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Nuclear Decommissioning Authority Annual Report & Accounts

Financial Year: April 2014 to March 2015

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Chairman's Statement

In reflecting on the past financial year, and as we mark the 10th anniversary of the NDA's creation, it feels appropriate to take a look back over our first decade and critically assess the journey we have undertaken.

On a personal note, I have now been involved with the NDA for seven years so I have been privileged to share much of the organisation's evolution. Our stakeholders have been an important influence on the direction of our journey, with vital contributions from the Government, the workforce, regulators, site stakeholder groups, the supply chain and international partners, to whom we are extremely grateful.

Ten years ago, we inherited a range of sites that had individually made varying, piecemeal progress in addressing the historic legacy of the UK's pioneering, world-leading experiments with nuclear energy. In those post-war years, the initial focus was on defence priorities ahead of electricity generation, although the need for industrial and domestic power eventually came to dominate. The clean-up that would be required many years into the future was, understandably, not the main focus, and uneven progress was achieved as plants and reactors reached the end of their operational lives. The first task was therefore to develop a detailed understanding of the overall estate and understand what kind of strategy would achieve progress while ensuring an acceptable cost for the taxpayers who are required to fund the bulk of the mission.

Plans have been established and are being delivered across all sites, while performance and progress are monitored rigorously. Our monitoring processes enable those plans to be revised in line with evolving policy, strategy, performance and funds. We have also moved from aggregating those site plans to setting a framework that sets out a clear estate-wide strategy and requires the Site Licence Companies (SLCs) to respond by producing plans that align with our approach. In addition, our early work has also focused on income generation from our remaining operational power stations, fuel cycle management services including reprocessing and asset realisation, which have together produced around £10 billion of income to deploy on decommissioning activities.

Our understanding of what is needed continues to grow and we continue to allocate our money to best effect. After the early years, when our focus was on understanding the scope of the mission and how to best secure progress, the NDA has developed into a uniquely knowledgeable organisation, harnessing the right blend of skills and expertise to make an important contribution to the decommissioning landscape predominantly in the UK, but also increasingly overseas.

Since our formation, we have strengthened the role of the private sector, introducing international expertise through a series of competitive procurements for five SLCs which are anticipated to secure total savings of well over £2 billion during the coming years. This is in addition to strategic changes of direction at the Magnox and RSRL sites that were already anticipated to reduce costs significantly, together with greater use of collaborative procurement across the wider estate and reduced overheads. These together also brought savings of around £2 billion.

Arrangements are in place for the safe and secure storage of plutonium, while the NDA continues to advise the government on plutonium disposition and support current nuclear generation through the management of spent fuel. We are also on target to bring Sellafield reprocessing to an orderly closure in the face of significant challenges from ageing plant.

Greater quantities of waste are being safely packaged for disposal, reducing risks, while new facilities such as waste treatment plants and the Sellafield evaporator are being constructed in support of the long-term mission.

The most significant decision of the year was the change of management model at Sellafield, which is now in a transition phase before the new arrangements come into operation. The Board fully supported this decision, and the Government approved the approach proposed by the Executive. We are clear however that the strategy for the rest of the estate is structured appropriately for its challenges.

We strive to achieve the optimal balance between minimising costs while maximising decommissioning progress and are mindful of the economic climate that requires rigorous, careful analysis of spending decisions. The Board is particularly focused on our responsibility to scrutinise programmes and projects. We challenge and question where appropriate, seeking further detail to bring reassurance and rigour, recognising the scale of the delivery challenge across the estate.

The next year will bring its share of challenges and achievements. We are already working on a review of the Strategy that was produced in 2011, and will begin consulting publicly on the content later this year.

We are examining a range of options that may need to be introduced in response to possible outcomes from the forthcoming Spending Review. Our planning takes into account the future revenue implications that will accompany the closure of Wylfa, the completion of asset sales and the forthcoming end of reprocessing at THORP.

Our international collaborations have strengthened and we have been pleased to continue sharing our experience with colleagues in Japan and China. In Japan we have supported the historic agreement between Sellafield Ltd and TEPCO, the company which operated the Fukushima plant, and our subsidiary International Nuclear Services Ltd (INS) has signed a Memorandum of Understanding (MoU) with China that we hope will generate export opportunities for UK companies. The MoU provides a framework to enhance co-operation in the areas of fuel cycle and transportation, decommissioning, radioactive waste management and disposal.

I would like to welcome four new Non-Executive Directors to the Board: Evelyn Dickey and Volker Beckers have already taken up their positions, while Janet Ashdown and Rob Holden are due to join this summer. They will replace Chris Fenton, whose term of office has just expired, and Murray Easton who stepped down in 2013, plus two further Non-Executives who will end their terms next February.

We will also welcome Alison Kay, General Counsel and Company Secretary of National Grid, in an observer role with the Board as part of the national scheme, Women on Board, to deliver greater participation of women at board level across the UK.

Finally, staff at the NDA, the SLCs and subsidiaries, as well as our stakeholders, deserve thanks as they continue to provide support, scrutiny and achieve successes. Our progress depends on their ongoing commitment, dedication and hard work.

Stephen Henwood CBE
Chairman

Chief Executive's Review

The biggest development of the past year was the announcement of our decision to change the operating model at Sellafield. Before focusing in detail on that decision, I would like to reflect on the considerable progress that has been achieved at that most complex, challenging site during the year. There have been some setbacks but I am confident overall that we are on track to meet our responsibility to UK taxpayers in dealing safely and cost-effectively with the largest environmental restoration programme in Europe.

Importantly, 2014/2015 has been the best year on record for overall safety performance at Sellafield particularly in the nuclear and conventional areas. This is a great achievement and reflects positively on all those involved in the management and operation of the site.

At Sellafield, our priority is to address the long-standing hazards in the oldest facilities, the Legacy Ponds and Silos (LP&S), which date back to the 1950s. These buildings contain significant amounts of radioactive material deposited over many decades, for which records are often incomplete and unreliable and which were not designed with waste retrieval in mind. The main focus over recent years has been to maintain and enhance the safety of these facilities and to develop the plans and additional facilities that will be needed to retrieve the waste for treatment, storage and eventual disposal. It is pleasing, therefore, to be able to report that retrievals are now beginning to gather pace and that this year we have seen the start of radioactive sludge removal from the First Generation Magnox Storage Pond (FGMSP) to the newly constructed Sludge Packaging Plant. The FGMSP was constructed in the 1960s to store spent fuel from the UK's Magnox stations and contains accumulated waste material including sludge from corroded fuel cladding, fuel fragments, storage containers and assorted debris. Good progress is also being made in examining and consolidating fuel within the pond prior to the start of fuel removal next year.

Also within LP&S, more than 100 tonnes of contaminated equipment, approximately 90 tonnes of metal fuel and more than 100 cans of fuel fragments have been removed from the Pile Fuel Storage Pond.

In the Sellafield operating plants, THORP had a mixed year, achieving good operational throughputs but being impacted by a number of unplanned outages and ultimately falling short of its production target. However, both the Magnox reprocessing and the vitrification plants operational targets were achieved and Sellafield now has the lowest stock of Highly Active Liquor for decades. Performance on capital projects has been mixed, with some real progress made but also some significant slippage on timescales and escalation of costs which is a continuing cause for concern.

In January of this year we took the very significant decision to change the operating model at Sellafield. This resulted, at the end of March, in the formal notice of termination of the Parent Body Organisation (PBO) contract with Nuclear Management Partners, a step that will lead to final contract termination towards the end of 2015/2016. This decision was taken following many months of analysis, involving external expert advice, and consideration of options for improvement at Sellafield. Extensive comparisons were also made with complex industrial activities elsewhere in the nuclear, non-nuclear, public and private sectors.

Under the revised arrangements, the NDA will take direct ownership of Sellafield Ltd, which will continue to be the site licence holder, the direct employer of the majority of staff working on the site and accountable for safety, security and operational performance. Sellafield Ltd will continue to be governed by its Board, but the Chair will be chosen by the NDA. The essence of the change is to move the commercial interface between the public and private sectors a layer down, such that Sellafield Ltd contracts with the private sector supply chain for the services it needs. Sellafield Ltd and the NDA will sit on the same, rather than opposite sides, of the public/private contract boundary providing both a simpler and more naturally aligned structure. During 2015/2016, we will be working closely with Sellafield Ltd to finalise the details of the revised arrangements which we expect to include a ‘Strategic Partner’ for Sellafield, to provide help in a number of areas, particularly major capital project and programme delivery.

Dealing with Sellafield demands the deployment of significant financial and human resources. It is, therefore, entirely appropriate that we continue to be subject to critical scrutiny of our performance. Recent assessments from the National Audit Office have been constructive, while the Public Accounts Committee hearing provided opportunities to clarify our approach and explain the enormous uncertainties and the very long timescales involved in the delivery of our overall decommissioning mission.

