocessed Uranic material. These materials are currently held at nil value, due to uncertainty over their future use.

b. Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS Pension Scheme. Provisions for known deficits are included within Nuclear Provisions (note 27). However, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits and consequent increase in nuclear provision.

Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes:
The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the Low Level Waste Repository, Sellafield and Dounreay. These indemnities are in respect of the uninsurable residual risk that courts in a country which is not party to the Paris and Brussels Conventions on third party liability in the field of nuclear energy may accept jurisdiction to determine liability in the event of a nuclear incident. These are not treated as contingent liabilities within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is considered too remote.

33. Related parties

Government bodies

The NDA is an Executive NDPB sponsored by DECC, which is regarded as a related party. During the year, the NDA has had various material transactions with DECC and with other entities for which DECC is regarded as the responsible department. The NDA receives grant financing from DECC.

In the course of its normal business the NDA enters into transactions with Government owned banks. In addition, the NDA has a small number of material transactions with other Government Departments and other central Government bodies.

Directors' transactions

During the year, no Board member, key manager or other related party has undertaken any material transactions with the NDA.

Related party transactions

During the year, group companies entered into the following transactions with related parties:

Trading transactions

Transactions between the Authority and its subsidiaries were as follows:

Sales of goods to related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

	Sales of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Direct Rail Services Ltd	(31)	(26)	-	-	8	7	(1)	-
International Nuclear Services Ltd	(8)	(8)	16	17	227	216	(203)	(199)
Nuclear Services France SAS	-	-	-	-	-	-	(1)	(1)
Nuclear Services Japan KK	(2)	(2)	-	-	-	-	-	-
NDA Properties Ltd	-	-	-	-	44	24	-	-
Pacific Nuclear Transport Ltd	(13)	(14)	2	2	202	198	-	-
Rutherford Indemnity Ltd	-	-	-	-	-	-	-	-
Rokkasho KK	-	-	-	-	-	-	-	-

Loans to related parties

Amounts owed by Direct Rail Services Limited (DRS) represents a loan which is interest bearing at a fixed percentage above Bank of England base rate. The loan is repayable in 2016.
Amounts owed by NDA Properties Limited includes a loan of £20 million which is interest bearing at a fixed rate, repayable in instalments over twenty five years.

Key management compensation

Key management includes executive and non-executive directors together with those members of senior management who form part of the Executive Team. The compensation paid or payable to key management for employee services is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report on page 38

Authority	2013 £'000	2012 £'000
Short term employee benefits	2,057	2,403
Post-employment benefits	306	210
Other long-term benefits	467	381
	2,830	2,994

34. Intra-Government balances

NDA group - intra-government balances	Receivables: amounts falling due within one year £m	Receivables: amounts falling due after one year £m	Payables: amounts falling due within one year £m	Payables: amounts falling due after one year £m
Balances with other central government bodies	120	-	(72)	-
Balances with bodies external to government	267	41	(1,362)	(1,939)
At 31 March 2013	**387**	**41**	**(1,434)**	**(1,939)**
Balances with other central government bodies	109	-	(9)	-
Balances with bodies external to government	188	13	(1,248)	(1,960)
At 31 March 2012	**263**	**13**	**(1,257)**	**(1,960)**

35. Losses and special payments

The disclosures in this note are in accordance with 'Managing Public Money', and the purpose of this note is to report on losses and special payments of particular interest to Parliament.

Total losses during the year were £838,722 (2012: £2,657,927).

Type of loss	2013 Total £	2013 Number of cases	2012 Total £	2012 Number of cases
Cash losses	253	1	-	-
Stores losses	-	1	590	100+
Losses of pay, allowances and superannuation	6,900	3	13,732	1
Fruitless payments	782,015	1	2,106,755	61
Constructive losses	-	-	36,085	3
Claims waived or abandoned	7,554	35	86,741	3
Book-keeping losses	-	1	2,721	47
Failure to make adequate charges	-	-	-	-
Exchange rate fluctuation losses	-	-	411,303	100+
Special payments	42,000	1	-	-
Total	838,722		2,657,927	

There were no stores losses during the period.
The fruitless payment in 2013 relates to Transmission Network charges paid to National Grid in respect of Oldbury. Despite the fact that there was no generation at Oldbury during 2012-13, the date of cessation of generation was not known enough in advance in order to give the required notice to National Grid, resulting in a full year's charge being incurred and paid.

Within Fruitless payments in 2012 there was one payment to the value of £2.1 million in respect of Fuel Element Debris (FED) retrieval equipment at Magnox, which was not required due to a subsequent change in strategy.

There was one special payment during the year which was compensation relating to the surrender of a tenancy £42,000 (2012: £nil).

A contract loss provision in respect of potentially onerous commercial contracts with foreign countries to reprocess fuel is included within other provisions (note 28) and is not included in the losses disclosed above.

Type of special payment	2013 Total £	2013 Number of cases	2012 Total £	2012 Number of cases
Compensation payments	42,000	1	-	-
Extra-contractual	-	-	-	-
Total	42,000		-	

36. Events after the reporting period

- Energy Capital Partners II LLC became the ultimate parent of Energy Solutions EU Ltd (and therefore Magnox Ltd) on 24 May 2013

Radioactive Waste Management Directorate (RWMD)

RWMD, currently part of the NDA, is responsible for implementing the programme for the Geological Disposal Facility (GDF) on behalf of Government, and is being developed into the delivery organisation which will be capable of applying for and holding regulatory permissions. In due course, it is intended that RWMD will be established as a wholly owned NDA subsidiary SLC.

Bruce McKirdy
Managing Director
Radioactive Waste Management Directorate

Last year I talked about plans for RWMD to become a wholly owned subsidiary of the NDA subject to necessary approvals. The NDA Board subsequently approved the business case for RWMD to be formed into a wholly owned subsidiary of NDA, subject to government approval and a community decision to participate with the Managing Radioactive Waste Safely (MRWS) siting process. In recognition of the progress made, RWMD received accreditation by LRQA of its quality and environmental management systems as a standalone organisation

In January 2013, following extensive involvement in the MRWS process, Cumbria County Council voted against moving to the next stage of allowing studies to look at the possibility of the region being suitable for a Geological Disposal Facility (GDF).This was in contrast to Copeland and Allerdale Borough Councils who voted in favour. This has brought the current process to a close in West Cumbria.

Whilst this is a setback for the process, Government remains committed to geological disposal of higher activity waste and to voluntarism and partnering with potential host communities. The Government is reflecting on the experience of the process in West Cumbria and talking to the local authorities themselves and others who have been involved to see what lessons can be learned.

RWMD is supporting Government who will also embark on a renewed drive to ensure that the case for hosting a GDF is drawn to the attention of communities, and to encourage further local authorities to come forward over the coming years to join the process.
Good progress has been made in developing the safety cases for a GDF. Following a successful regulatory review of the Environmental Safety Case (ESC) Strategy at the start of the year, the proposed Operational Safety Strategy and Transport Safety Strategy have now been issued to regulators for formal scrutiny.

In the area of research, RWMD, working in collaboration with the UK National Environment Research Council and Environment Agency, put out a call for research proposals aligned to geological disposal of UK radioactive wastes valued at £4.5 million over three years. In addition, RWMD has continued to benefit from research programmes delivered in collaboration with its international partners. In collaboration with SLCs and other waste producers, RWMD continues to deliver cost-effective waste packaging solutions for their range of wastes.

RWMD has developed a set of objectives to achieve its mission “To deliver a geological disposal facility and provide radioactive waste management solutions”. These objectives are to:

- engage with national and local governments and communities to identify a geological disposal facility site
- develop the specification, design, safety case and environmental and sustainability assessments for the disposal system and obtain regulatory support
- in conjunction with waste producers, identify and deliver solutions to optimise the management of higher activity waste
- develop and maintain an effective organisation and secure resources to deliver the geological disposal facility programme.
- obtain and maintain stakeholder support for our activities
- deliver a focused Research and Development programme to support geological disposal and optimised packaging solutions, and
- deliver sustainable, innovative and cost-effective solutions that have public support and are in the best interest of the UK

NDA-Owned Subsidiary Reports

Direct Rail Services Limited

Direct Rail Services Limited (DRS) operates a wide portfolio of rail freight services, supporting the NDA mission and transport strategy through the safe, secure and reliable transport of high hazard material around the NDA Estate within the UK.

Neil McNicholas
Managing Director
Direct Rail Services Limited

2012/2013 was another year of successful business development, growth and expansion of the organisation, whilst maintaining a strong focus on safety, security and operational performance.

The customer focus has yielded DRS additional services for both existing clients, as well as introducing new customers to rail freight.

DRS also affirmed its position as a technological leader in the rail industry by developing and introducing a new ground-breaking locomotive, which will deliver significant environmental savings and improved performance and flexibility whilst developing new market areas.

Key developments in 2012/2013 include:

- DRS has supported the Magnox Operating Plan programme by delivering 166 tonnes of spent fuel to Sellafield
- DRS has also transported 225 tonnes of spent fuel from the UK AGR stations to Sellafield
- the construction of the Dounreay rail terminal has been successfully delivered by DRS on time and on budget and regular rail freight services to Sellafield are in operation; DRS is currently developing further business opportunities to attract more rail freight for the terminal in order to strengthen the socio-economic legacy of this facility
- the LLWR/DRS Alliance has delivered a flexible logistics solution for the packaging, transport, management and storage of low level waste materials. Both road and rail operation has been utilised in a manner that offers a safe and secure transport solution, and value for money for the end customer. This initiative supports the NDA's transport strategy to utilise rail where possible and integrate transport needs of the estate.
- DRS is finalising the arrangements for transport of material from Harwell which is expected to commence in May 2013, and
- DRS has also secured a stand-by and rescue contract with Virgin Trains, which has been in place since December 2012, supporting Virgin passenger services on West Coast Main Line

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	6.78
Days Away Case Rate	1.28
RIDDOR major injury	0
RIDDOR lost time accident	3
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

International Nuclear Services Limited

International Nuclear Services Limited (INS) manages the NDA's large portfolio of contracts with UK and international utilities for nuclear fuel management services and nuclear transport services.

INS also operates Pacific Nuclear Transport Limited (PNTL), and is the world's leading shipper of nuclear materials.

Mark Jervis
Managing Director
International Nuclear Services

In its two principal roles, namely as agent for the NDA's utility contracts and as a provider of transport services, 2012/2013 was a year of significant activity for INS. Early in the year, INS negotiated a series of contracts on behalf of the NDA in relation to European owned plutonium. In addition, throughout the year, INS has continued to ensure the NDA's obligations under its utility contracts continue to be managed in line with customer expectation and consistent with NDA's overall strategy, recognising that these contracts continue to be a significant source of revenue. During the year, INS has also worked to ensure alignment between the NDA's requirements of INS as agent and INS' performance in this role.

2012/2013 also saw an increased volume of transport related activities with an increased number of deliveries including MOX fuel, a high-level waste return and a movement under the Global Threat Reduction Initiative (GTRI).

Key developments in 2012/2013 include:

- **European owned plutonium**
  On behalf of the NDA, INS negotiated a series of contracts with German and French organisations to enable series of swaps of title of plutonium which enabled German plutonium to be available in France for MOX manufacture without the need for a physical shipment. The swaps did not increase the overall amount of plutonium in the UK

- **MOX transport to Germany**
  INS completed the transport from the UK to Germany of two batches of MOX fuel manufactured in the Sellafield MOX Plant prior to closure. These transports were a clear demonstration of INS' unique capabilities, with its Civil Nuclear Constabulary partner, in the international transport of specialist nuclear materials

- **Return of overseas waste**
  INS successfully completed a further return of vitrified high-level waste to Japan in February. The transport fulfils contractual and UK policy obligations to return wastes arising under the NDA's reprocessing contracts with Japanese utility customers

- **Transport Centre of Excellence within the NDA estate**
  INS has developed its role in supporting various transport objectives across the NDA estate. This has included the ongoing investment in the new INS 3578 package to support material consolidation moves. INS has also assumed the Transport and Logistics Strategic Authority role for the NDA

- **NDA/EDF Energy key account management**
  Following a review of the overall management and co-ordination of interfaces, the NDA with the support of EDF Energy asked INS to take up the role of EDF Energy Key Account Manager. This role acts as a service provider to help improve and optimise NDA's business with EDF Energy

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate (INS & PNTL)	0.33
Days Away Case Rate	0.11
RIDDOR / MAIB* major injury	1
RIDDOR / MAIB lost time accident	1
RIDDOR dangerous occurrence	0
MAIB Reportable Marine Incident (non-injurious)	2
INES incidents	0
Environmental non-compliance	0

*MAIB – Marine Accident Investigation Branch

NDA Properties Limited

NDA Properties Limited holds and manages the majority of the non-nuclear property assets within the NDA Group. The company now has single agreements in place for the provision of property management services and facilities management across its entire portfolio, and has commenced selective property developments in support of the NDA's wider objectives.

David Atkinson
Managing Director
NDA Properties Limited

Over the next three years, the company will concentrate on the refurbishment of its Hinton House property in Warrington, development of office accommodation for Sellafield staff at Albion Square in Whitehaven, and planning and development of a National Nuclear Archive in Caithness. It will continue a programme of selective disposal of assets surplus to the needs of the NDA estate.

The company works on opportunities to improve efficiency of property assets in accordance with Government direction and standards.

During the year, the company received planning consent for the Albion Square office development in Whitehaven, a culmination of three year's close working and cooperation with key stakeholders. This building will provide accommodation for up to 1,000 Sellafield Limited staff. Freehold land has been acquired, detailed design completed and the principal construction contract was let in March 2013 with ongoing activity to engage the local supply chain in support of regeneration initiatives in West Cumbria. This marks a significant and exciting change in role for the company and will be followed by a £15 million programme of refurbishment of the offices at Hinton House in Warrington, and commencement of the planning process for the National Nuclear Archive in Caithness.

The company has categorised its assets into three groups:

- properties necessary to support operation of the NDA estate
- properties held until lease termination or for disposal within 24 months, and
- properties (mainly agricultural tenancies) close to the nuclear licensed sites, managed to provide an income stream prior to eventual disposal.

Our Summergrove property is expected to be leased to the organisation responsible for provision of student accommodation as part of the Energy Coast Campus initiative supporting the socio-economic development of West Cumbria

Rutherford Indemnity Limited

Rutherford Indemnity Limited is registered in Guernsey and is regulated by the Guernsey Financial Services Commission. The company provides insurance cover for the NDA and its estate, with particular focus on nuclear liability cover and provision of support for changes to insurance requirements arising from expected revisions to the Nuclear Installations Act.

John Langlois OBE
Chairman
Rutherford Indemnity Limited

Transacting insurance
The company participates in the NDA's insurance programme with a share of the property damage, nuclear site and transit liabilities, general liability, motor (damage only), construction, marine hull and cargo, life and sickness insurance programmes.

The company retains a prudent proportion of risk for its own account and buys reinsurance in the commercial market from organisations with approved security ratings. This arrangement transfers volatility from the NDA's budget and, by demonstrating a significant financial commitment to the insurance market, enables the NDA to secure appropriate financial protection on competitive terms.

During the year the company has increased the amount of risk it retains for its own account, thereby reducing the NDA's reliance on external (re)insurance markets. The company continues to meet all of its regulatory solvency requirements and has sufficient capacity to continue to support the NDA by retaining more risk where it makes commercial sense to do so.

This insurance strategy is not expected to change in the short-term. A key challenge for the company in the medium term will be to ensure that it is well placed to respond to the NDA's requirements arising from the proposed changes to the Paris and Brussels Conventions on nuclear third party liability.

Investment management
During the year, the company overhauled its investment strategy and asset allocation with the intention of better matching the return on its portfolio to its actual and contingent liabilities.

New investment advisors have been appointed, and the Investment Committee has been strengthened by the appointment of a new independent chairman from the investment management industry. The company continues its close monitoring of investment performance and capital security.

The company has changed from investments in short dated UK government fixed interest securities and appointed three different fund managers with distinct investment styles to manage the funds against a common mandate. This incorporates strict credit and ethical investment criteria and targets an above inflation rate of return.

Returns on investments were positive at 4.75% for the year.

Operational efficiency
In order to ensure continuing value for money, captive management services have been retendered at the year end in readiness for the contract renewal in July 2013.

Introduction to the Site Licence Company Reports

The following pages give a brief report on each of the NDA's designated sites, grouped by the Site Licence Company which operates the site on behalf of the NDA. The SLCs are subsidiaries of their respective PBOs and operate the sites under contract from the NDA.

The reports cover progress towards delivering key milestones and activities outlined in our 2012/2015 three year Business Plan and an overview of safety and environmental performance during 2012/2013.

How to read the SLC reports

Below are some definitions of key concepts and terminology that are used throughout this section of the Annual Report and Accounts.

Summary of health, safety, security and environmental performance

The reports on the SLCs provide an overview of the health, safety and environmental incidents reported during 2012/2013.

The following points define the different types of reportable incidents at a nuclear licensed site, as well as other health, safety and environmental information:

- **Total Recordable Incident Rate and Days Away Case Rate** are standardised measures that we use to monitor industrial health and safety performance
- **RIDDOR** stands for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, 1995. It applies to all work activities but not to all incidents that may occur
- **The International Nuclear and Radiological Event Scale (INES**) is a scale for communicating the safety significance of events reported at nuclear installations. There are seven levels on the INES scale, ranging from an anomaly (Level 1), which indicates the least serious incident on the INES scale, to a major accident (Level 7), which is the maximum on the INES scale. The data provided in this section indicates the frequency of incidents reported rather than the severity of the incidents, and
- **Environmental non-compliance** is a breach of a permit condition set by the Environment Agency (EA) or the Scottish Environment Protection Agency (SEPA) that prevents or controls the risk of pollution to the environment

Key milestones and deliverables

Key milestones are agreed at the start of each financial year to enable the effective measurement of progress against objectives through agreed reporting procedures. The milestones and activities listed for each site are taken from the 2012/2015 NDA Business Plan and are colour coded to reflect the strategic themes to which the target belongs, also consistent with the Business Plan.

- **Completed** – the key milestone or activity has been completed during the financial year (2012/2013)
- **On Schedule** – the key milestone or activity was due for completion after 31 March 2013 and as at that date was on track to be completed to schedule
- **Behind Schedule** – the key milestone or activity was due for completion before 31 March 2013 and as at that date there had been a delay to the schedule, and
- **Deferred** – Activity deferred due to re-prioritisation and/or reallocation of funding

Other site information

- **Parent Body Organisation (PBO)**
  In the NDA's contracting structure a PBO bids to own a SLC. The PBO may form a holding company to hold the shares in that SLC. This PBO then appoints a management team to run the SLC
- **Site Licensee or Site Licence Company (SLC)**
  This is the entity that holds the nuclear site licence and discharge authorisations in respect of a nuclear licensed site and which is directly responsible for day to day site management and operations

Sellafield Limited

Sellafield Ltd	Sellafield Limited is the SLC responsible for the operation of Sellafield (including Calder Hall), Capenhurst (until Dec 2012) and Windscale nuclear licensed sites. The PBO is Nuclear Management Partners Limited (NMPL) (a consortium comprising URS, Amec and Areva)

Todd Wright
Managing Director
Sellafield Limited

The past 12 months have been very challenging for Sellafield Ltd, both in terms of operational issues and intense stakeholder scrutiny such as the NAO report and the PAC evidence session. But we welcome this focus. We have also made progress against a number of notable milestones in delivering the NDA mission.

Stakeholders rightly expect the very highest standards from our industry, in safety and security and also in efficiency and value for money. I am pleased to report that Sellafield has achieved its best ever safety performance.

I feel immense pride when I see the changes that underpin our successes taking place and becoming embedded in the company. We have started our journey, but there is a lot more still to do. We have seen progress in a number of important areas and achievements in the year include:

- total of 7000te of fuel reprocessed at THORP over lifetime
- installation of new perimeter fence
- a record period of 5.7 million man hours without a Lost Time Accident
- pipebridge installation completed for sludge export from First Generation Magnox Storage Pond (FGMSP)
- refurbishment of the FGMSP Skip Handler
- established Major Projects Directorate, and
- IChemE award for Nuclear Innovation and Core Chemical Engineering

Many of the challenges we face relate to the site's ageing infrastructure and we have also had a number of operational challenges. Work still needs to be done to achieve our Performance Plan commitments and this will be a key focus area for the coming financial year.

We are working closely with the NDA through the Sellafield Priorities Group to ensure we address challenges such as asset management and the Legacy Ponds and Silos programme in an integrated manner.

We have a very important mission to deliver on behalf of the NDA, and we continue to be totally focussed on delivering that mission. We are blending international expertise with the best nuclear workforce I've ever worked with, creating a powerful tool to deliver our challenging decommissioning programme.

NB – From May 2013, Todd Wright became Chair of the Sellafield Ltd Board, and was succeeded as Managing Director by Tony Price

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.36
Days Away Case Rate	0.18
RIDDOR major injury	3
RIDDOR lost time accident	12
RIDDOR dangerous occurrence	3
INES incidents	5*
Environmental non-compliance	21

**One incident is provisional at this stage and may be removed subject to investigation*

Sellafield (including Calder Hall) Capenhurst and Windscale

Regulatory Matters

- regulatory support to progress the development of strategic options for Dounreay Fast Reactor (DFR) and consolidation of nuclear materials
- continued monitoring of progress against decommissioning milestones
- continued delivery of Highly Active Liquor (HAL) stock reduction
- embedding the Safety Improvement Programme for the Leased Operations Facilities
- transitioning the Capenhurst site in line with the NDA's Strategy

NB – Capenhurst transferred to Urenco on 30 November 2012.

2012/2013 Business Plan Activities	
Site Restoration	
First Generation Magnox Storage Pond – complete construction of Sludge Packaging Plant 1 buffer storage facility – commence retrieval of fuel from pond floor	Behind Schedule Completed
Pile Fuel Cladding Silo – complete construction of the superstructure to house the equipment needed to retrieve waste from the silo – complete Retrievals Access Penetration detailed design	Completed Completed
Pile Fuel Storage Pond – continue removal of sludge from the pond – continue removal of contaminated metal for treatment and storage – continue the transfer of metal from the pond for storage – commence the transfer of oxide fuel from the pond for storage	Completed Completed Completed Completed
Magnox Swarf Storage Silo – complete 'project concept' design review for Silos Direct Encapsulation Plant – complete the Silo Emptying Plant assembly – complete seismic improvements on second extension - *this is due to the discovery of previously unidentified underground services and structures during excavation*	Completed Completed Behind Schedule
Capenhurst – progress site integration into URENCO – Continue to process uranic residues (2012/2013 target)	Completed Completed
Decommissioning – progress removal of filter gallery from Windscale Chimney Pile 1- *the filter gallery demolition project has suffered from performance issues and as a result improvement measures have been put in place* – continue to retrieve and treat, for long-term storage, legacy flocculent from the flocculent storage tanks - a *total of 116m³ of flocculent has been treated compared to performance plan target of 520m³. Operations have been put on hold and significantly delayed by plant issues*	Behind Schedule Behind Schedule

Spent Fuels	
Continue to reprocess Magnox Fuel in line with the MOP- *a total of 383te of Magnox spent fuel was decanned compared to the performance plan target of 695t. Throughput was constrained by downstream plant issues and resolution of pressurised system regulation conformance issues.*	Behind Schedule
Receive the first batch of DFR Breeder fuel at Sellafield	Completed
Continue to receive Advanced Gas Reactor (AGR) fuel from EDF	Completed
Continue to reprocess oxide fuel through THORP from EDF and overseas customers - *228.5t of oxide spent fuel sheared compared to the performance plan target of 408 te. Throughput was reduced due to a number of issues including resolution of pressurised system regulation conformance issues and a power outage*	Behind Schedule
AGR Programme – ongoing removal of Multi-Element Bottles (MEBs) from THORP	Completed
Manage Nuclear Materials	
Sellafield is the custodian of the majority of the UK's stock pile of plutonium and its safe, secure storage is of the utmost priority. Consolidation of materials is an ongoing activity and will continue to be part of the sites mission	Completed
Continue the safe and secure storage of plutonium in line with UK policy	Completed
Explore the consolidation of materials across the NDA estate	Completed
Integrated Waste Management	
Continue to process HAL through the Waste Vitrification Plant - *an output of 1,414teU equivalent of vitrified waste has been processed which is less than the performance plan target due to several processing difficulties which have limited container output.*	Behind Schedule
Continue to repatriate overseas owned vitrified HAL to country of origin	Completed
Continue to transfer legacy Plutonium Contaminated Material (PCM) to modern engineered stores	Completed
Diversion of materials from LLWR in line with the LLW Strategy implementation and optimisation	Completed
Continue to receive further module deliveries for the construction of Evaporator D	Completed
Critical Enablers	
Complete handover of the boiler park from Sellafield to Fellside - *the review of the business case has been implemented to align with the alternative project restart arrangements and work scope, currently under development through the Infrastructure Services Alliance*	Behind Schedule
Complete handover of refurbished Grid Transformers	Completed
Continue the Sellafield Infrastructure Enhancement Programme	Behind Schedule
Implementation of the focus areas of the Integrated Change Programme (ICP) across all operating units	Behind Schedule
Achieve a 20% reduction in support and overhead costs releasing revenues for decommissioning and clean-up	Completed

Magnox Limited

Magnox	Magnox Limited is the Site Licence Company (SLC) responsible for the management and operation of the Berkeley, Bradwell, Chapelcross, Dungeness A, Hinkley Point A, Hunterston A, Oldbury, Trawsfynydd, Sizewell A and Wylfa sites. Magnox Limited is owned by Energy*Solutions* EU Ltd.

Neil Baldwin
Managing Director
Magnox Ltd

This year has seen the Magnox Optimised Decommissioning Programme (MODP) really come to life.

More decommissioning work is now taking place on the Magnox Sites than ever before. Spent fuel is being removed from reactor cores, ponds are being emptied, asbestos and other hazardous materials are being stripped and removed, and Intermediate Level Waste (ILW) that has sat in old vaults and tanks for many years is now being retrieved, conditioned and placed in up-to date storage conditions for eventual disposal.

Taking a Magnox Site into care and maintenance in the next few years is now firmly within our grasp, and arrangements are already being put into place to enable that to occur.

The work is being undertaken safely, using a programmatic approach, by a committed workforce and supply chain partners. They can rightly be proud of their achievements this year.