Sellafield Ltd’s latest assessment of future work to be undertaken is detailed in Performance Plan 2014 (PP14), which represents an improved and more realistic forecast of the programme ahead. Building on the previous plan from 2011, the new plan, accepted by the NDA following a comprehensive review, takes account of information that is emerging as progress is made but still recognises the significant uncertainties associated with such complex and long-duration activities. As I noted last year, any plan for Sellafield is only firm in the short-term (and even then remains vulnerable to the age and reliability of the assets) and represents a set of planning assumptions thereafter. As such, PP14 will be subject to constant revision as progress is made and understanding improves and these reviews are likely to result in further changes to both the estimated cost and schedule to complete the decommissioning mission.

Cost assessments feed into the overall nuclear provision figure, which is published annually as the NDA estimates the future costs for decommissioning across the entire estate, projected over the anticipated timescale that extend into the 22nd century. The latest available figures have led us to increase the provision by approximately £5 billion from last year’s estimate, based on improved understanding at Sellafield and from work to develop more accurate forecasts for PP14. Further details are provided in the Financial and Strategic Overview.

Elsewhere in the NDA estate, good progress is being made at all sites. The programmes in place at Dounreay, Magnox and RSRL will result in faster decommissioning and significantly reduced costs, saving many £ billions in the long-term. At the Low Level Waste Repository (LLWR), waste reduction and diversion plans have resulted in more than 80% of Low Level Waste (LLW) generated across the UK being treated in other facilities, with much being recycled back into useful materials. This diverts materials away from LLWR and preserves valuable space in the facility.

At Dounreay, safety issues came under the spotlight following a sodium tank farm fire which led to enforcement action by both the Office for Nuclear Regulation (ONR) and the Scottish Environment Protection Agency (SEPA). The site has developed an improvement programme, and we will monitor its delivery, and the site’s recovery.

The overall programme of work across the site has been adjusted to take account of significant additional work scope introduced by the NDA. This will enable the transfer of nuclear fuels to Sellafield and ensure the Dounreay site becomes fuel-free many decades earlier than previously anticipated.

Site closure, or Interim End State, is now expected by 2030, earlier than the 2038 end date scheduled under the previous contract, but five years later than initially forecast in 2012, when the PBO contract was awarded to Cavendish Dounreay Partnership (CDP). The extra years result from the additional scope which has required revisions to targets and milestones, against which CDP continue to perform well.

The first two LLW vaults at Dounreay are now fully open and ready to accept waste as the site heads towards closure. The vaults will hold around 150,000 tonnes of demolition rubble and other waste that will be produced as the site is taken apart.

Magnox Ltd and RSRL merged into a single Site Licence Company (SLC) on 1 April 2015, one of the initiatives proposed following the contract award to the new PBO, the Cavendish Fluor Partnership (CFP) last September. The merger unites the 12 sites under a single leadership team, with a simplified structure and a range of shared management systems.

Work continues on the consolidation phase of the new contract, which is a significant exercise and will enable CFP to update their plans in line with developments on the sites since 2013, when their proposals were drawn up. The NDA is keen that the integrity of the work is maintained through this process and that the final plan will reflect any funding constraints and scope changes.

When complete, the finalised Lifetime Plan covering all 12 sites will incorporate CFP's technological innovations and efficiency plans, as well as cost and schedule adjustments to take account of changed conditions accepted by the NDA.

While consolidation continues, the Magnox Optimised Decommissioning Programme (MODP) is delivering good progress with the completion of defueling at Sizewell A and Oldbury heading for defueled status within the next 12 months. Trawsfynydd and Bradwell have experienced delays in their accelerated programmes, but are still scheduled to enter the passive Care and Maintenance phase many years earlier than originally envisaged.

The accelerated clearance of Dungeness's south side was completed ahead of schedule. Showing this demolition on a live webcast was an excellent initiative from the Magnox team. At Hunterston A, the first of five waste bunkers has been emptied, a challenging task given the unique and highly radioactive nature of the contents.

Radioactive Waste Management Limited (RWM) is now operating as a wholly owned NDA subsidiary company. From its base in Harwell, Oxfordshire, its staff of nuclear scientists, geologists, engineers and other professionals is responsible for delivering Government policy on geological disposal of higher activity radioactive waste. The Government has now published its White Paper 'Implementing Geological Disposal', which sets out RWM's role as the developer of a geological disposal facility and clearly positions the public at the centre of any final decision-making on the facility's location.

The NDA has continued to support the supply chain at all levels with an emphasis on Small and Medium-sized Enterprises (SMEs) as well as Research & Development organisations, many of which are also SMEs.

Our SME Action Plan, published in 2013, builds on initiatives already under way across the estate to increase the proportion of public contracts awarded to the SME community. Major success has already been achieved with 21% of the estate's sub-contract spend (both direct and indirect) now directed to SMEs, surpassing the 20% target set for the end of the financial year.

We continue to support the Government's export-focused investment arm, UKTI (UK Trade and Investment), in order to encourage overseas opportunities for our suppliers. Our subsidiary, International Nuclear Services (INS), continues to provide support to both overseas bodies and the UK supply chain to maximise the value that the supply chain can deliver. INS also continues to provide the premier nuclear material marine transport service across the globe.

Our partnership with Innovate UK (formerly the Technology Strategy Board) is also gaining strength and enables us to leverage additional funding for research partnerships and innovative projects, which is proving effective in transforming novel concepts into commercially deployable products.

During this year the NDA has supported ambitious and effective improvement programmes in environment, health, safety and security performance across the estate and all of our sites completed the HSL Safety Climate survey. This is the first time that we have collected this type of data from all of our operations and will provide a benchmark for the future. This work will continue into next year and is a key element of our environment, health and safety component in our revised Strategy document which will be published at the end of 2015/2016.

We have been proud to provide support to Women in Nuclear, which is part of a global movement to address the industry's gender balance, improve the representation of women in leadership and to engage with the public on nuclear issues. While there are encouraging signs of progress in promoting and developing a more inclusive workforce across our estate, there is clearly some way to go and we remain committed to working on a local, national and international level to maintain and accelerate progress.

I was delighted to see two of our colleagues recognised for their service to the nuclear industry in the Queen's New Year's Honours List: Neil Baldwin, the former Managing Director of Magnox Ltd, was awarded an MBE in recognition of his contribution to civil nuclear engineering and decommissioning, and Mark Crowther, the former head of the Japan business at INS, received an MBE in the Diplomatic Service and Overseas List for services to the British nuclear industry in Japan. Very many congratulations to them both.

Finally, I and my Executive Team remain absolutely focused on the task ahead and are committed to seeking further improvements across the NDA estate over the coming year. I remain enormously grateful to all those who work across the estate within the NDA, the SLCs, the PBOs and the supply chain whose dedication and commitment are so vital to our continuing mission.

John Clarke
Chief Executive Officer

Financial and Strategic Overview

Overview

In our 10th year of operations, the NDA has continued to build on its track record of strategic planning and good financial management, by setting the strategic expectations for delivery, and controlling expenditure to within challenging budgetary targets, ensuring that expenditure is focused on key decommissioning activities and income from revenue generating assets is maximised.

We have brought a real focus to the task of decommissioning in the UK. We inherited world-leading organisations and progressive ideas about how decommissioning should be achieved, but it was not systematic, or based on robust, underpinned strategic plans. Our first task in the early years was to develop a clear understanding of what was required and draw up a strategy that covered the whole estate. In accordance with our Strategy, we are disposing of Low Level Waste (LLW) and storing Higher Active Waste (HAW) in safe, secure facilities across our estate. We have also improved the security and safety of our spent fuels and nuclear materials by consolidating and storing them at purpose-built facilities at Sellafield.

By honouring our inherited contracts, we have managed spent fuels for a number of organisations in the UK and abroad. Today we are in a position where the cessation of reprocessing at THORP can be achieved in 2018. This position has required detailed consideration, as well as extensive planning. There is a continued need for us to receive AGR fuel from our UK customers in order keep the fleet of reactors operational and underpin the country's power supply.

In its 10 years of operations, NDA has:

- restructured the civil nuclear estate, establishing new Site Licence Companies (SLCs) and Parent Body Organisations (PBOs)
- brought world leading organisations into the management and delivery of the work required by the NDA's mission, leading to reductions in the liabilities associated with non-Sellafield sites, including savings of around £2 billion on Magnox and RSRL sites (through Optimised Decommissioning Programmes) and around £1 billion at Dounreay through the competition process with a potential further £1 billion at Magnox arising from the new contract
- driven hazard reduction and improved safety and security across the estate
- earned over £10 billion of commercial income from its assets and contracts, including around £1.2 billion by securing extended operations of the electricity generating stations beyond their planned operating lives, and realising over £500 million from the disposal of surplus assets
- driven savings across the NDA estate through the development of the supply chain and collaborative procurement initiatives
- reduced support and overhead expenditure in the estate by more than 25% thereby diverting funding to front line nuclear decommissioning
- managed the expenditure of over £28 billion on progressing the NDA mission to safely decommission and clean up its sites
- directly invested over £70 million in R&D, and over £75 million in socio-economic activity in support of the broader NDA mission, leveraging significant funding from external partners.