Key developments in 2012/2013 include:

- a Licence Instrument was received from ONR enabling Inter-Reactor Transfer of fuel (IRX) at Wylfa. This has secured continued operation through to 2014
- the entry requirements for care and maintenance have been progressed with the concept of a 'Hub' being developed and discussed with Regulators and community representatives, and a Hub Director appointed. A revised care and maintenance strategy has been developed, reducing the baseline by £544 million
- Dungeness completed defuelling, received fuel free verification and transitioned from the defuelling to decommissioning phase
- Chapelcross completed defuelling of all four reactors six weeks ahead of the extremely challenging target set. This required defuelling rates to be significantly improved and sustained over a 12-month period
- spent fuel movements within the year totalled 359TeU. MOP9 has included the first DFR fuel shipment to Sellafield
- benefits have been realised through the 'lead and learn' concept across programmisation, particularly in the retrieval and conditioning of various wastes to a safe state for storage
- more than 50% of the accelerated decommissioning programme scope to get Bradwell and Trawsfynydd into early care and maintenance is now complete
- FED, sludges and resins are now being retrieved from old vaults and tanks at Bradwell and Trawsfynydd
- the removal of bulk asbestos from Hinkley was completed after a nine-year project, and
- Magnox received the Engineering Construction Sector award at the 2012 RoSPA ceremony and all sites received individual awards

NB - Energy Capital Partners II LLC became the ultimate parent of Energy Solutions EU Ltd (and therefore Magnox Ltd) on 24 May 2013.

Safety and Environmental Performance:

Issue	Number
Total Recordable Incident Rate	0.20
Days Away Case Rate	0.13
RIDDOR major injury	7
RIDDOR lost time accident	1
RIDDOR dangerous occurrence	2
INES incidents	1
Environmental non-compliance	4

Magnox Support Office

Magnox Support Office is responsible for the management of the Magnox SLC and operation of the Magnox sites via the Executive management team. It consists of a series of functional organisations that provide both leadership and strategic direction and act to ensure demonstration of improved value for money to the NDA.

Regulatory Matters

- NDA and regulatory concurrence to care and maintenance entry definition and arrangements

2012/2013 Business Plan Activities	
Spent Fuel	
Management of MOP9 and co-ordination of Magnox fuel management activities with Sellafield and Dounreay	Behind Schedule
Integrated Waste Management	
Delivery of the Magnox and LLWR joint waste management plan for LLW - *half of the 2012/2013 target has successfully been disposed of, proving the route from England, Scotland and Wales. Very Low Level Waste (VLLW) anticipated to be disposed from Chapelcross has been deferred to enable further characterisation to be carried out for better application of the waste hierarchy and to potentially deliver lower costs*	Behind Schedule
Business Optimisation	
Seek to optimise electricity generation at Wylfa	Completed
Explore synergies of new activities adjacent to NDA sites through utilisation of existing assets where appropriate to reduce impact and costs	Completed
Critical Enablers	
Provide support to the NDA in competition for the PBO	On Schedule
Establish the 'lead and learn' principle and focus on building a delivery organisation	On Schedule
Execute and continuously improve delivery of the MODP	On Schedule
Embed a Programme Delivery Organisation across the Magnox estate and drive value through implementation of best practice	On Schedule
Achieve a 20% reduction in support and overhead costs releasing revenues for decommissioning and clean-up	Completed

Berkeley

Location: Gloucestershire
Area: 27 hectares of which 11 hectares are de-licensed and de-designated

Regulatory Matters

- concurrence for use of Ductile Cast Iron Containers (DCICs) for the Berkeley ILW management programme

2012/2013 Business Plan Activities	
Integrated Waste Management	
Continue active waste vaults retrieval - *the manufacture of the FED retrieval and processing modules has commenced but the processing and packaging modules are behind schedule due to resource constraints*	On Schedule
Continue retrieval and packaging of other ILW wastes	On Schedule

Bradwell

Location: Bradwell
Area: 20 hectares

Regulatory Matters

- regulatory concurrence to care and maintenance entry definition and arrangements

2012/2013 Business Plan Activities	
Site Restoration	
Continued pile-cap de-plant	On Schedule
Ponds centre bay drained and stabilised	Completed
Desiccant retrieval complete	Completed
Integrated Waste Management	
Commence FED retrieval and dissolution	Behind Schedule
Complete active commissioning of aqueous discharge abatement plant - *following a hazard and operability review, the project was given a range of technical queries to progress, which will be integrated into the design.*	Behind Schedule
Critical Enablers	
Capture lessons learned for application to other Magnox sites (lead and learn)	On Schedule

Chapelcross

Location: Dumfries and Galloway
Area: 96 hectares

Regulatory Matters
- site fuel free verification agreed with ONR

2012/2013 Business Plan Activities	
Site Restoration	
Completion of bulk asbestos removal from heat exchangers and turbine hall	Completed
Continued hazard reduction activities towards interim care and maintenance	On Schedule
Spent Fuels	
Completion of reactor defuelling requirements in line with MOP	Completed

Dungeness A

Location: Kent
Area: 20 hectares

Regulatory Matters
- site fuel free verification agreed with the ONR

2012/2013 Business Plan Activities	
Site Restoration	
Continued hazard reduction activities towards interim care and maintenance	On Schedule
Spent Fuels	
Completion of reactor defuelling requirements in line with the MOP	Completed
Integrated Waste Management	
Complete retrieval and processing of LLW sludge	Completed

Hinkley Point A

Location: Somerset
Area: 19 hectares

2012/2013 Business Plan Activities	
Site Restoration	
Complete bulk asbestos removal	Completed

Hunterston A

Location: Ayrshire
Area: 15 hectares

2012/2013 Business Plan Activities	
Site Restoration	
Pond dewatering and drainage ongoing	On Schedule
Integrated Waste Management	
Continued development and optimisation of solid ILW management programme	On Schedule
Commence ILW wet retrieval plant commissioning - *there has been slippage in the inactive commissioning phase, resulting in a delay to the start of recovery of ILW*	Behind Schedule

Oldbury

Location: South Gloucestershire
Area: 51 hectares

Regulatory Matters

- commencement of decommissioning activities in line with Environmental Impact Assessment for Decommissioning (EIAD)

2012/2013 Business Plan Activities	
Site Restoration	
Preparations for decommissioning and hazard reduction	Completed
Spent Fuels	
Commencement of reactor defuelling in line with MOP	On Schedule
Critical Enablers	
Commencement of the organisational change programme for decommissioning	On Schedule

Sizewell A

Location: Suffolk
Area: 14 hectares

2012/2013 Business Plan Activities	
Site Restoration	
Maintain facilities in a safe state	On Schedule
Spent Fuels	
Continued defuelling in line with MOP	On Schedule

Trawsfynydd

Location: Gwynedd
Area: 15 hectares

2012/2013 Business Plan Activities	
Site Restoration	
Continue safe-store asset care activities to support care and maintenance entry	On Schedule
Complete the strengthening of the capping roof	On Schedule
Complete North Lane Pond scabbling - *scabbling has been completed in all areas of the North Lanes with the exception of the North Corridor*	Behind Schedule
Completion of North FED civil enabling works - *delays as a result of Ventilation system issues and Safety Case amendments have impacted commencement of the works*	Behind Schedule
Combined sludge and resin vault retrievals	On Schedule
Integrated Waste Management	
Complete transfer of legacy waste to the ILW store	Completed
Critical Enablers	
Review the opportunity for personnel and skills transfer between Trawsfynydd, Wylfa and potential new build on Anglesey	On Schedule
Capture lessons learned for application to other Magnox sites (lead and learn)	On Schedule

Wylfa

Location: Anglesey
Area: 21 hectares

Regulatory Matters

- regulatory consent for continued operation of Wylfa using the Inter Reactor Transfer (IRX)

2012/2013 Business Plan Activities	
Spent Fuels	
Completion of secondary fuel route project for defuelling	On Schedule
Business Optimisation	
Explore the opportunity for continued electricity generation beyond December 2012	Completed

Dounreay Site Restoration Limited

Dounreay Site Restoration Limited	
Dounreay Site Restoration Ltd	Dounreay Site Restoration Limited (DSRL) is the SLC responsible for the operation of the Dounreay site. The PBO is Babcock Dounreay Partnership Limited (BDP). (a consortium comprising Babcock, CH2M Hill and URS)

Roger Hardy
Managing Director
DSRL

BDP took over the ownership of the Dounreay site following successful completion of share transfer on 31 March 2012. This is the first closure contract to take an NDA site to Interim End State.

DSRL has completed a successful year, with the consolidation phase of the new contract successfully completed.

DSRL is making good progress with the new LLW Facility which will be used for disposal of demolition LLW from the Dounreay and Vulcan sites to allow decommissioning and site restoration to continue. All concrete foundations and walls have been poured for the two LLW vaults with commencement of the erection of the steelwork for the demolition of the LLW vault.

DSRL has commenced removal of legacy fuels from Dounreay and five shipments of fuel have been transferred to Sellafield for reprocessing and storage.

DSRL is making good progress with the strategy for the remediation and decommissioning of the shaft and silo.

DSRL continue to progress the hazard reduction to expedite safe delivery of the site interim end state.

- three Material Test Reactor (MTR) storage tanks have been emptied, with 100m³ of MTR raffinate transferred and processed
- return of four shipments of MTR Belgian waste have taken place, and
- twenty six batches of Sodium Potassium (NaK) were processed through the NaK Disposal Plant, (NDP).

NB – From April 2013, Roger Hardy became Chair of the DSRL Board, and was succeeded as Managing Director by Mark Rouse

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.66
Days away case rate	0.55
RIDDOR major injury	1
RIDDOR lost time accident	1
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	7

Dounreay

Location: Caithness, Scotland
Area: 74 hectares

2012/2013 Key Activities	
Site Restoration	
Ongoing destruction of alkali metal on sodium wetted components from reactor decommissioning	On Schedule
Continue removal of spent fuel cans stored in the Prototype Fast Reactor (PFR) buffer store	On Schedule
Spent Fuels	
Complete preparations and commence 'Out of Reactor' breeder fuel shipments to Sellafield	Completed
Complete the removal of fuel from PFR Reprocessing Plant	On Schedule
Integrated Waste Management	
Continue with the construction of the new LLW Facility	On Schedule
Critical Enablers	
Complete inactive commissioning of equipment to remove breeder fuel from the DFR	Completed
Complete the new PBO baseline update to reflect the winning decommissioning strategy	Completed
Complete the design for an Un-irradiated Fuels Characterisation Facility to assay and package un-irradiated fuels for final disposition	On Schedule
Implementation of the socio-economic and stakeholder engagement plans	On Schedule

Research Sites Restoration Limited

Research Sites Restoration Ltd	Research Sites Restoration Ltd (RSRL) is the SLC responsible for the operation of the Harwell and Winfrith sites. The current PBO of the company is UKAEA Limited which is owned by Babcock International Group (BIG) Limited.

Tony Wratten
Managing Director
Research Sites Restoration Limited

NDA's acceptance of an optimised programme for restoring the Winfrith and Harwell sites represents a major landmark for RSRL. This will deliver significant savings to the taxpayer and provides a firm basis for us to plan against.

We have continued to make good progress on our core mission of hazard reduction and decommissioning as well as providing support for the new PBO contract. I have been particularly pleased with the progress that has been made on clearing legacy wastes from both of our sites as new waste routes have become available. There has been a modest improvement in our safety performance which I am looking to maintain as we strive to achieve our target of zero accidents.

Key Developments in 2012/2013 include:

- implementation of the optimised programme has brought forward the interim end date for Winfrith to June 2021 and for Harwell to 2027, with an associated reduction in lifetime costs
- good progress was made in preparation for the transfer of nuclear materials to Sellafield which will lead to early reduction in the security requirements at the Harwell site, with resultant savings
- recovery and repacking of historic ILW cans at Harwell benefited from incremental improvements to the process during the year resulting in more cans being treated than had been planned
- ancillary plant has been removed from the secondary containment of the DRAGON reactor and the concrete bio-shield has been removed down to reactor top level
- planning consent has been received for a new Intermediate Level Waste store at Harwell to accommodate wastes from future decommissioning work, and
- twenty seven hectares of land at Harwell has been cleared and will soon be released to the partnership that is developing the wider Harwell Oxford campus

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.57
Days Away Case Rate	0.29
RIDDOR major injury	1
RIDDOR lost time accident	0
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

RSRL

2012/2013 Business Plan Activities	
Site Restoration	
Development of programme optimisation including accelerated scenarios / options	Completed
Critical Enablers	
Provide support to the NDA in the competition for a new PBO	On Schedule
Development of optimised decommissioning plan options	Completed
Achieve a 20% reduction in support and overhead costs releasing revenues for decommissioning and clean-up	Completed

Harwell

Location: Oxfordshire
Area: 110 hectares of which 18 hectares has now been de-licensed

Regulatory Matters

- ONR agreement in principle for revised arrangements of transporting nuclear material was given in March 2011 and documentation has been submitted to them for DRAGON fuel transfer.

2012/2013 Business Plan Activities	
Site Restoration	
Care and maintenance of redundant reactors and other facilities	On Schedule
Decommissioning of Liquid Effluent Treatment Plant (LETP) – *this is due to a change in methodology for a safer and more cost-effective approach.*	Behind Schedule
Integrated Waste Management	
Recovery, processing and packaging of solid ILW	On Schedule
Nuclear Materials	
Progress the capability to transfer materials off site	On Schedule

Winfrith

Location: Dorset
Area: 88 hectares

Regulatory Matters

- agreement to the decommissioning programme – a Winfrith Closure programme was submitted for consideration by the NDA in September 2011.