Over the course of the year, we have spent **£2.6 billion** in directly addressing the often complex decommissioning tasks, and have secured **almost £1.1 billion** of income to offset this cost.

The scale of work is compounded by the complexity of many of the critical projects at Sellafield, which are at an early stage in their design and delivery, and therefore inherently uncertain in both the means of physical delivery and cost and schedule of delivery. Elsewhere in the estate, where there is relative certainty over the work needed for decommissioning, the NDA has been able to run competitions such that the work can be delivered under target cost incentive fee (TCIF) arrangements, introducing more clarity and delivering reductions in the expected cost of the programmes.

The estimated cost (discounted) to complete the necessary decommissioning activity has increased by **£4.9 billion** and is explained on pages 16-17.

2014/2015 Financial Highlights – In year

Our ability to operate within the funding envelope made available by Parliament is of paramount importance, as is the need to drive maximum benefit from the expenditure made.

NDA gross expenditure of **£3,276 million** was funded by grant from Government, and the commercial income of **£1,080 million** received by the NDA is separately remitted to Government as required by the Energy Act (2004). However, the NDA is also required to balance its net demand on taxpayer funding, and in this respect we were able to deliver work within our initial Parliamentary allocation of **£2,299 million,** actual net spend being **£2,233 million.**

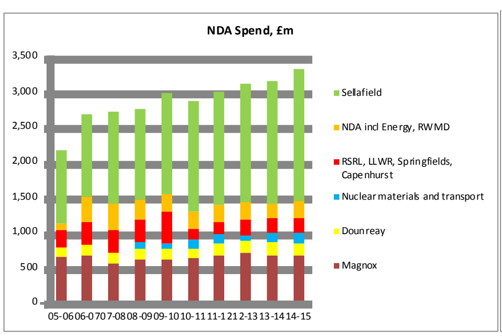
Key performance highlights of the 2014/2015 financial year include:

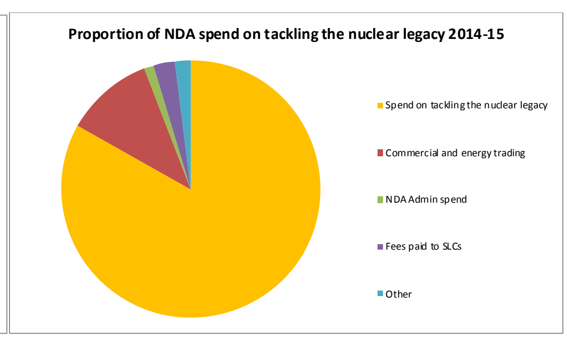
- NDA's expenditure, net of commercial income, at **£2,233 million**, was within the funding voted by Parliament, and, through careful control, the NDA was able to generate a surplus against the original estimate of **£66 million** of which **£54 million** was handed back to HM Treasury in the Supplementary Estimate, to carry forward with HMT approval to meet funding challenges in future years. The NDA used the principle of portfolio management to balance competing demands from the various SLCs to maximise value for money for the tax payer
- of the total **£3,276 million** expenditure, **£2,610 million** was utilised in tackling the legacy which forms the core of the NDA mission, and a further **£473 million** expended on income generating activities. The balance of expenditure **£193 million** was NDA administration and industry-wide costs in support of the NDA mission, including fees payable to SLCs on successful delivery of milestones and research and development expenditure which will provide benefits in solving some of the technical challenges faced by the industry as a whole and investment in skills
- **£1,080 million** of commercial income was secured, dominated by receipts from reprocessing and management of spent fuels, and supplemented by sustained electricity generation from the last full year of operation of the remaining Magnox power station.

Note that the above figures relate to NDA's income and expenditure as reported to HM Government in terms of its Departmental Expenditure Limit (DEL) which are not directly comparable to the income and expenditure in the financial statements (which have different reporting requirements as they are based on International Financial Reporting Standards (IFRS)).

Spending within budget

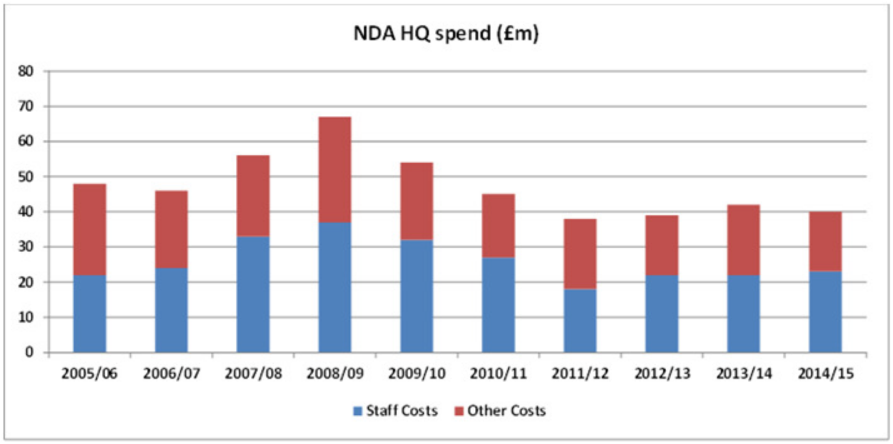
The bar chart below shows the expenditure by SLC with Sellafield the dominant site. The pie chart below demonstrates that the bulk of the NDA expenditure is directly on tackling the legacy.



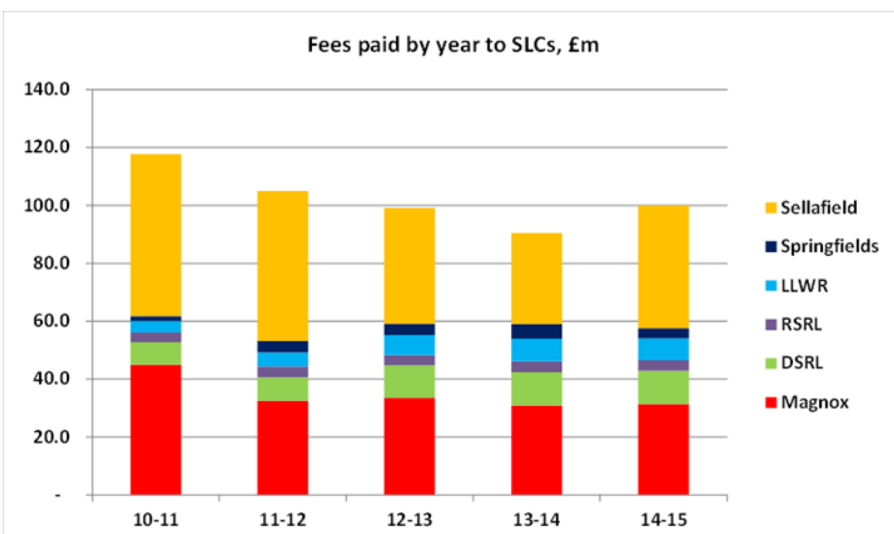


The running cost of the NDA is £40 million per annum, with income of £3 million producing a net total of £37 million. The cost of the NDA represents just over 1% of the total estate spend. The running costs of the NDA are now lower than they were when the NDA became fully operational in 2005. The continued management of running costs is an example of the NDA's track record of financial management and reflects the challenging fiscal climate in recent years and associated focus on reducing running costs across the sector.

The graph below shows the pattern of NDA running costs over the 10 years of operations. The 'other' costs include day-to-day non-staffing costs such as office accommodation, audit fees and IT as well as the external resources required to undertake assurance work across the NDA estate.



SLCs are paid fees which reflect their performance during the year in achieving programme milestones, output targets and efficiencies. The fee paid by the NDA to its SLCs is therefore, not a fixed amount and varies each year according to performance levels achieved. In most areas of the estate, plans are relatively mature with performance closely tracking those plans and, as a consequence, predictable and stable fees paid to SLCs. This is reflected in the introduction of TCIF arrangements, which reward both cost improvements and key milestone delivery, on the more mature sites.



Reducing long-term expenditure: how the NDA has shaped the commercial model for delivery of decommissioning.

The NDA's programme for cleaning up the nuclear estate by its nature involves a range of complex, interdependent and often unique projects. The ability of the 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.