2012/2013 Business Plan Activities	
Site Restoration	
Prepare Winfrith for Interim State in a safe and secure manner and review opportunities for optimisation	On Schedule

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Low Level Waste Repository Limited

Low Level Waste Repository Limited	
LLWR Ltd	Low Level Waste Repository (LLWR) Limited is the SLC responsible for the operation of the LLW repository near the village of Drigg in Cumbria and delivering the National Programme for lower activity radioactive waste on behalf of NDA. The PBO of the company is UK Nuclear Waste Management Limited. (a consortium comprising URS, Studsvik, Areva and Serco)

Dennis Thompson
Managing Director
Low Level Waste Repository Limited

Financial year 2012/2013 sees us through the end of the first contract term. I am delighted that we have successfully completed our contractual commitments and hence been awarded a five-year contract extension. Focus during the next term turns to implementation of the National Programme to extend the life of LLWR and reduce waste costs for our customers. We also aim to deal with the legacy issues remaining on site and operate the Repository reliably and efficiently.

Key developments in 2012/2013 include:

- completed contractual commitments due in the first contract term
- continued to work with the Environment Agency (EA) during its review of the Environmental Safety Case (ESC)
- worked collaboratively with Magnox to remove 10 boilers from the Berkeley site ahead of schedule
- diverted 1,519 tonnes of metallic waste, 1,428m^3 of Very Low Level Waste and 451m^3 of combustible waste from the Repository through the alternative treatment routes
- launched an integrated transport and logistics service to our customers, and
- made good progress on the PCM Decommissioning Programme - Reduced the classification of Magazine 4 representing a major milestone for the project

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0
Days Away Case Rate	0
RIDDOR major injury	0
RIDDOR lost time accident	0
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	3

Low Level Waste Repository

Location: Cumbria
Area: 109 hectares

Regulatory Matters

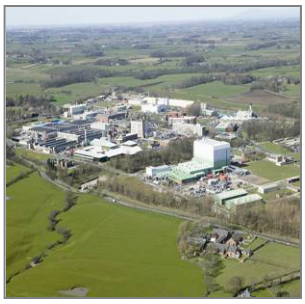
- demonstrate Conduct of Operations and Maintenance Improvements to ONR
- ongoing Support for the Environment Agency assessment of ESC
- determination of the Site Optimisation and Closure Works Planning Application

2012/2013 Business Plan Activities	
Site Restoration	
Commence site preparation for phased construction of final cap	On Schedule
Ongoing decommissioning of PCM facilities	Behind Schedule
Ongoing implementation of the ESC	On Schedule
Integrated Waste Management	
Continue segregated waste and disposal services	On Schedule
Work with consigning SLCs to further implement the LLW Strategy	On Schedule
Operation of new LLW packaging containers	On Schedule
Integrate transportation of waste with other programme moves	On Schedule
Commence phased implementation of the ESC	On Schedule
Decommissioning of PCM facilities	Behind Schedule
Delivery of the National Waste Programme to optimise LLW Strategy Implementation	On Schedule
Critical Enablers	
Achieve a 20% reduction in support and overhead costs releasing revenues for decommissioning and clean-up	Completed

Springfields Fuels Ltd

Springfields Fuels Limited is responsible for the operation of the Springfields fuel manufacturing site.

Springfields



Springfields is a nuclear fuel manufacturing site and is located near Preston in Lancashire. The site manufactures a range of fuel products for both UK and international customers and decommissions historic uranic residues and redundant facilities.

From April 2010, the NDA permanently transferred ownership of the company to Westinghouse Electric including the freedom to invest for the future under the terms of a new 150 year lease. SFL is contracted to provide decommissioning and clean-up services to the NDA to address historic liabilities prior to the sale.

Key Activities

2012/2013 Business Plan Activities	
Site Restoration	
Continue the Post Operational Clean Out (POCO) and decommissioning of redundant areas	On Schedule
Nuclear Materials	
Processing historic residues to recover uranium to return to the nuclear fuel cycle	On Schedule

Capenhurst Nuclear Services Ltd

Capenhurst Nuclear Services Ltd is responsible for the operation of the Capenhurst site.

Capenhurst

The Capenhurst site is located near Ellesmere Port in Cheshire, and was formerly home to a uranium enrichment plant and associated facilities that ceased operation in 1982. In November 2012 the site was transferred to URENCO, owners of the adjacent licensed site, and was amalgamated into a single nuclear licence. Existing activities undertaken by Sellafield Ltd have transferred to URENCO.

Agreement has been signed for processing of NDA owned legacy materials. NDA and URENCO have also signed an agreement for the processing of Government-owned by-product/legacy material from uranium enrichment (known as 'Tails') through URENCO's Tails Management Facility.

It is anticipated that this agreement will reduce NDA's net liabilities for managing and clearing the site while also paving the way for URENCO to invest in new facilities as required in order to meet future customer demand.

Key Activities

2012/2013 Business Plan Activities	
Site Restoration	
Progress site integration into URENCO	Complete
Continue to process uranic residues (2012/2013 target)	Complete

NDA Sustainability Report

Purpose

This report describes the NDA's sustainability performance, alongside related financial information, as required by HM Treasury's Financial Reporting Manual (FReM)[1]. As part of its sustainable development strategy the Government encourages both companies and public bodies to disclose their sustainability and environmental performance via their annual reports and accounts. The report also explains the NDA's contribution to sustainability performance under the Greening Government Commitments (GGC)[2].

As a Non-Departmental Public Body reporting to the Department of Energy and Climate Change (DECC) we have aligned our report to their reporting standard. The boundary for this report is for the NDA administrative organisation (core NDA) as this covers direct operational control. There is a previously agreed exemption (by the Sustainable Development in Government (SDiG) Exemption Panel) that the NDA's subsidiaries and wider nuclear site estate are outside this reporting boundary.

Our targets

Optimising internal environment management can contribute to delivery of cost savings to the business, as well as delivering our Environmental Management System (EMS) targets and sustainability commitments to government. As part of our ISO14001:2004 certification [3] NDA has had defined internal environmental performance targets since 2008. Following revised guidance from government, via our sponsoring body DECC, we have re-aligned our Internal Environmental Management (IEM) targets to those GGC targets to be mandated on the wider government estate. These include:

- 25% reduction in CO2e emissions from energy and business travel
- 25% reduction in waste arisings
- reduce water use and aim for the 'good practice' range of 4-6m^3 per FTE per year in each of our buildings
- 20% reduction in domestic air travel, and
- 10% reduction in paper use in 2011/2012.

These headline targets are to be achieved by March 2015.

Summary of performance

This report describes the NDA's sustainability performance referred to in the HSSE section earlier in this document.

Our environmental performance in 2012/2013 was again good compared to our baseline year of 2009/2010 (this is the GGC baseline year).

We reduced our scope 1 and 2 emissions by 3% this year, which is a 27% decrease on the baseline year. Our total greenhouse gas emissions have decreased by 3% this year, which means a 31% decrease on the baseline year.

Our waste generation remained steady this year (increase of less than 1%) but overall this still gives an overall reduction of 37% on the baseline year.

Our water usage decreased by 3% this year despite there being a major weak leak in one of the buildings in which we are a minority tenant. Overall there is a 4.5% decrease in water usage from the baseline year.

The NDA also tracks its performance against paper usage as this is one of our major environmental and resource aspects. We have a 44% reduction in our paper usage compared to the baseline year.

[1] http://www.hm-treasury.gov.uk/frem_sustainability.htm
[2] http://sd.defra.gov.uk/gov/green-government/commitments/
[3] LRQA Approval Certificate No: LRQ 4002929

Summary of Performance

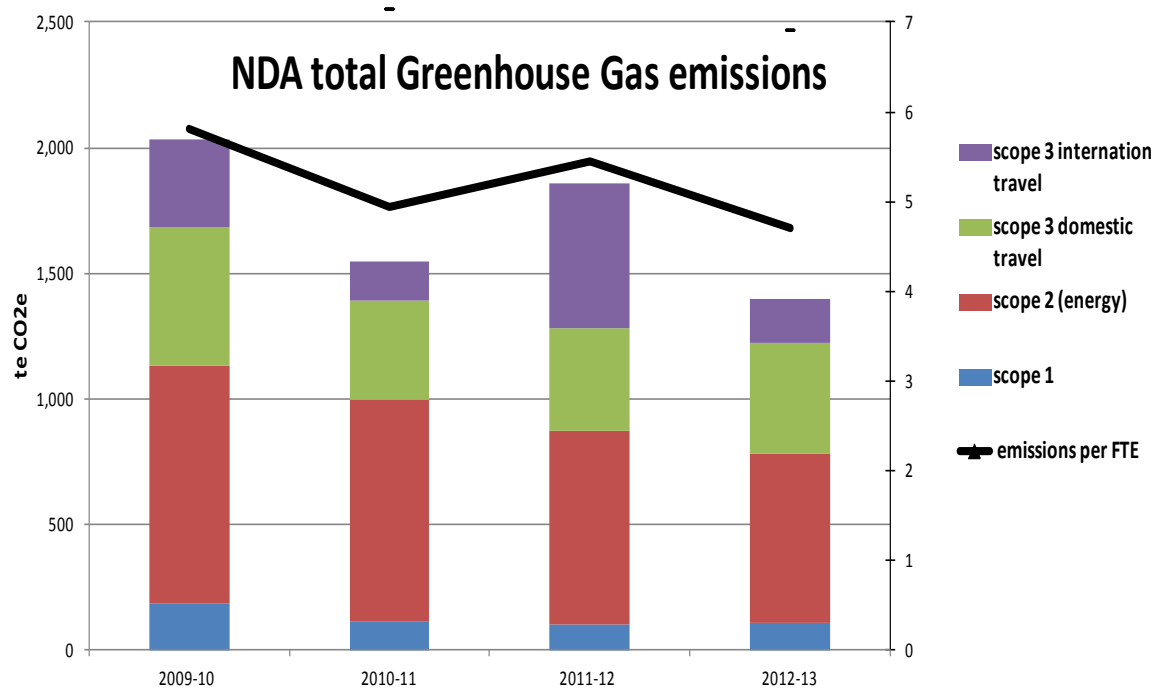
AREA		ACTUAL	TARGET PERFORMANCE
Greenhouse gas emissions (Scopes 1, 2 & 3 Business travel including international air travel)		1,399 tCO_2e	Exceeding target
Number of domestic flights		549	Exceeding target
Office waste	Amount	38.4 te	Exceeding target
	Expenditure	£10.9k	-
Office water	Consumption	2,567m^3	On target
	Expenditure	£12.0k	-
Office energy	Consumption	1.40 million kWh	On target
	Expenditure	£109k	-
Office paper	Amount (A4&A3 reams equivalent)	3,997	On target
	Expenditure (inc. printing)	£83.8k	-
Office paper - GGC target of cutting our paper (A4&A3) use by 10% in 2011/2012* from a 09/10 baseline		30%*	Target achieved

Performance

GREENHOUSE GAS EMISSIONS		Baseline 2009/10	2010/11	2011/12	2012/13
Non Financial Indicators (tCO^2e)	Scope 1 (gas & oil, owned cars)	185	118	103	109
	Scope 2 emissions (electricity)	944	878	773	673
	Total scope 1 & 2 emissions	1,129	996	876	782
	Total scope 1 & 2 emissions per FTE	3.23	3.18	3.28	2.36
	Scope 3 (business travel)	737	552	565	617
	Number of domestic flights	979	628	533	549
	Total scope emissions (1,2 &3) – te CO_2e	**1,866**	**1,548**	**1,441**	**1399**
Financial Indicators	CRC expenditure	n/a	n/a	£1,841k	£1,770k[4]
	Carbon offset cost	0	0	0	0
	Business travel cost	£1,221k	£983k	£977k	£1,127k

[4] estimated.

Graphical Analysis



Targets and Commentary

NDA's own target is to reduce its emissions by 25% by 2015 compared to a 2009 baseline – this is in line with the GGC target. Our emissions decreased by 3% this year which means we are currently exceeding our target with a 31% decrease on the baseline year.

In relation to the GGC target which covers only Scope 3 emissions from domestic travel rather including international travel, there was a 3% reduction giving an overall 27% decrease on the baseline year.

There is a GGC target to cut the number of domestic business flights by 20% by 2015 from a 2009/2010 baseline. We are currently have a 44% reduction on our baseline year although there was a 3% increases in domestic flights in 2012/2013.

Under the CRC Energy Efficiency Scheme NDA has responsibility to account for Sellafield nuclear site's electricity usage and CHP gas emissions through the Fellside CHP plant. The NDA's CRC costs in 2012/2013 are an estimate of CO2 from the energy use for NDA and Fellside CHP at £12 per te CO2 equivalent. We estimate that the costs of CRC allowances just for the NDA will be £13k out of the total in the table above (i.e. <1%).