The competition for a new PBO for the sites managed by the Magnox and RSRL SLCs concluded with the share transfer and contract award to Cavendish Fluor Partnership (CFP) in September 2014. The aim of the competition was to introduce a TCIF based contract to produce efficiencies and continue progress towards the goal of placing the sites into their long-term Care and Maintenance phases. This follows the earlier award of a TCIF based contract to Dounreay.

CFP will be expected to develop the existing baseline – which already assumes innovations and efficiencies – and make further savings. Therefore following our scrutiny of the new baseline we expect to be able to reflect these savings in the nuclear provision in future years.

In January 2015 the NDA announced a change to the contracting model for the Sellafield site and the associated SLC, in which the current parent body agreement for the site will cease by the end of the 2015/2016 financial year, at which point the SLC will become a wholly owned subsidiary of the NDA and, it is anticipated, will be consolidated into the NDA Group accounts.

The change was based on a business case which identifies the potential for improved performance and value for money at the site. The NDA will work alongside the SLC in future years to ensure the delivery of the site plan and to maximise the potential for efficiencies and value for money at the site.

Separate to the work of the SLCs, the NDA will continue to explore strategic opportunities for reducing long-term expenditure across the estate as a whole, for example by enabling the optimisation of site end states.

The NDA has begun preparations for the next Spending Review which is expected to be held by HM Government in the 2015/2016 financial year. The NDA is working with Government departments, SLCs, regulators and other stakeholders to develop a range of options to be considered in the Spending Review.

Income

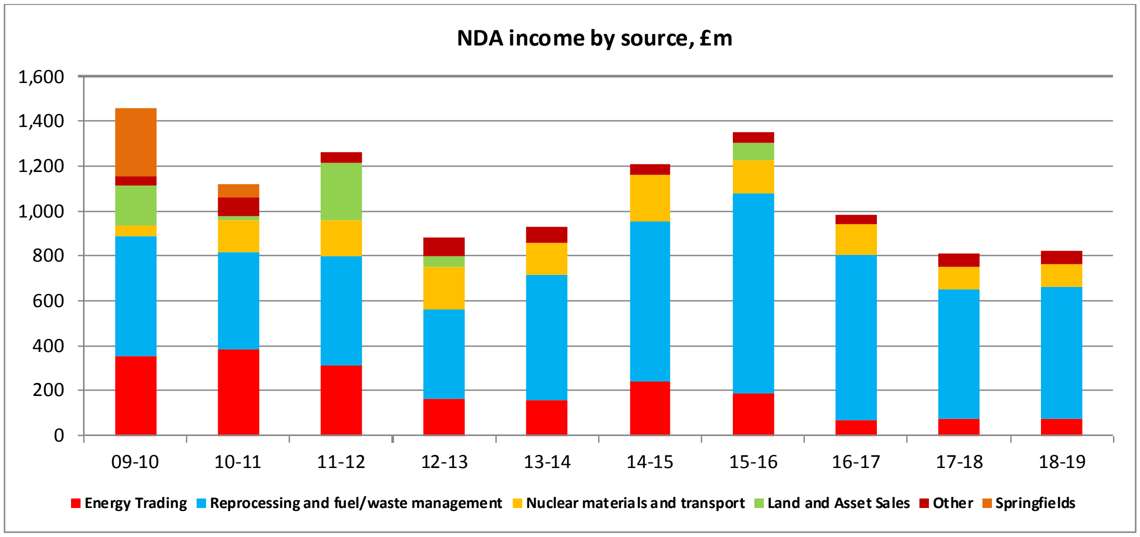
The income earned by the NDA comes from various sources, the relative importance of which is changing over time.

Of the current year total of **£1,080 million, £105 million** is attributable to electricity sales primarily from Wylfa, that is, at over 40 years old, the last operational Magnox station in the world (down £52 million from previous year). An application for further extension, subject to stringent safety case approval, has been developed to take the operational life of the station through to December 2015 when all useful fuel life will have been exhausted. However, as the plant reaches its end of life, there is always potential for plant reliability issues to impact the economics of continued operation.

Income from reprocessing and waste and spent fuel management activities delivered **£736 million** of income in year (up **£179 million** from the previous year). The profile of this income stream will change over time with an increasing proportion derived from receipt and storage of spent fuel from the newer AGR stations, and a reduced reliance on the income derived from legacy UK and overseas fuel reprocessing and storage contracts.

The third key strand of income is from nuclear materials management (including commercial arrangements regarding the ownership and future management of plutonium and shipping of waste and other materials).

Looking forward, the composition of the income will be significantly different, with electricity generation at Wylfa having ceased and only small amounts of energy sales remaining. The reprocessing element of income from reprocessing and management of wastes and fuels from the legacy contracts will also have reduced as the facilities reach the end of their commercial life. The bulk of the income will be derived from the contract to take ownership and treat the spent fuel arising from the EDF fleet of AGR power stations.



The NDA continues to explore commercial opportunities which offer value for the public purse, including transactions relating to the ownership and management of nuclear materials. It has an active policy of disposal of surplus land and building assets in support of the Cabinet Office initiative.

2014/2015 Financial Highlights – Planning for Future challenges

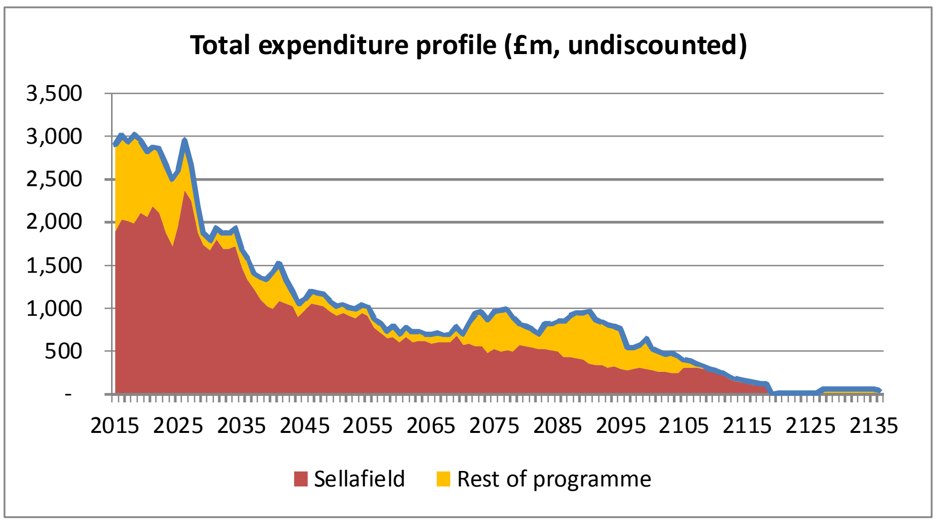
- the estimated undiscounted total cost of the NDA mission over the projected 100+ year timescale is **£118 billion (undiscounted), £70 billion (discounted)**.Considering this as a single figure however could lead to a false sense of certainty in the outcome and instead it should be considered within the identified uncertainty range of **£95 billion** to **£218 billion.** The following paragraphs discuss the evolution of the number, the inherent uncertainties within it and the range of potential outcomes
- as the Comptroller and Auditor General said in the NDA Annual Report and Accounts 2012/2013 ‘Given the very long timescales involved and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in later years’
- other than for Sellafield, the cost estimates across the estate have remained relatively stable over the past couple of years
- the benefits of the recent Magnox and RSRL competition have not yet been incorporated, pending conclusion of the Consolidation Phase
- at Sellafield the recently received Performance Plan 2014 (PP14) was accepted by the NDA during 2014/2015 resulting in cost increases and scope and schedule changes for many of the major projects and programmes; while this is the most comprehensive Sellafield plan to date, we anticipate further iterations with potentially further cost increases, due to the remaining uncertainty over the required scope of work needed to complete the decommissioning of the site.

Future cost and estimating uncertainty

Compliance with Accounting Standards requires the NDA to disclose the discounted cost of the decommissioning mission as a single point number in the Statement of Financial Position – the 'Nuclear Provision'. It is important to understand both the source of that single number and what it represents, the inherent uncertainty within it, and the fact that it is simply a single point in a credible range of potential outcomes.

The NDA management's best estimate of the future costs of the estate over the next 100+ years based on accepted plans from the SLCs and other estimates on an undiscounted basis is **£118 billion which on a discounted basis is £70 billion**. This figure is predicated on dealing with an assumed inventory of materials with varied radiological characteristics, and using the extant strategy for retrieval and disposal of the resulting materials over several decades. Each of these elements (quantity, method and time to treat) is uncertain in its own right, and the cost of developing the necessary technology and plants to deal with these activities is necessarily also uncertain. The quality of the forecast becomes less certain as time goes out. Consideration also has to be given as to what standards of clean-up may be generally acceptable in the future in respect of the final planned end state for the sites.