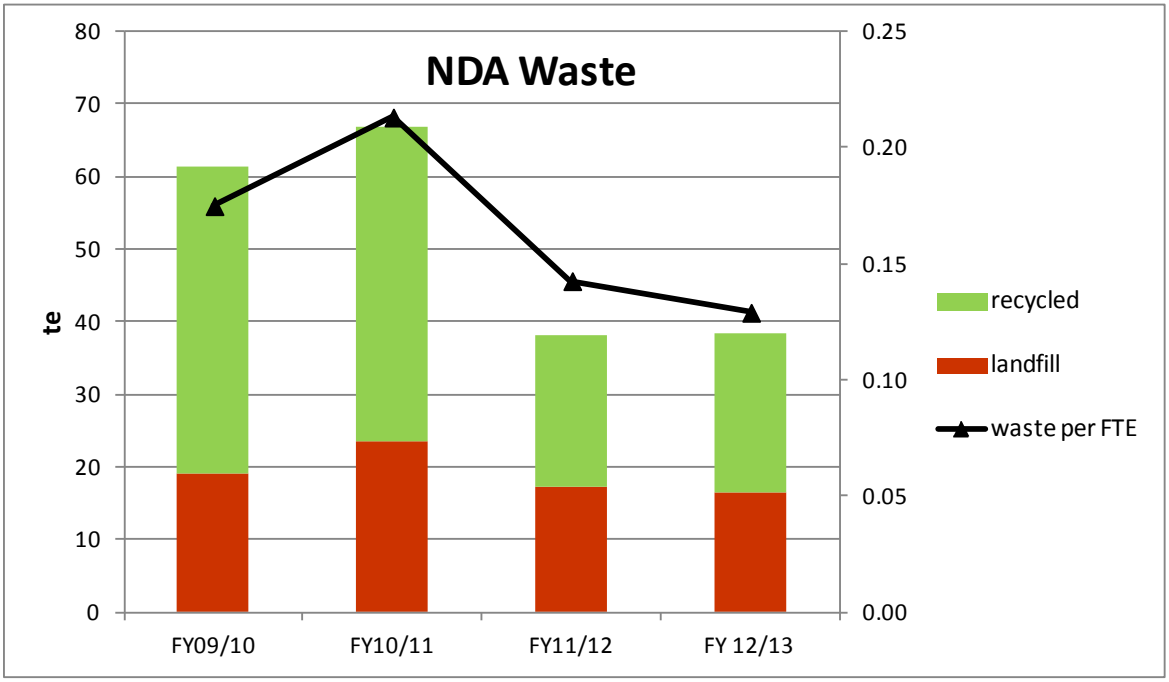
The NDA's main impacts are from our buildings energy use and from fuel for business travel. We have internal annual targets for both these aspects. The NDA does not include commuter or relocation mileage in its scope 3 emissions. However economical driving techniques are included, as well as safety aspects, as part of a driver training programme for our higher mileage staff.

NDA's electricity is purchased through the Government Procurement Service (GPS) contract. Currently this includes ~ 10% from 'green' sources. However from April 2013 all our electricity purchased through the GPS contract will be 'green'. We will therefore no longer have to pay Climate Change Levy (CCL).

Our procurement follows treasury rules and guidance. Facilities Management services procurement includes efficiency as part of the criteria judged in the tender process and monitoring of contract performance. We do not account for supply chain or embedded emissions from purchased products or services. We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from energy usage.

WASTE			Baseline 2009/2010	2010/11	2011/12	2012/13
Non Financial Indicators (tonnes)	Total waste arisings (t)		61.3	66.7	38.1	38.4
	Total waste arisings (t) per FTE		0.18	0.21	0.14	0.13
	Hazardous waste (t)	Total	0	0	0	0
	Non hazardous waste (t)	Landfill	19.0	23.6	17.2	16.4
		Reuse/ Recycle	42.3	43.1	20.9	22.0
		Recycling rate	69%	64.6%	55%	57%
Financial Indicators	Total disposal cost		£14.3k	£16.1k	£16.4k	£10.8k

Graphical Analysis



Targets and Commentary

NDA's target is to reduce its waste arising by 25% by 2015 compared to a 2009 baseline – this is a GGC target. We have already achieved a 37% reduction on baseline by changing our organisational behaviours and by getting our packaging waste taken away and re-used/ recycled by our suppliers. This year our waste generation increased by less than 1% although our average staff numbers increased by 11%.

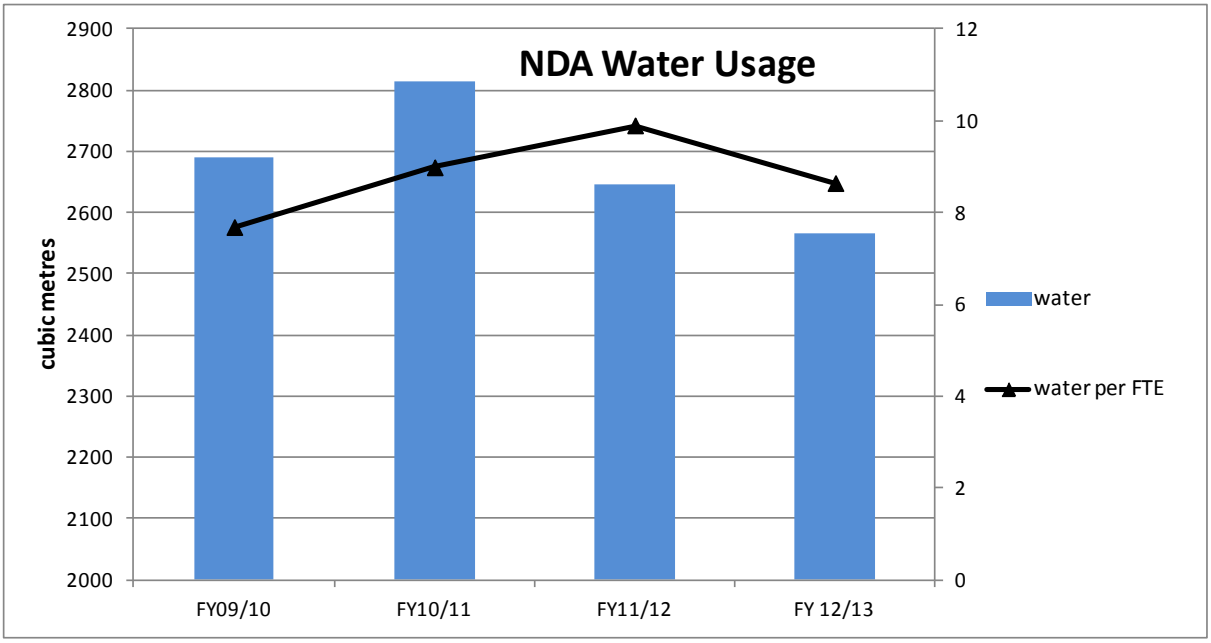
We are improving the quality of our waste data, and maintaining our recycling rate while we decrease the amount of waste generated in the first place. About half our waste generated is paper and cardboard. What we cannot re-use internally we recycle.

If an IT item cannot be re-used internally it is then put through one of a number of processes by our ICT service provider. It is not included in our waste figures.

We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from waste.

FINITE RESOURCES - WATER		Baseline 2009/10	2010/11	2011/12	2012/13
Non Financial Indicators (m^3)	Water used (only 3rd party supply) m^3	2,690	2,813	2,645	2,567
	Waste use per FTE	7.7	9.0	9.9	8.6
Financial Indicators	Total cost (all rates)	£19.9k	£17.4k	£13.4k	£12.0k
	Cost per FTE	£56.86	£55.47	£50.09	£40.27

Graphical Analysis



Targets and Commentary

The Greening Government Commitments target is to reduce water consumption by 2014-15 compared to a baseline of 2009/2010. We will also be reporting against the following benchmarks for water consumption per FTE per year:

- More than $6m^3$ = poor practice
- Between $4m^3$ and $6m^3$ = good practice
- Less than $4m^3$= best practice

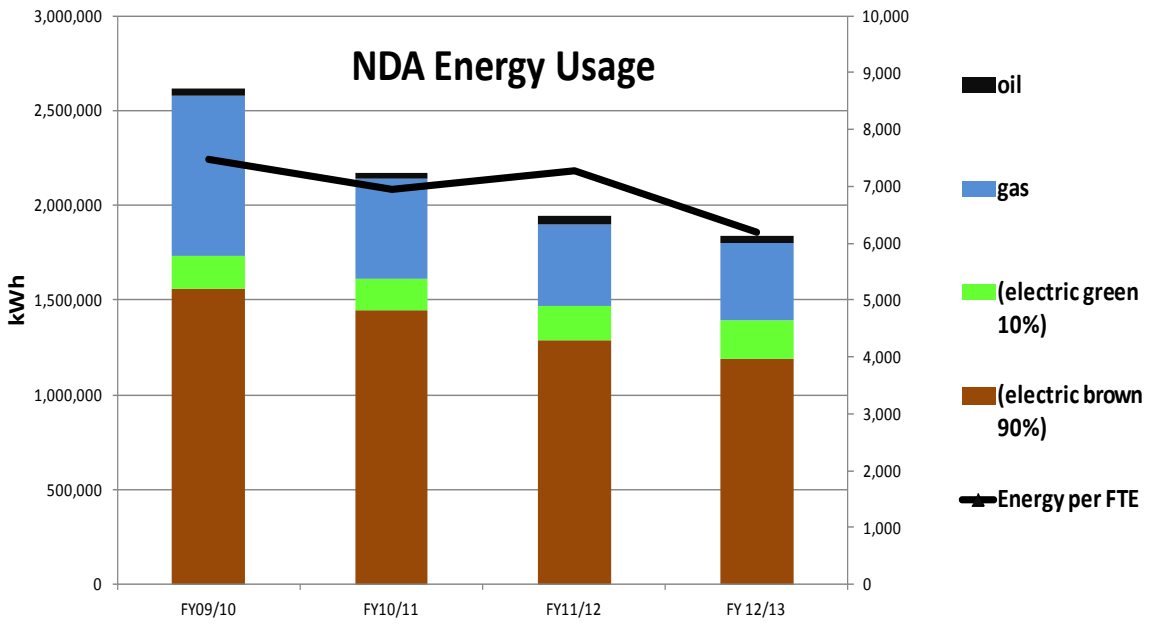
This year water usage has reduced by 3% as some of the measures we have implemented start to show gains. Overall there is a 4.5% decrease on the baseline year showing that we have turned around an increase in 2010/2011. However all of our offices are current in the poor practice zone.

We are taking steps to reduce our water losses and inefficient practices by undertaking water audits and seeking to make infrastructure improvements. Unfortunately there was a major water leak from the basement to ground in one of the buildings in which we are a minority tenant. The amount of water lost in the one month was equal to the total amount of water for the rest of the year for that office. The loss accounted for nearly 8% of the NDA's total water usage.

The NDA has no abstracted water use only scope 2 water usage. We do not account for supply chain or embedded water usage from purchased products or services. We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from water consumption.

ENERGY			Baseline 2009/10	2010/11	2011/12	2012/13
Non Financial Indicators (kWh)	Total energy consumption		2,613,826	2,170,925	1,944,637	1,837,715
	Total energy consumption per [illegible]		7,468	6,936	7,279	6,188
	Energy consumption	Electricity non-RE	1,562,140	1,450,056	1,291,018	1,190,065
		Electricity RE*	173,571	161,117	181,612	206,045
		Gas	843,007	530,748	427,041	404,642
		Oil	35,108	29,004	44,966	36,962
Financial Indicators	Total energy expenditure		£246k	£165k	£192k	£109k

Graphical Analysis



Targets and Commentary

NDA's scope 1 and 2 emissions are dominated by emissions from energy. Our own stretch target is to reduce energy emissions by 37% by 2014/2015 compared to a 2009 baseline. We have made good progress with an overall reduction of 29.7%. In 2012/2013 there was a decrease in emissions by 5% in spite of some appalling weather during the year. After the wettest April on record and the wettest summer for nearly 100 years, there was the coldest September since 1994 and the coldest Autumn overall since 1993. The financial year completed with the joint second coldest March in100 years at 3°C colder than long-term average for the month.

A significant component of energy use is that supplying the computer server room in NDA's headquarters. This is approximately ~40% of the building's total usage. During the year we turned up the maximum temperature allowable in the room to reduce the need for cooling and also turned off one chiller unit to get the remaining units operating in their more efficient performance zone.

The Display Energy Certificate (DEC) rating for our headquarters building has been improved from a score of 233 in November 2009 to 177 in November 2012 although this remains in the G (least efficient) zone. This is due to us

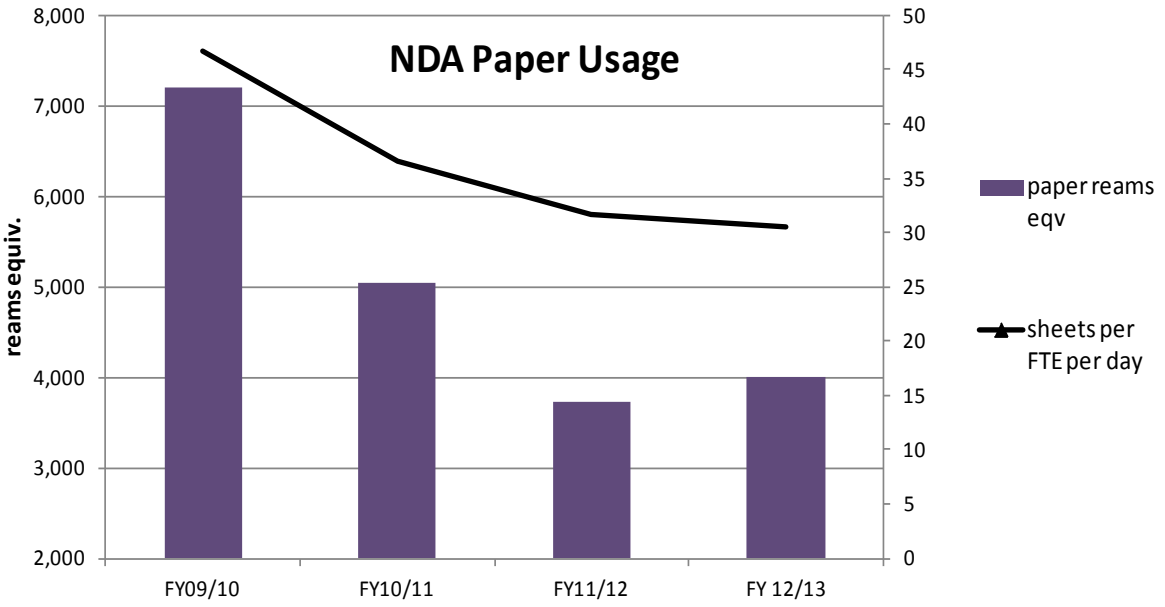
being unable to discount the energy use of the server room. We have fitted a sub-meter so that for the next DEC rating assessment we will be able to remove the component due to the server room. This will improve the rated performance of our headquarters. We have also reduced energy and emissions from our other major office building at Harwell, improving the DEC rating from a G in December 2009 to a D in December 2012.