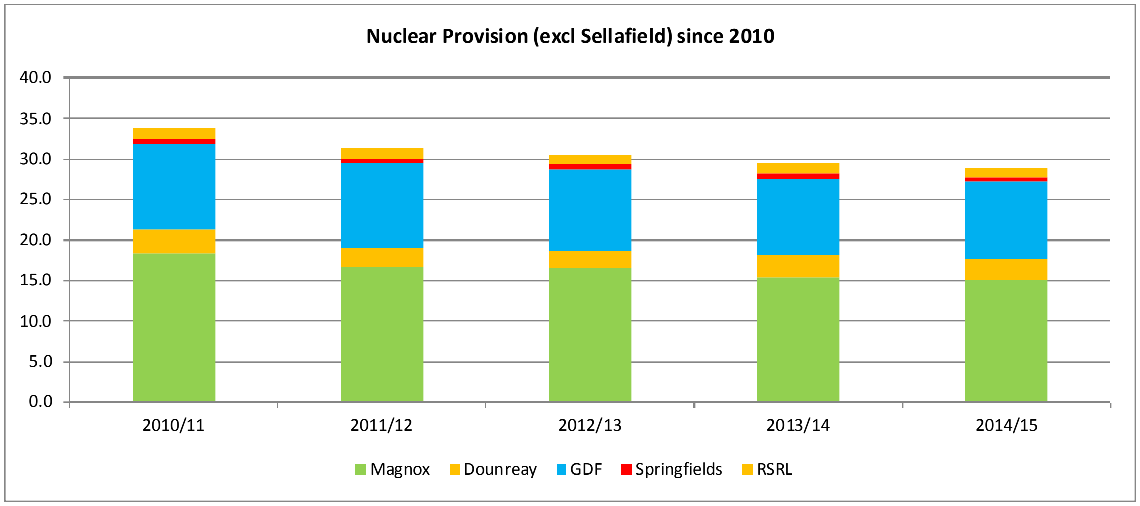
The following graph shows the undiscounted Annual Expenditure profile for future years (excluding NDA administrative and other non-programme costs), derived from extant lifetime cost projections from each of the SLCs.



The expenditure profile illustrates a downward trend over the next 50 years, following a short-term peak over the next ten years, as sites enter Care and Maintenance, with subsequent increases in expenditure from 2070 onwards when final site clearance work is undertaken.

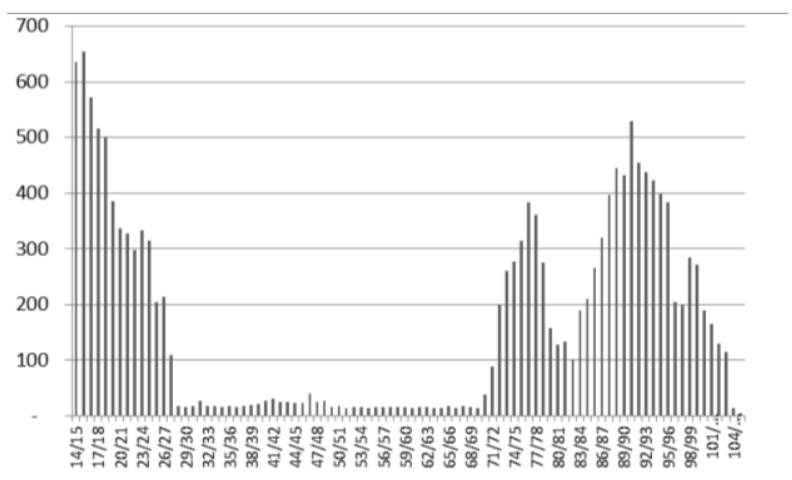
Estate excluding Sellafield (cost to complete £30.6 billion undiscounted, £16.7 billion discounted)

The maturity of scope in the non-Sellafield SLC plans, and the successful introduction of private sector expertise has enabled the NDA to drive value for money for the taxpayer, through the transition from cost reimbursable to TCIF contract structures. Over time this has led to stabilisation and ultimately reduction in the projected cost of decommissioning. This is expected to reduce further next year once the Magnox/RSRL competition benefit is confirmed and incorporated.



The total estimated undiscounted lifetime cost of decommissioning the Magnox estate is £15.4 billion and is supported by the agreed MODP. The MODP reduced the estimated cost by over £1.5 billion, and following on from the competition process, the preferred bidder for the Magnox sites will be expected to develop the baseline programme and to identify opportunities and translate them into further savings in the region of £1 billion. The new contract has been let on a TCIF basis, reflecting the increased certainty over the scope involved in the initial phase of the plan necessary to get the sites into their long-term Care and Maintenance states. Scrutiny of the proposed plans will continue into 2015/2016 and will be reflected into the cost estimates by March 2016.

Nonetheless, considerable uncertainty will still remain in the ultimate cost of the programme of work to return the Magnox sites to the currently planned final end state envisaged in the NDA strategy. The profile of the work necessary is shown in the following graph with the right-hand side expenditure relating to Final Site Clearance:



The recently competed contract period covers costs in the block of activity (to 2027) by which time all of the sites are planned to be in an interim state. A long period of Care and Maintenance follows through to 2070, when work starts on dismantling of the reactor at Berkeley as part of final site clearance. Work across the remainder of the fleet then continues through until the final site, Wylfa, is completed in 2106. The undiscounted cost of the final site clearance activity over a 36 year period is currently estimated at £10 billion – two-thirds of the estimated final total cost.

The graph clearly illustrates the low annual cost of the interim Care and Maintenance period. The sensitivity analysis discussed later show the impact of applying the Class D ranges. Changing the timing of the final site clearance by a decade would have very little overall effect on the total cost on an undiscounted basis, in contrast to the discounted figures discussed later in this section.

Sellafield (cost to complete £87.2 billion (undiscounted), £53.2 billion discounted)

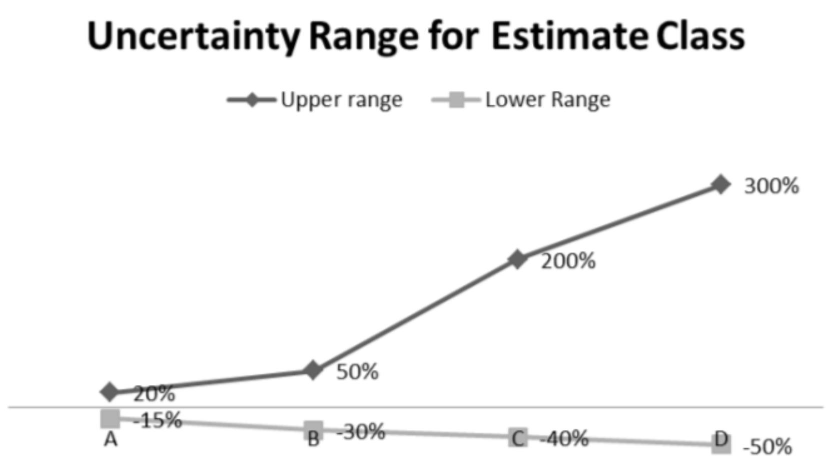
At Sellafield the nuclear provision estimate combines the cost projections from the new Performance Plan (known as PP14) with management estimates as to near term cost pressures and very long-term costs. The estimate also includes, as in previous years, the estimated additional costs arising from the preferred strategy for the long-term management of plutonium, which are not included in the Performance Plan.

PP14 represents the most comprehensive review of the Sellafield Lifetime plan since the equivalent update in 2011. The plan incorporates many of the cost pressures and plan changes which have emerged since then, and the resulting cost reflects the increased understanding that the NDA and Sellafield have of the complex nature of the programme.

The plan was subject to a long and detailed assurance process by the NDA, before its eventual acceptance in late 2014. While the resulting plan is substantially more up to date and realistic than the previous plan, it will continue to evolve in future years as the programme develops and individual projects progress.

Sensitivity of estimated future costs

Estimates are classified according to the level of certainty, with ranges applied to reflect this. The NDA estate uses four different classes of estimate (A to D) with A having most certainty, and D the least certainty in line with the principles of the HMT Green Book. So for Class D estimates, the credible range of outcome could be +300%, -50% to the central case as shown in the graph below. Inevitably as much of the expenditure of the NDA is not scheduled to start until many years in to the future, using as yet unknown technologies, then the estimates will tend towards class D.



Notwithstanding this uncertainty, the NDA continues to work with the SLCs, scrutinising their long-term plans and benchmarking them against best practice for project and programme costs and schedules and to ensure that these plans are coherent and consistent with agreed strategies.

The NDA has reviewed the methodologies used in the calculation of the ranges of the nuclear provision and has recognised that removal of optimism bias and application of the HMT Green Book estimating uncertainty principles means that it is appropriate to have a significant undiscounted range. The NDA, having considered a number of scenarios with a range of possible outcomes, continues to estimate the undiscounted cost within a potential range from **£95 billion** to **£218 billion**. The nuclear provision itself is on a discounted basis and represents a single point estimate within the range and is NDA management's judgement of future costs based on plans produced by the SLCs, accepted by the NDA and known changes in assumptions and facts and accounting rules.

It must be stressed that whilst the range, and consequently the provision, reflects the costs over a 100+ years the NDA and SLC Management attention is on controlling and driving down costs in the immediate, short and medium-term (1, 5, and 20 years respectively) whilst maintaining the strategic coherence over the longer term. The long and very long-term cost projections are particularly uncertain given the potential developments in technologies and the potential changes in societal demands, each of which may impact the cost and schedule requirements of the programme.

In considering sensitivities of the cost estimates, there is a clear divide in the order of magnitude of the sensitivity between sites which have relatively near-term interim or final end states being achieved, and Sellafield, Magnox and GDF with activity over a significantly longer term. For example (all figures undiscounted):

- if Sellafield costs to 2034 were to increase by 20%, the cost estimate would increase by **£7.7 billion**
- if Sellafield major project costs post 2034 increase by 100%, the cost estimate would increase by **£25.1 billion**
- if Sellafield major project costs post 2034 increase by 300% or reduce by 50%, this would result in changes of **+£75 billion** to **-£12 billion**
- an increase in the Magnox final site clearance costs of 100% would equate to **£10 billion**
- Further movement in the DSRL Interim End State date and/or the cost of delivering the programme would add up to **+£0.5 billion**
- if GDF costs post 2034 increase by 300% or reduce by 50% would equate to an increase of **£23 billion** or a reduction of **£4.0 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:

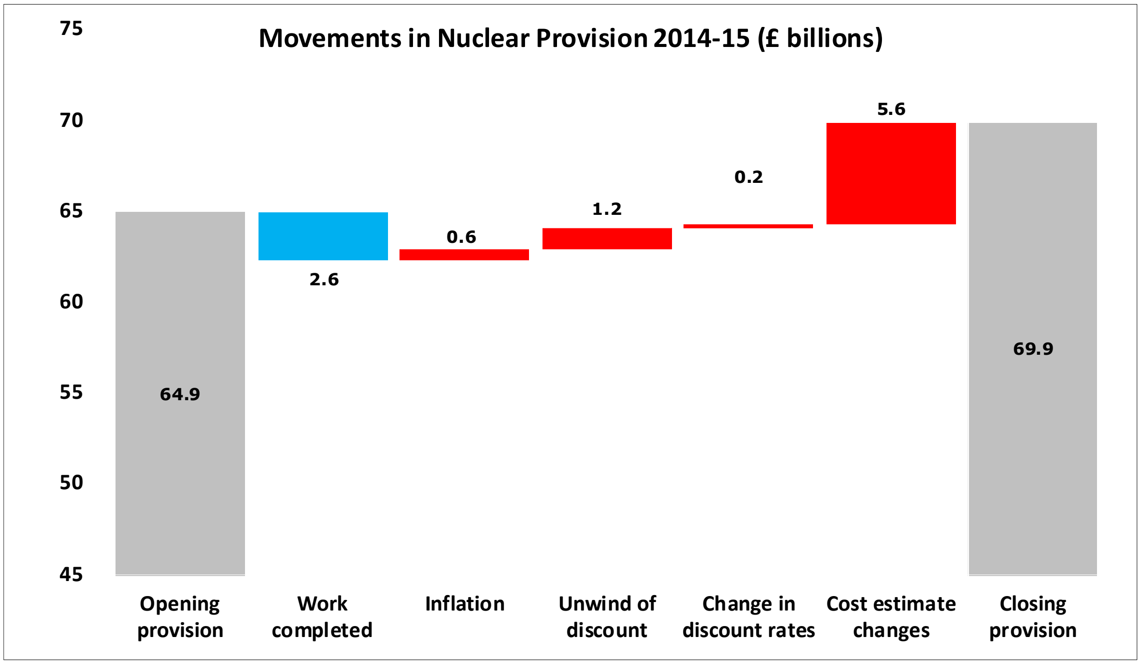
- a significant nuclear safety incident leading to delays in the management of current liabilities and/or increased costs
- the discovery of currently unknown additional hazards or other challenges
- future regulatory or Government policy changes
- changes to the final agreed end state for sites
- changes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

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 but with a reduction in the full lifetime costs.

Change in provision over the year

Reductions in the provision estimate have arisen from:

- the value of work completed during the financial year is released from the provision, thereby producing a reduction of **£2.6 billion**.



Increases to the provision (discounted) have included:

- the increases from inflation (**£0.6 billion**) and the unwinding of the existing discount (**£1.2 billion**) which are applied to the provision every year
- the impact of the changes in discount rates (as directed by HMG), which increased the discounted value of the estimate by **£0.2 billion**
- increases in the cost estimate of **£5.6 billion**, of which **£5.4 billion** relates to Sellafield, arising from the introduction of PP14.

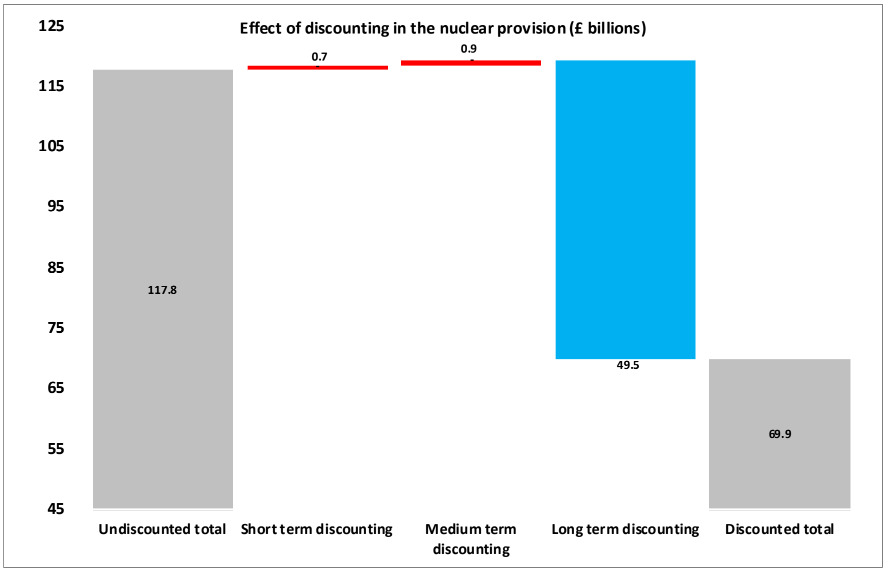
The provision is also subject to changes in the UK inflation rate and HMT provided discount rates, which apply to the provisions held by all government departments and bodies. These are dictated by HMT and announced in November each year.

Until 2011/2012, 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 10 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 following table summarises recent movements in the discount rates and their respective impacts on the NDA's discounted nuclear provision:

	Short term rate (0-5 years)	Medium term rate (6-10 years)	Long term rate (>10 years)	Impact of change
2004-05 to 2011-12	2.20%	2.20%	2.20%	-
2012-2013	-1.80%	-1.00%	2.20%	+£3.80bn
2013-2014	-1.90%	-0.65%	2.20%	-£0.32bn
2014-2015	-1.50%	-1.05%	2.20%	+0.21bn

The undiscounted total of the nuclear provision was **£118 billion** at the end of 2014/2015. The first 10 years' expenditure is now 'negatively discounted', which adds **£1.6 billion** to the value (**£0.7 billion** in the short-term and **£0.9 billion** in the medium-term) before long-term expenditure is discounted in the traditional sense (by **£49.5 billion**. This produces the overall discounted total as shown in the accounts of **£70 billion**.



A lowering of the discount rate (by 0.5%) over the life of the estimate would move the provision by approximately **£6.5 billion**.

The estimated increase in the provision value arising from the introduction of a zero long-term rate is approximately **£49.5 billion**.

Going concern

The accounts show a deficit on the Statement of Comprehensive Net Expenditure of **£7,850 million** for the year ended 31 March 2015 and net liabilities of **£70,912 million** on the Statement of Financial Position primarily attributable to the nuclear provision.