We have plans for infrastructure improvements to continue with our good performance.

The majority of our energy use is directly metered but for some of our smaller offices we are in shared facilities, for which we are allocated a proportion of the total energy use based on the pro rata floor space which is generally greater than the equivalent occupancy rate.

FINITE RESOURCES – PAPER & PRINTING		Baseline 2009/10	2010/12	2011/12	2012/13
Non Financial Indicators	Total paper purchased (sheets)	2.51m	1.79m	1.80m	1.85m
	Total sheets used per FTE per working day	33	37	31	28
	A4 & A3 reams (equiv) used – GGC metric	7,193	5,044	3,731	3,997
Financial Indicators	Paper cost	£19.2k	£13.6k	£11.6k	£9.7k
	Printing cost	£187.6k	£143.6k	£68.7k	£74.0k

Graphical Analysis



Targets and Commentary

We achieved the GGC target of cutting our paper (A4 & A3) use by 10% in 2011/2012 from a 2009/2010 baseline. We also have an internal target of cutting our paper (A4 & A3) use by 64% by 2014/2015 from a 2009/2010 baseline. We have currently achieved a 44% reduction. Although the amount of paper increased by 7% in the year this is mainly due to an 11% increase in staff so the paper usage optimisation actions that we put in place achieved a 3.5% efficiency per FTE.

About half our waste generated is paper and cardboard. What we can't re-use internally we recycle. We have action plans to reduce our number of printers and centralise on multi functional reprographic devices. We are also looking at options for introducing tablet devices for some staff as alternatives to hardcopy reports. We measure our total printing costs such as toners, other consumables and hardware.

Climate change adaptation

We aim to minimise the detrimental effects on climate from greenhouse gases and ozone depleting substances in any relevant work we do, and maximise our resilience and adaptability to climate change. We have implemented a Business Continuity Management System to ensure that critical business functions and key resources are identified, and measures put in place to recover them within an acceptable time frame should a disruptive event or events occur, such as adverse weather conditions.

Sustainable procurement including food

The NDA is mandated to utilise the Government Procurement Service (GPS) frameworks where a suitable framework exists. Both GPS and the NDA are committed to sustainable procurement, paying particular attention to ensuring that value for money is obtained and procurement processes are streamlined. The NDA appoints its contractors on the basis of balanced criteria including elements such as financial stability, health, safety and environmental management and quality management. The NDA bulks commodities where appropriate and buys collaboratively with the nuclear estate and/ or public sector where suitable opportunities exist.

We work with our supply chain to eliminate waste and manage environmental impacts and actively encourage relevant contractors to be more energy efficient. We require our supply chain to undertake environmental assessments, producing annual environmental reports where appropriate.

Our catering services provider who runs our canteens has a sustainability policy which includes a 'green purchasing policy' which includes an active effort to find sustainable and responsible suppliers for the sourcing of organic, Fair Trade and sustainable products.

Environmental compliance

This year we have not had any environmental incidents and not been subject to any enforcement action or fines.

Biodiversity and natural environment

The NDA does not have a Biodiversity Action Plan. However we encourage tenants on our (non-designated) land to participate in environmental stewardship programmes where appropriate. It is also a contractual requirement for the Site Licence Companies managing our nuclear sites to have in place suitable Biodiversity Action Plans.

Offices

In response to Government imperatives to use public property more efficiently, we have in previous years re-located our London office into a Government owned building and transferred our staff and INS' Cumbria based staff from a small office near Sellafield to our headquarters. In 2012/2013 our Warrington office staff were co-located into Sellafield Ltd's Risley office. These moves can have minor effects on the numbers in this report due to differences in buildings and local practices.

Volunteering / social responsibility

In October 2012 the NDA held a 'Pink Friday' event across all of its offices which our staff generously supported raising money in aid of Breast Cancer Care. NDA staff also support the national 'Movember' fundraising event which raised awareness of men's health and funds for cancer charities.

The NDA Finance team completed the Howgill Allotment Project. This has helped turn an unused area of Whitehaven into a place for local people and the Howgill Centre's girls group to use for growing vegetables and learn about gardening and healthy eating.

Notes:

1. This report has been prepared with reference to guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk.
2. Scope 1 – includes all gas and oil energy including those apportioned pro rata in a shared building. It also includes pool car mileage under control of NDA.
3. Scope 2 – values calculated from monthly supply meter readings.
4. Scope 3 – Aircraft flight information includes domestic, short and long haul – international travel is not excluded. International air travel emissions include an uplift factor of 1.9 to account for radioactive forcing, in accordance with Government Carbon Offsetting Facility (GCOF) rules. Component from taxis claimed as expenses assessed using cost of a 5 mile journey using average fare data. Supply chain or embedded emissions from purchased products or services are not included.
5. We have not reported components where these are not separately identified in tenant service contract charges i.e. some water and waste disposal charges which are not separately billed for.
6. Due to problem in obtaining data after a change in service provider, flight data and information for 2009/2010 has been calculated as an average between 2009/2010 and 2010/2011 data.
7. CRC costs in 2012/2013 are an estimate of CO2 from the energy use for NDA and Sellafield Fellside CHP plant at £12 te CO2 y. The energy figure will be entered into the CRC registry in July 2013 to calculate the allowance costs. Note that for this metric the financial boundary does not coincide with the sustainability reporting boundary.
8. During 2011/2012 one NDA shared office was relocated and one further building closed resulting in changes to the sustainability reporting boundary. In 2012/2013 one of our offices was closed with staff being relocated as tenants in another organisation's building.
9. Waste masses are assessed by a combination of direct measurement and calculation based on standard waste containers dependent on the type of waste. The data does not include ICT values as these items are returned through our service provider, mainly for re-use or recycling.
10. For a description of our reporting scope and the calculation methodology, see our Carbon Accounting Procedure at www.nda.gov.uk

The Explanatory Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1. The Nuclear Decommissioning Authority (NDA) is a non-departmental public body set up in 2005 with the purpose to operate, decommission and clean-up of 17[1] of the UK's civil nuclear power or research sites on behalf of the Secretary of State for Energy and Climate Change. It is also responsible for implementing the government's strategy for the long-term disposal of nuclear waste in a geological disposal facility, and for the implementation of the low-level waste strategy.
2. The NDA is responsible for tackling the legacy of waste from the UK's nuclear programme that has accumulated since the late 1940s. In discharging this responsibility, the NDA expends some £3 billion on an annual basis[2] and manages gross liabilities of £60 billion. The largest component of the NDA's liabilities is the nuclear provision which represents the NDA's best estimate of the costs of delivering its objective of decommissioning its nuclear sites and returning these sites to agreed end states over more than a hundred years. NDA's activities in 2012/-13 were funded via grant-in-aid of £3,157 million, drawn down from the Department of Energy and Climate Change (the Department) and surrendered cash receipts to the Consolidated Fund of £1,085 million. Elements of the provision also represent the costs of delivering on a number of commercial reprocessing contracts with UK and International customers.
3. The achievement of agreed end states for the sites is dependent on several factors including: the engineering complexity of the sites; historical neglect and poor record keeping; future availability of nuclear expertise and supply chain; changes in technology; and, the creation of a very long-term disposal facility to house the sites' higher activity waste which may stay radioactive for many hundreds of years.

The purpose of my report

4. There is a high degree of complexity and interconnectedness within these financial statements, for example linking nuclear provisions to commercial contract income and expenditure. The delivery model for decommissioning, through licensed operators, adds an additional layer of complication. This report is therefore intended to highlight the key financial results that I judge to be important for the readers to interpret the audited financial statements with respect to the underlying activities and timescales involved.

NDA's Delivery Model

5. Whilst the NDA owns the 17 sites[3] and is responsible for all the sites' assets and liabilities, it does not directly manage on-site operations, decommissioning and clean-up activities. Instead it commissions the delivery of site programmes (decommissioning, commercial fuel re-processing and commercial electricity generation) through management and operations contracts with five licensed operators known as Site Licence Companies (SLCs). The SLCs hold the site operating licences and manage the sites, including preparing site plans, performing and sub-contracting work and keeping accounting records on behalf of the NDA. They also employ the staff working on the sites, some of whom have worked on the sites prior to the creation of the NDA. The SLCs receive fee payments from the NDA to reflect performance during the year.
6. The SLCs, in turn, are owned by Parent Body Organisations (PBOs). A PBO is either a single or consortium of private sector firms which bids for ownership of the SLC through open competition. The winning PBO owns the shares in the SLC for the duration of the contract with the NDA which can run from five to 17 years. At the end of the contract, the shares revert to the ownership of the NDA pending transfer to a new PBO. Some of the PBOs receive dividends from the fees paid by the NDA to the SLCs under the management and operations contracts, with others drawing a management fee. **Figure 1** shows the dividends paid since 2010-11.

[1] There are 19 site licences - the Sellafield site includes Calder Hall and Windscale which hold separate site licenses

[2] The accounts show comprehensive net expenditure of £7,348 million this includes funds disbursed, and the increase in provision during the year

[3] This does not include Capenhurst and Springfields which are leased on very long leases to Capenhurst Nuclear Services and Westinghouse respectively – they manage and operate the sites, and are reimbursed by the NDA for decommissioning costs which relate to historic liabilities prior to the sale

7. The model of engaging the market to deliver the site programmes through competed contracts is aimed at stimulating innovation and technology in the nuclear sector as well as making best use of existing expertise.

Figure 1: Dividends earned by Parent Body Organisations

Name of PBO	Owns shares in	Dividends paid, declared and proposed 2010-11 (£m)	Dividends paid, declared and proposed 2011-12 (£m)	Dividends paid, declared and proposed 2012-13 (£m)
Nuclear Management Partners *URS, AMEC and AREVA*	Sellafield Ltd SLC	40.82	42.485	4.00
Babcock Dounreay Partnership Ltd *Babcock International Group, CH2MHILL and URS (from April 2012)*[4]	Dounreay Site Restoration Ltd SLC	0.6	2.0	2.1
Babcock International Group	Research Sites Restoration Ltd SLC	0.35	0.25	0.24
EnergySolutions	Magnox Ltd SLC	0	0	0
UK Nuclear Waste Management Ltd *URS, Studsvik UK and AREVA*	Low Level Waste Repository Ltd SLC	2.9	1.2	2.0

Source: National Audit Office. All information has been taken from SLC financial statements. The figures are dividends paid, payable and proposed in respect of the relevant financial year.

8. The NDA also has four principal subsidiaries[5] which provide a number of services supporting its operations, such as the transportation of nuclear material. These entities are fully consolidated into the financial statements, and are minor components of the group.

Delivery accountability

9. Whilst the delivery of the site programmes is carried out by the private sector through the five SLCs, the Chief Executive and Accounting Officer of the NDA is responsible for the operational and financial management of the NDA. The Shareholder Executive oversees NDA's governance and performance on behalf of the Department.
10. As the NDA is responsible for the assets and liabilities of the 17 sites, it bears the responsibility for meeting the financial costs incurred for all its functions, and it holds those assets and liabilities within the Authority accounts. The external parties used by the NDA to carry out its duties are not required to make financial provision for costs arising from the delivery of the site programmes. The NDA promotes the performance of the SLCs through fee payments it awards on the achievement of certain targets, set out in the agreed performance plans for each SLC.
11. The delivery of the annual site programme is subject to the availability of funding allocated to the NDA by the Department. The current funding agreement for the Department and the NDA was

[4] UKAEA Limited was the PBO prior to April 2012
[5] Rutherford Indemnity Limited, International Nuclear Services Limited, Direct Rail Services Limited and NDA Properties Limited

detailed in the Department's settlement from HM Treasury in the Spending Review 2010 which set out the annual available funding until 31st March 2015[6].

NDA Revenue

12. NDA earned £824 million of revenue from activities in 2012-13 including the generation of electricity and providing spent fuel reprocessing services to external customers. The level of Grant-in-Aid allocated to the NDA in the Spending Review reflects a forecast of the income that NDA will earn.

Figure 2: Revenue Summary

Revenue Type	Reported in 2012-13 £m	Detailed at
Electricity Generation	163	Report paras: 13 Accounts note: 4 Magnox and electricity generation
Commercial Reprocessing	485	Report paras:14-25 Accounts note: 4 Sellafield, reprocessing and transport segment
Plutonium Title	107	Report paras:26 Accounts note: 4 Sellafield, reprocessing and transport segment
Other	69	Accounts note: 4

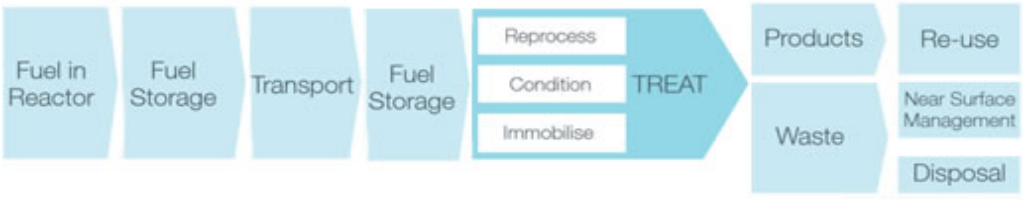
Electricity Generation Income

13. The NDA owns three generating assets Wylfa, Maentwrog and Fellside - only Wylfa is a nuclear plant with one reactor still in operation, and is the world's oldest operating commercial nuclear plant. They are operated by Magnox Ltd and Sellafield Ltd. The electricity is sold on the wholesale energy market by EDF Trading on NDA's behalf, with EDF itself being the buyer of most of the electricity sold.