We note that likely reduction in the level of estimate income will result in an increased net funding requirement for the NDA, However, 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	2013/14 discounted £m	Movements in provision - discounted: *Unwind of discount* *£m*	*Discount rate change* *£m*	*Released in year* *£m*	*Inflation*	*Other cost change* *£m*	Movement discounted £m	2014/15 discounted £m	2014/15 undiscounted £m
Bradwell	**(336)**	*(5)*	*(1)*	*67*	*(3)*	*67*	125	**(210)**	**(886)**
Berkeley	**(639)**	*(9)*	*(2)*	*100*	*(6)*	*(33)*	50	**(589)**	**(1,178)**
Chapelcross	**(697)**	*(10)*	*(2)*	*54*	*(6)*	*(2)*	33	**(664)**	**(1,654)**
Dungeness A	**(567)**	*(8)*	*(2)*	*38*	*(5)*	*20*	42	**(525)**	**(1,246)**
Hinkley Point A	**(706)**	*(10)*	*(2)*	*38*	*(6)*	*37*	56	**(651)**	**(1,320)**
Hunterston A	**(650)**	*(9)*	*(2)*	*42*	*(6)*	*26*	50	**(600)**	**(1,214)**
Magnox central costs	**(985)**	*(14)*	*(3)*	*117*	*(9)*	*(610)*	(519)	**(1,504)**	**(2,201)**
Oldbury	**(927)**	*(13)*	*(3)*	*57*	*(8)*	*22*	54	**(873)**	**(1,558)**
Sizewell A	**(764)**	*(11)*	*(3)*	*38*	*(7)*	*36*	54	**(709)**	**(1,380)**
Trawsfynydd	**(557)**	*(8)*	*(2)*	*56*	*(5)*	*228*	269	**(288)**	**(886)**
Wylfa	**(870)**	*(13)*	*(3)*	*38*	*(8)*	*126*	141	**(728)**	**(1,516)**
Magnox Limited	**(7,698)**	***(111)***	***(27)***	***645***	***(69)***	***(83)***	**356**	**(7,342)**	**(15,037)**
Sellafield Limited	**(47,898)**	***(922)***	***(179)***	***1,610***	***(432)***	***(5,379)***	**(5,302)**	**(53,200)**	**(87,223)**
Dounreay Site Restoration Limited	**(2,526)**	***(23)***	***5***	***173***	***(23)***	***0***	**132**	**(2,394)**	**(2,613)**
Research Site Restoration Limited	**(1,203)**	***(11)***	***2***	***74***	***(11)***	***(25)***	**29**	**(1,174)**	**(1,194)**
LLW Repository Limited	**(366)**	***(3)***	***1***	***19***	***(3)***	***0***	**14**	**(352)**	**(587)**
INS Contracts	**(20)**	***1***	***0***	***1***	***(0)***	***0***	**1**	**(19)**	**(21)**
Springfields	**(336)**	***(3)***	***1***	***41***	***(3)***	***(86)***	**(51)**	**(387)**	**(562)**
Capenhurst	**(733)**	***(7)***	***1***	***22***	***(7)***	***0***	**9**	**(723)**	**(988)**
Geological Disposal Facility	**(4,077)**	***(122)***	***(19)***	***26***	***(37)***	***13***	**(139)**	**(4,216)**	**(9,514)**
Authority	**(64,858)**	***(1,201)***	***(214)***	***2,610***	***(585)***	***(5,561)***	***(4,951)***	**(69,808)**	**(117,741)**
NDA group companies	**(86)**	*2*	*0*	*2*	*(1)*	***7***	11	**(76)**	**(86)**
NDA Group	**(64,944)**	***(1,199)***	***(214)***	***2,612***	***(586)***	***(5,554)***	***(4,940)***	**(69,884)**	**(117,827)**

Note that most of the increase in Magnox central costs and decreases at other Magnox sites relate to a change of presentation of Care and Maintenance costs within the Magnox plan (shown centrally rather than by site).

David Batters
Chief Financial Officer
24 June 2015

John Clarke
Chief Executive Officer
24 June 2015

Case Studies

Priority Programmes and Major Projects

A large number of projects are under way across the NDA's sites, of varying scale and complexity. Many are linked or associated with other projects, and are grouped together into distinct programmes. The most significant of these programmes and projects, either by value or importance, are identified as Priority Programmes and Major Projects.

A quarterly report providing a high-level overview of these Priority Programmes and Major Projects is published on our website, giving stakeholders visibility of the progress in areas that are strategically important to the mission. Goals have been established for each programme and project, and appropriate targets are highlighted in the three-year Business Plan.

For each programme, the report reflects progress measured against a performance baseline derived from the Lifetime Plan (LTP) for each site or contract. The performance baseline is expressed in terms of a target cost range for most programmes, reflecting the inherent uncertainty in delivery of complex programmes over a long timescale.

The following case studies look at progress on Priority Programmes: four at Sellafield, one for the Magnox sites, one for Dounreay and the National Low Level Waste Programme.

PROGRAMME: First Generation Magnox Storage Pond (FGMSP)

Dorothy Gradden at the Pile Fuel Storage Pond, where she led the delivery of decommissioning before moving to FGMSP

The First Generation Magnox Storage Pond (FGMSP) is one of the most complex challenges in the Sellafield decommissioning programme.

Constructed in the 1950s to store spent fuel from Magnox stations across the UK, the pond holds some 14,000 cubic metres of contaminated water and has accumulated large quantities of waste material including sludge from corroded fuel cladding, fuel fragments, skips and debris, all of which is draped in a blanket of radioactive sludge. It sits in a highly congested area of the site and is surrounded by buildings which originated in the earliest days of nuclear operations on the site, limiting the opportunity for new infrastructure, heavy lifting and temporary facilities.

A landmark achievement was celebrated during 2014/2015 when radioactive sludge was removed from the pond for the first time since the 1990s. The material was pumped via a pipe-bridge to a new interim store – the Sludge Packaging Plant (SPP1) – during a series of trials.

The transfers were designed to prove the capability of the export route and the new store, with routine sludge retrievals due to start in earnest in April 2016. Dorothy Gradden, Head of FGMSP, said: "This is a significant step forward in the clean-up of Sellafield's legacy. Our relentless focus on tackling Sellafield's legacy facilities is starting to bear fruit. We are now seeing the removal of decades-old material from Sellafield's legacy ponds on a daily basis, significantly reducing the risk at these historic facilities."

The sludge is a similar consistency to sand or kaolin (milk of magnesia) and has to be carefully removed, while leaving the water in place to provide a radioactive shield for the stored nuclear fuel. Its retrieval will enable the remaining radioactive inventory to be progressively removed to reduce the hazard posed by the facility.

PROGRAMME: Pile Fuel Storage Pond (PFSP)

Material being removed from the Pile Fuel Storage Pond

The Pile Fuel Storage Pond (PFSP) is the world's largest open air nuclear fuel pond.

The 100 metre long pond was constructed in the 1940s and played a key role in the development of the UK's nuclear deterrent, storing and cooling spent fuel taken from the Windscale Pile Reactors prior to it being reprocessed.

The facility also supported the development of the civil nuclear industry, taking experimental fuel from the Windscale Advanced Gas-Cooled Reactor (WAGR) and other civil reactors.

It is now one of four legacy facilities at Sellafield prioritised for clean-up by the NDA.

Its inventory consists of canned and metal fuel, miscellaneous pond furniture and radioactive sludge made up of corroded fuel, organic material and wind-blown debris.

Canned fuel retrievals restarted in July 2014, three months ahead of schedule, following a two year refurbishment project at a specialist facility which repackages the fuel into modern containers.

More than 100 cans of this fuel – which originated from WAGR and other civil nuclear reactors – were removed during 2014/2015.

The retrieval of metal fuel, the consolidation of sludge and the export of pond furniture has been ongoing throughout the year.

Work is also ongoing on the sludge export facilities, adjacent to the pond, which will provide a means of transferring the sludge from the pond to existing waste plants for encapsulation.

The pond remains on track to be ready for dewatering by 2019 – more than 20 years ahead of the original schedule date of 2042.

Pete Lutwyche, the NDA's Sellafield Programme Director, said: "It has been another impressive year at PFSP.

"This rapid progress is a result of the team embracing the 'decommissioning mindset' - coming up with solutions at the workface, rather than relying on a design-led approach, and driving forward on multiple workfaces.

"The team is delivering genuine hazard removal on a daily basis ensuring the risk posed to people and the environment by this historic facility is being greatly reduced."

PROGRAMME: Pile Fuel Cladding Silo (PFCS)

Pile Fuel Cladding Silo

The Pile Fuel Cladding Silo, a dry silo opened in 1952 for the storage of radioactive fuel cladding, initially from the Windscale military programme, presents huge decommissioning challenges. Significant uncertainty remains in defining and costing the precise scale of work required at this historic facility, however progress is being made.

The silo comprises six 21-metre high silos of waste which is inerted with argon gas in order to prevent potentially flammable material from igniting. The presence of this argon gas prevents human access, meaning that operations must be conducted remotely.

Located in a highly congested area of the Sellafield site, the silo has an extremely small footprint of land around it available for the construction of the complex engineering projects required to retrieve waste from the facility. The programme remains in the design phase with the Retrievals Concept Design completed on target during March 2015.