Commercial spent fuel reprocessing

14. The NDA holds commercial contracts for the reprocessing of spent nuclear fuel that were inherited from British Nuclear Fuels Limited in 2005. The contracts are with UK and International customers and are fulfilled on NDA's behalf by Sellafield Ltd. Spent fuel from nuclear reactors is sent to the Sellafield site to be reprocessed into uranium and plutonium for re-use by NDA's customers. This process gives rise to waste products which need to be treated and stored securely (Figure 3). Due to the nature of the materials, the contracts are long-term with storage services in some cases extending beyond 2075.

Figure 3: Spent Fuel Reprocessing chain



Source: NDA Strategy (p.25)

15. Changing circumstances since the contracts were signed, such as operational difficulties and rising costs, has meant that although significant revenue is still generated, a number of the contracts have become loss-making. These losses are separately provided for in the contract loss

[6] Cm 7942 Spending Review 2010

provision of £1,886 million set out in Note 28 in the financial statements. Seventy-six per cent of this provision relates to contracts for spent fuel originating from overseas customers[7].

16. The principal site of reprocessing activity is the Thermal Oxide Reprocessing Plant (THORP) located at Sellafield. It reprocesses spent fuel under commercial contracts, some of which date back to the 1970s and have been subject to frequent amendments. Services that NDA provides under a typical contract include transport, storage, reprocessing and treatment and storage of waste created. A separate contract will also typically be in place, with one or more of NDA's subsidiaries[8] for the transport costs of returning reprocessed products and waste to customers in the future.
17. The trend over time has seen the replacement of original cost-plus contracts, which guaranteed a profit, with fixed price contracts, for which NDA received a premium. The intention was to share the risk with the customer in respect of the uncertainties of the cost of delivering on the contract and subsequent costs of decommissioning the associated plant.

Commercial revenue liabilities

18. There are two financial liabilities arising from NDA's commercial spent fuel reprocessing activities:
    - Customer advance payments: payments received from customers in advance of NDA delivering the service;
    - Loss making contracts: shortfalls in the revenue generated from the contracts and costs of providing those services (including decommissioning costs).

Customer advance payments

19. British Nuclear Fuels Limited customers paid an advance premium in order to limit their exposure to uncertain future costs and also to facilitate the building of plant such as THORP. This resulted in significant sums of cash being paid over in advance of delivery of the services by Sellafield. Accounting standards require that the advance payments are not recognised as revenue upon receipt but held on the NDA's Statement of Financial Position in Trade Payables as 'Payments on Account'. This reflects the NDA's liability in terms of delivering services of this value to the customer in future.
20. These Payments on Account are not, however, matched by an equal cash balance held by the NDA. The cash balance of £3,923 million[9] that was held by BNFL which related to these advance payments was surrendered to the Consolidated Fund when the NDA was set up in April 2005, and was excluded from the assets and liabilities covering the 17 sites. This was reflected in the opening balance on the NDA's general fund. Activities relating to these contracts are funded by taxpayers via grants in aid from the Department when the NDA is required to deliver that service. The balance to be funded as at 31 March 2013, shown in note 26 to the accounts is £2,548 million[10].
21. NDA's policy for revenue recognition (from its long term contracts), as required by accounting standards, is to record the revenue in the accounts when the actual reprocessing, waste management and storage services are delivered to the customer. The amount recognised each year is based on an estimate of the stage of completion of the services provided under the contract relative to total contract income. The amount of revenue that is apportioned to the financial year using this method is then deducted from the Payments on Account balance on the Statement of Financial Position and recognised in the year's reprocessing income in the NDA accounts. Revenue of £480 million was recognised in 2012-13 within Commercial Reprocessing in Note 4.

[7] NAO analysis of NDA accounting records
[8] International Nuclear Services Limited and Direct Rail Services Limited
[9] BNFL Annual Report and Accounts 2006 (Note 13f)
[10] NDA Annual Report and Accounts 2012-13 (Note 26)

Loss making contracts

22. In addition to the costs of delivering the reprocessing, waste management and storage services stated in the contracts, the NDA incurs significant decommissioning costs as a result of delivering regulatory, commercial and contractual obligations. For example, THORP itself will ultimately need to be decommissioned. When the future decommissioning costs are added to the costs of providing the contracted services several significant commercial contracts become loss-making. As the decommissioning of plant and sites is a regulatory requirement, these costs cannot be avoided.
23. The lifetime costs to the NDA of delivering these contracts will exceed the total income that is generated from them and the shortfall will need to be funded by the UK Taxpayer. As required by accounting standards when it is probable that total contract costs will exceed total contract income, the expected loss is recognised immediately as an expense and the liabilities recognised as Contract Loss provisions in Note 27 to the financial statements.
24. Contract loss provisions as at 31 March 2013 amounted to 1,886 million[11]. The largest component of this is the loss provision in respect of the Overseas Risk Sharing contracts which totalled £1,438 million[12]. This is a pool of reprocessing and storage contracts with overseas customers. As the additional costs for loss making contracts to the NDA are in excess of the payments from the customers then the short-fall will need to be met via grant funding from the Department of Energy and Climate Change over the reprocessing, storage and decommissioning periods.
25. The NDA's present strategy[13] for these contracts, which it considers to be the most economically viable option, is to complete the reprocessing contracts as soon as is possible and close THORP in 2018. This means that the NDA plans to reprocess the volumes of fuel specified in the contracts and to store other UK fuel that it receives until 2075 before final disposal in the planned geological disposal facility.

Plutonium title transfer

26. In 2012-13 the NDA undertook an exercise to manage civil plutonium stocks in the UK. DECC agreed that the NDA could take legal title to foreign-owned plutonium already stored in the UK if it was commercially acceptable to do so. A series of international swaps was undertaken and the transfer of title to the UK will give the NDA greater control over the use of the plutonium within the country's borders. This arrangement also removes the need to ship the materials overseas which is an expensive and hazardous process. The NDA currently estimate that revenues received will exceed the costs required to store and dispose of the materials in the long-term. Further deals concerning additional overseas plutonium currently held within the UK are now being negotiated between the NDA and its international customers.

NDA Annual Expenditure

Figure 4: Expenditure Summary

Cost Type	Reported in 2012-13 £m	Detailed at
Decommissioning payments to SLCs	2,611	Report paras:27,28; Accounts note:7
Commercial activities	211	Report paras:28; Accounts note:7
M&O fees	102	Report paras:29-32; Accounts note:7
Research, Development and Other	723	Report paras:33-35; Accounts note:7
Administration	39	Report paras:36; Accounts note:5

[11] NDA Annual Report and Accounts 2012-13 (Note 28)
[12] NAO audit of NDA accounting records 2012-13
[13] http://www.nda.gov.uk/documents/upload/Oxide-Fuels-Credible-Options-November-2011.pdf

Contractor costs

27. This covers the annual costs of the NDA carrying out its primary functions to operate, decommission and clean-up the designated nuclear sites undertaken by the five SLCs and Capenhurst and Springfields on a cost reimbursable basis. In 2012-13 the NDA paid £2,611 million[14] to the SLCs to reimburse costs incurred. Of this £2,116 million relates to decommissioning and clean-up activities, which reduces the value of the nuclear provision (see paragraph 48). A further £28 million spent by the SLCs on capital projects, is capitalised in the accounts.
28. A further £256 million of costs are funded by other provisions, mainly the contract loss provision set out in Note 28 of the financial statements. The balance of reimbursable costs paid to the SLCs relates to the operational costs of undertaking the commercial activities of £211 million not charged against provisions as discussed above. Therefore the NDA annual cash spend on commercial activities, excluding amortisation (cost of sales) is £508 million in 2012-13.

Management & Operations contractor fees

29. This stream of expenditure relates to fees awarded by the NDA to the SLCs for meeting the requirements of the M&O contracts. The fees are the mechanism through which the SLCs earn profit from the M&O contracts. The NDA paid £102 million to the SLCs in the financial year 2012-13.
30. The SLCs are awarded fees by the NDA based on the achievement of agreed targets. Examples of mechanisms through which fees can be earned are:
    - Base fees: this fee is built into the M&O contract and is earned regardless of performance.
    - Performance Based Incentives (PBI): these fees are earned by the SLCs through achievement of pre-agreed criteria such as the successful delivery of a milestone to time and budget. The achievement of a PBI requires the pre-agreed evidence to be submitted to the NDA for approval;
    - Efficiency fees: an efficiency target is set at the beginning of the financial year and a percentage fee is earned on how much savings can be demonstrated; and
    - Support and overhead cost reduction fee: this fee is earned by demonstrating sustainable reductions in overhead costs associated with the contracts.
31. The M&O contractual arrangements have limited risk sharing resulting in the taxpayer bearing the impact of delays and cost increases. In my report 'Managing Risk at Sellafield'[15], I noted that significant cost overruns on the construction of evaporator D at Sellafield is likely to reduce the total available fee by £40 million[16] over the project's lifetime however the taxpayer will bear the full increase in the total cost of project, currently estimated at £244 million.
32. In April 2012, NDA completed the competition of the Dounreay SLC contract, awarding to a new Parent Body Organisation formed of a consortium of private firms. The Dounreay SLC contract was awarded on a target cost basis which shares more of the risks of overruns and cost increases between the taxpayer and the private sector.

Other expenditure, including Research and Development

33. This stream of expenditure (including non-cash items of £328 million) totalling £723 million[17] in 2012-13 covers the supplementary functions of the NDA to carry out or promote research, development, dissemination and education on and about the nuclear industry and to provide

[14] NDA Annual Report and Accounts 2012-13 (Note 7)
[15] Report by the Comptroller and Auditor General HC630 (2012-13)
[16] Based on fees calculated at 17.5 per cent of future efficiency savings
[17] NDA Annual Report and Accounts 2012-13 (Note 7)

support to local communities living near the designated sites[18]. This includes the costs linked to the development of the geological disposal facility.

34. The geological disposal facility will be the final repository for the higher and intermediate active waste that is currently held on the other sites. Whilst the waste remains on the other sites, interim storage solutions and additional security is required, incurring additional costs and postponing the ability of the NDA to reach the required decommissioned end states.
35. The site of the geological disposal facility has yet to be determined. A recent vote, by the Cabinet of Cumbria County Council rejected the proposal for further investigations for hosting the site in Cumbria. Construction on the geological disposal facility is not due to start until 2025 therefore the rejection has not impacted on the associated cost provided for in the nuclear provision.

Administration expenditure

36. This expenditure stream totalling £39 million[19] in 2012-13 relates to the actual costs to operate the Authority, which includes the NDA headquarters. The cost of salary and wages for NDA staff was £22 million in 2012-13 (note 6). The NDA has reduced its administration expenditure by £15 million since 2009-10 following a restructuring that reduced headcount by around 100 posts. The remaining £16 million relates to administration costs such as accommodation, IT equipment, legal and professional fees.

Nuclear Provision

37. The nuclear provision dominates the NDA's financial statements. As at 31 March 2013, the provision was valued at £58,858 million[20] covering the cost of decommissioning and clean-up of the 17 sites and the geological disposal facility. The provision estimate is based on a programme of work due to be completed by the year 2137, and accounts for more than half of the government's total provisions reported in the Whole of Government Accounts[21].

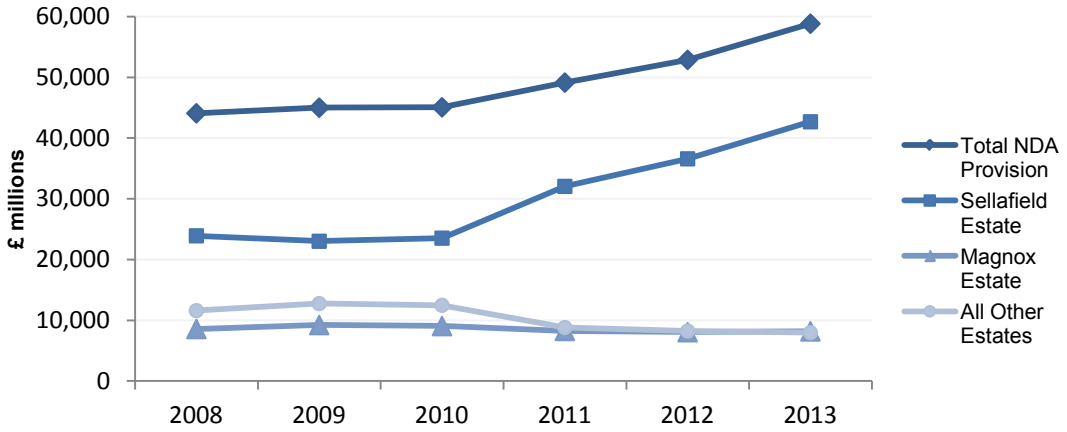
Valuation of the provision

38. The value of the provision is derived by taking data from the underlying decommissioning plans for each site and a series of assumptions to construct management's best estimate in accordance with International Financial Reporting Standards. This includes examining any changes to the plans and revising assumptions in year, either because of changes in the scope of work, or changes in costs.
39. Validation of the estimate involves the NDA's Executive team providing assurance to the Accounting Officer and review by the Audit Committee and Board for final consideration and approval before it is subject to external audit. This valuation process reflects the complexity, volatility and, in some cases, unknown nature of the materials to be handled coupled with the long timescales over which decommissioning and clean-up will take place, and this is disclosed in note 27 to the accounts.

[18] Energy Act 2004, Part 1, Chapter 1 Other functions of the NDA, Section 7
[19] NDA Annual Report and Accounts 2011-12 (Note 5)
[20] NDA annual report and accounts 12-13, Statement of Financial Position. The nuclear provision is split between a current element (expenditure to be incurred in the next 12 months) and non-current element (expenditure to be incurred after the next 12 months)
[21] www.nao.org.uk/wp-content/uploads/2012/10/1213687.pdf

40. The value of the provision has increased over the last six years, as shown in **Figure 5**. The graph shows how the rate of increase has accelerated from 2010-11 to now, although figures for 2012-13 are affected by the change in the discount rate the NDA is required to use (see paragraph 43) which increases the provision by £3.8 billion. As the figure shows, the Sellafield estate continues to be the largest component of the provision value, with the provision components for the Magnox estate, Dounreay and the Research Sites decreasing over the five year period.

Figure 5: Discounted nuclear provision over time



NOTES

1. The Sellafield estate provision covers Sellafield, Capenhurst, Calder Hall and Windscale. The Magnox estate covers Berkeley; Bradwell; Chapelcross; Dungeness A; Hinkley Point A; Hunterston A; Olbury; Sizewell A; Trawsfynydd and Wylfa.

Source: NDA Annual Report and Accounts 2007-08 to 2012-13

41. In November 2008, the Sellafield Ltd management and operations contract was awarded to Nuclear Management Partners. NDA considered the existing plan prepared by the outgoing contractor to be 'undeliverable', and Nuclear Management Partners were required to derive a new plan. This plan, submitted in January 2011, was used to develop the nuclear provision as at 31 March 2011. NDA's acceptance of the plan resulted in an increase in the estimate of decommissioning the Sellafield sites by around £7.5 billion including inflation of costs.
42. The provision increased in 2012 primarily driven by the change in the government's preferred option for the re-use of civil stocks of plutonium. This led to an increase in the provision estimate of £1,700 million[22], and enhanced site security following a review of the security arrangements gave rise to an increase of £1,104 million. Both elements of the provision are attributed to the Sellafield site.
43. The nuclear provision will be expended over more than 100 years; therefore NDA prepares its estimate in present values in the financial statements. This reports how much it would cost to pay for the entire decommissioning programme on the 31st March 2013. NDA is required to use the discount rates set by HM Treasury. With effect from 1 April 2012, HM Treasury amended the discount rates for cash flows over the next 10 years to be more representative of UK gilt rates. This has led to a further, significant increase in the provision value of £3,770 million in 2013.

[22] NDA Annual Report and Accounts 2011-12 (Note 3)

44. The elements of change in the provision from 1 April 2012 to 31 March 2013 are detailed in the Chief Financial Officer's review (page 18)[23] .
45. The costs of the provision can be broken down into the separate activities conducted on the sites as outlined in **Figure 6**. This reflects the range of challenges facing the NDA in carrying out safe decommissioning of the sites.

Figure 6: Activities covered by the nuclear provision

Nature of Spend	Description Of Activity	Value of Provision (£'bn)
Waste Management	Low level waste repository and geological disposal facility.	4.2
Research	Nuclear research site decommissioning.	3.3
Legacy Ponds and Silos	Major hazards on the Sellafield site for which the major challenge is emptying the facilities safely.	8.1
Nuclear Sites	Decommissioning of the sites, including operations and reprocessing.	34.7
Fuel Manufacturing and Generation	Nuclear power generation.	8.6
Total:		58.9

Source: NDA Annual Report and Accounts 2012-13 - Note 27

Timing of cash flows from the provision

46. The nuclear provision covers the costs of decommissioning and clean-up for the sites. The nature of the programmes is very long term indeed, with most site end-states being reached between the years 2080 and 2120. However, some two-thirds of the provision is expected to be spent in the period up to 2030.

Costs of decommissioning buildings, plant and equipment

47. Due to the decommissioning challenges on the sites, the construction of buildings, plant and equipment is required to reduce hazards to a tolerable level whilst decommissioning work is carried out. In addition, there are buildings, plant and equipment that are being used to carry out the operational activities of the NDA such as the spent fuel reprocessing plant. These assets will also require decommissioning once their purpose is fulfilled. The buildings, plant and equipment to be used in decommissioning or operational activities to be decommissioned by the NDA are included in plant & equipment in note 12 to the financial statements, and the estimate of decommissioning those assets included in the nuclear provision is some £6 billion.

Taxpayers' liability

48. Whilst the NDA cannot transfer the liability that arises as a result of holding and processing third party nuclear products, the commercial agreements that NDA holds for spent fuel reprocessing allow some or all of the expenditure required to settle the decommissioning obligation to be recovered from third parties. The net recoverable contract costs are £2,004 million[24] at 31 March 2013. Therefore the taxpayer can expect to fund £56 billion of the total £58,858 million in the nuclear provision as at 31 March 2013 with the remainder recovered from NDA's commercial customers.

[23] Funds spent on decommissioning activity reduces the provision; the unwinding of discount element represents the change in the value of the provision associated with being one year closer to the required work being completed; the inflation element increases the provision value due to rising costs; and the in-year changes to the provision due to work scope changes or cost changes are added to the balance totalling to £58.9 billion as at 31 March 2013.
[24] NDA Annual Report and Accounts 2012-13 (Note 15)

The Nuclear Provision in a Wider Context

49. The provision covers the civil nuclear power sites that were designated for decommissioning by the Secretary of State. There are also nuclear provisions held by other parts of government which are reported in departmental accounts and consolidated into the Whole of Government Accounts. The financial statements of the Ministry of Defence included provisions of £4.5 billion[25] . The Department of Energy and Climate Change holds a nuclear provision of £1.9 billion for the costs associated with British Energy contractual historic fuel liabilities[26]. Smaller provisions are held by other government bodies.

Sensitivities around the Nuclear Decommissioning Provision

50. In Note 27 to the financial statements, NDA reports the sensitivity in assumptions such as cost and delivery timing that might affect the level of the provision. These assumptions cover the processes and methods likely to be used to reach the desired site end-states, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, Government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years.
51. The estimated cash flows associated with the provision are shown in Note 27 to the accounts and are summarised below in **Figure 6**.

Figure 6: Nuclear provision expected timing of cashflows

Period of Time	Value (£'bn)
1 year	2.69
2-5 years	11.35
After 5 years	44.82
Total	58.86

Source: NDA Annual Report and Accounts 2012-13 Note 27

52. Sensitivity of the provision to changes in assumptions is also demonstrated by analysis completed by the NDA which showed that opportunities and threats in the decommissioning programme can potentially increase the provision value by £4,930 million or decrease it by £4,230 million. For instance: differences in the geology of the rock in which the Geological Disposal facility might be constructed could increase costs by £1,600 million; and faster emptying of legacy ponds and silos which could reduce the provision by some £100 million. The provision also changes to reflect the discount rate used. The NDA discloses that a movement of plus or minus 0.5 per cent in the discount rates changes the provision some £6 billion. In 2012-13, HM Treasury changed the discount rates used from +2.20 per cent to -1.80, -1.00, and +2.20 for provisions of 5 years and under, 6-10 years and 10 years and over respectively. This increased the provision balance by £3,770 million[27].

[25] MOD Annual report and Accounts 2010-11 (p.145)
[26] DECC Annual Report and Accounts 2011-12 (p.156)
[27] NDA Annual Report and Accounts 2012-13 (Note 27)

Emphasis of Matter

53. I have certified the 2012-13 financial statements with an unqualified audit opinion. I have included in my certificate an "Emphasis of Matter" relating to the significant amount of sensitivity and uncertainty in the provision valuation. Auditing standards define an "Emphasis of Matter" paragraph as one that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's opinion, is of such importance that it is fundamental to users' understanding of the financial statements. This means that I have evidence to support the reported value of the provision as being the best estimate that management is able to make using the information available to it.
54. In order to obtain that evidence I ensure that management's estimate is comprised using complete information sources from the sites, and that management is able to demonstrate that the scenarios it has used to determine the provision are reasonable and based on preferred and credible options. To demonstrate to the users of the financial statements the sensitivity that could affect the provision the NDA's accounts also include extensive commentary and disclosure over how the provision would change if any of the underlying assumptions was to change.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
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13 June 2013

Glossary

AGR	Advanced Gas-Cooled Reactors
BAA	British Airport Authority
BDP	Babcock Dounreay Partnership
BECBC	Britains Energy Coast Business Cluster
BIG	Babcock International Group
BNFL	British Nuclear Fuels Limited
C&AG	Comptroller and Auditor General
C&M	o and Maintenance
CEO	Chief Executive Officer
CETV	Cash Equivalent Transfer Value
CFO	Chief Financial Officer
CNPP	Combined Nuclear Pension Plan
CODA	Charge Over Deposit Accounts
COO	Chief Operating Officer
CoRWM	Committee on Radioactive Waste Management
DCF	Dalton Cumbrian Facility
DCIC	Ductile Cast Iron Containers
DECC	Department of Energy and Climate Change
DFR	Dounreay Fast Reactor
DRAGON	Name given to high temperature gas reactor at Winfrith
DRS	Direct Rail Services Limited
DSRL	Dounreay Site Restoration Limited
EA	Environment Agency
EAP	Employee Assistance Programme
EHSQ	Environmental, Health, Safety and Quality
EIAD	Environmental Impact Assessment for Decommissioning
EMS	Environmental Management System
ESC	Environmental Safety Case
ESPS	Electricity Supply Pension Scheme
FCA	Fuel Cycle Area
FED	Fuel Element Debris
FGMSP	First Generation Magnox Storage Pond
FIChemE	Fellow of the Institution of Chemical
	Engineers
FReM	Government Financial Reporting Manual
FVTPL	Fair Value Through Profit or Loss
GDF	Geological Disposal Facility
GGC	Greening Government Commitments
GPS	Group Pension Scheme
GTRI	Global Threat Reduction Initiative
HAL	Highly Active Liquor
HAST	Highly Active Storage Tanks
HAW	Higher Activity Waste
HSE	Health and Safety Executive
HSSSEQ	Health, Safety, Security, Safeguards, Environment and Quality
IAEA	International Atomic Energy Agency
IAMM	Information Assurance Maturity Model
ICP	Integrated Change Programme
IEM	Internal Environment Management
IFRS	International Financial Reporting Standards
IGP	Information Governance Programme
ILW	Intermediate Level Waste
INES	International Nuclear and Radiological Event Scale
INS	International Nuclear Services
IRX	Inter-Reactor Exchange
ISO	International Standards Organisation
LETP	Liquid Effluent Treatment Plant
LLW	Low Level Waste
LLWR	Low Level Waste Repository
LP&S	Legacy Ponds & Silos
LoC	Letter of Compliance
LRQA	Lloyds Registered Quality Assurance
LTA	Lost Time Accident
LTIP	Long-Term Incentive Plan
MEB	Multi-Element Bottles

MNOPF	Merchant Navy Officers Pension Fund
MNOPP	Merchant Navy Officers Pension Plan
MNRPF	Merchant Navy Ratings Pension Fund
MNRPP	Merchant Navy Ratings Pension Plan
MTR	Material Test Reactor
M&O	Management and Operation
MoD	Ministry of Defence
MODP	Magnox Optimised Decommissioning Programme
MOP	Magnox Operating Programme
MOX	Mixed Oxide
MRWS	Managing Radioactive Waste Safely
NAO	National Audit Office
NaK	Sodium Potassium
NDA	Nuclear Decommissioning Authority
NDPB	Non Departmental Public Body
NEBOSH	National Examination Board in Occupational Safety and Health
NED	Non Executive Directors
NMP	Nuclear Management Partnerships
NSAN	National Skills Academy - Nuclear
OCCS	Office of Carbon Capture and Storage
ODA	Olympic Delivery Authority
ONR	Office for Nuclear Regulation
PAC	Public Accounts Committee
PBO	Parent Body Organisation
PCM	Plutonium Contaminated Material
PCSPS	Principal Civil Service Pension Scheme
PFR	Prototype Fast Reactor
PFSP	Pile Fuel Storage Pond
PNTL	Pacific Nuclear Transport Limited
PNV	Ponds North Void
POCO	Post Operational Clean Out
PPRG	Programme and Project Review Group
PWR	Pressurised Water Reactor

R&D	Research and Development
RDA	Rotary Deployment Arm
REF	Residues Export Facility
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RoSPA	Royal Society for the Prevention of Accidents
ROV	Remotely Operated Vehicle
RSRL	Research Sites Restoration Limited
RV2	Residual Vault 2
RWMD	Radioactive Waste Management Directorate
SEPA	Scottish Environment Protection Agency
ShEx	Shareholder Executive
SIRO	Senior Information Risk Owner
SLC	Site Licence Company
SME	Small & Medium Enterprises
SMP	Sellafield Mixed Oxide Plant
SOCR	Support and Overhead Cost Reduction
SODA	Schedule of Delegated Authority
SPG	Sellafield Priorities Group
SPRS	Sellafield Product and Residue Store
te	Tonnes Equivalent
TEPCO	Tokyo Electric Power Company
THORP	Thermal Oxide Reprocessing Plant
teU	Tonnes Equivalent Uranium
TWh	Terra Watt hours
UKAEA	United Kingdom Atomic Energy Authority
UKNWM	UK Nuclear Waste Management
UKTI	UK Trade & Industry
VLLW	Very Low Level Waste
WAGR	Windscale Advanced Gas-Cooled Reactors
WANO	World Association of Nuclear Operators
WRF	Waste Retrievals Facility

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