The silo is effectively a large-scale concrete construction. Extreme care and high-level technical skills will be employed in order to 'break' through its walls remotely to safely remove it contents.

Once removed, these contents will be placed into $3m^3$ stainless steel boxes. The programme took a significant step forward during 2014/2015 when the preferred bidders to manufacture the first tranche of these boxes were chosen.

The preferred bidders are an established nuclear industry supplier based in the North East and a new-entrant SME from Cambridgeshire.

As well as providing a secure, value-for-money supply of boxes, the contract will also deliver significant socio-economic benefits, including the creation of new UK jobs and apprenticeships.

The filled $3m^3$ boxes will be stored in a new purpose-built facility, BEPPS/DIF. This project also took a significant step forward in the year, with the award of the engineer procure construct (EPC) contract for the BEPPS/DIF facility in January 2015, to a new entrant to Sellafield work.

The commitment to safety at PFCS was underlined during 2014/2015 when it reached the milestone of three years without a Lost Time Accident.

PROGRAMME: Magnox Swarf Storage Silos (MSSS)

Magnox Swarf Storage Silos

Arguably the most challenging decommissioning programme in the entire NDA estate, the Magnox Swarf Storage Silos (MSSS) poses a series of complex challenges.

The ageing facility contains a varied, uncertain radioactive waste inventory and is located in a densely packed part of the Sellafield site where construction work is severely constrained.

During 2014/2015, significant progress was made on three fronts: completion of construction and testing of one of three giant Silo Emptying Plant (SEP) machines to retrieve the silo's contents, an effluent removal project to reduce radioactivity in the facility and essential reinforcement works to the building.

One of three SEP machines, which will eventually sit on top of the silo and scoop out its contents, has completed its work testing phase and is ready for dismantling and transfer to site, which will enable installation on plant to commence during 2015/2016.

Alyson Armett, Head of Programme Sellafield, said: "To see the project now on the cusp of actually dismantling and delivering one of the SEP machines to site is a really tremendous achievement".

"I think everyone involved can be very proud of what they've done - it's a once-in-a-lifetime opportunity to do a unique piece of engineering for a unique problem."

A project to take highly radioactive liquid out of one part of MSSS reached a major milestone during 2014/2015 with significant levels of radioactivity now removed from the 50-year-old store.

Called the Liquor Activity Reduction (LAR) project, it involves liquid effluent being removed from the silo and transferred through a high-level shielded pipe-bridge to a modern treatment plant on the Sellafield site, where its radioactivity is removed via a filtration and ion exchange process. The radioactive sludge, sand and ion exchange material captured by this process will be treated and packaged as ILW for long-term storage.

After each transfer of liquid, the silo is 'topped up' with clean water. Overall, two million litres of liquid effluent have been removed.

Also this year, work was completed on a 15-metre high tower which will help strengthen the MSSS building making it more resilient to a seismic event, contributing to the safe management of the radioactive waste during its decommissioning.

Construction of the seismic restraint tower began in 2012 and started with the excavation of some 300-400 tonnes of earth and spoil. The tower was built out of 100 tonnes of reinforcing steel and 500 cubic metres of concrete, and weighs more than 1,200 tonnes.

PROGRAMME: Magnox Optimised Decommissioning Programme (MODP)

Dungeness turbine hall deplanting ready for demolition

The Magnox Optimised Decommissioning Programme (MODP) continues to deliver progress and technological innovation as the sites move towards the passive Care and Maintenance (C&M) phase. Sites reaching this state will be monitored by a small specialist 'hub' team, who will be responsible for safety and maintenance in the years before final site clearance.

Some notable achievements of the past financial year include confirmation of extended generation at Wylfa Power Station, which has gained permission to continue operating until December 2015. This is five years after it was originally scheduled to close and a further 12 months beyond an earlier lifetime extension. The decision was made after the site demonstrated to regulators that it can continue to meet a stringent set of safety requirements. Wylfa will provide important revenue to offset decommissioning costs for the taxpayer.

When the NDA was established in 2005, Berkeley, Trawsfynydd and Hunterston A had completed defueling, which removes 99% of the radioactive hazard from a site. Now, only three of the UK Magnox fleet still have fuel on site. Sizewell A completed defuelling ahead of its target date while Oldbury was at 67% by the end of the financial year, well in line to achieve its target date in the next financial year. Wylfa continues producing electricity, while Calder Hall is defueling as part of the Sellafield portfolio.

Technical challenges are causing delays to the accelerated C&M dates agreed under the MODP for Bradwell and Trawsfynydd, with revised dates yet to be finalised. The adjusted dates will nevertheless save many years off the timeframes originally scheduled for both sites, with the associated multi-million pound savings.

At Hunterston A, after last year's commissioning of the ILW store, a break-through was made into Bunker 5, one of the five reinforced concrete bunkers which contain the site's solid radioactive waste. The bunker has now been fully emptied and the contents transferred in stainless steel drums to the ILW store where it will be encapsulated in cement in readiness for long-term storage.

The accelerated clearance of Dungeness's south side was also completed, with demolition of the turbine hall at the end of March. This concludes a three-year programme of work, which was originally scheduled to take 12 years but was accelerated thanks to an additional £12.8 million of NDA funding. The additional funds were made available through estate-wide efficiency savings and re-prioritisation of other work. Reduced maintenance of the ageing building and the sale of scrap metal will result in cumulative savings of around £15 million against the current plan.

At Chapelcross, the programme to strip 3,300 tonnes of asbestos cladding from on-site structures was achieved three months ahead of target. The project was the largest-known asbestos strip in Europe and began in 2009, following two years of preparatory work which included encasing the 16 heat exchangers in a weatherproof enclosure to contain any airborne fibres and provide weather protection. Asbestos, which was widely used on all Magnox sites, was removed from the turbine hall, heat exchangers, reactor buildings and a range of associated equipment.

The MODP continues under the management of the new PBO for both Magnox Ltd and RSRL, the Cavendish Fluor Partnership (CFP). CFP was awarded the contract in September 2014 following a two-year competitive process. The contract award marked the beginning of the consolidation phase which will result in a new Lifetime Plan (LTP) for the 12 sites, reflecting the proposals submitted by CFP in its bid.

In line with standard contractual requirements, CFP is currently part-way through the process of assessing its proposals, submitted in November 2013 and based on anticipated developments during the following 18 months, against the actual developments over that period. CFP's technical and cost proposals will be adapted to take account of these developments, which include progress, delays and revisions to delivery strategy, before being approved by the regulators, agreed with the NDA and finally incorporated into the new LTP. The significant benefits, in terms of cost savings and efficiencies against the MODP, will be realised over the 14-year contract period.

A number of changes are already being implemented, including the merger of Magnox Ltd and RSRL into a single SLC, which took place on 1 April 2015, and sees the sites united under a single management team, with a simplified structure and a range of shared management systems. Revised arrangements for the interim storage of Intermediate Level Waste and management of Fuel Element Debris (FED) are also being developed. Consultations with the workforce and stakeholders have been under way since CFP took over as the PBO and began to share its vision for taking site decommissioning forward.

PROGRAMME: Dounreay Optimised Decommissioning Programme (DODP)

Caitlin Harvey, a DSRL apprentice working on glovebox construction in Bristol

Adjustments have now been made to the plan that will take Dounreay to the point of closure, or Interim End State when all decommissioned buildings will have been demolished and the radioactive waste made safe for long-term storage or disposal.

The NDA asked Dounreay Site Restoration Ltd (DSRL) to re-phase planned activities to deal with significant additional work, while adhering to the funding levels approved for the contract with PBO, Cavendish Dounreay Partnership (CDP), in 2012.

The adjusted Dounreay plan takes account of the requirement to transfer a range of historic nuclear materials to Sellafield, and delays the closure date initially agreed under the contract by approximately four years, to 2030. This is eight years earlier than the 2038 date forecast in previous plans, and ensures that nuclear fuels will have left the site many years earlier than anticipated.

DSRL continues to perform well and is meeting all the milestones committed to when the contract was awarded, subject to the programme adjustments that were required by the NDA.

The transfer to Sellafield of the fuels will also simplify safety and security requirements at the site.

An additional £50 million of funding over two years was released by the NDA to support this work and avoid major disruption to the workforce and suppliers.

In support of the fuels transfer programme, a suite of bespoke gloveboxes is being assembled in Bristol. The high-tech £10 million installation includes a household can opener that is able to cut the lids off old fuel containers without leaving jagged edges. This low-cost innovation is part of an approach that focuses on adapting existing off-the-shelf technology, where possible, as a more cost-effective alternative to designing a concept from scratch. Following assembly and comprehensive testing in Bristol, the shielded gloveboxes will be re-assembled on site, where they will be used to unpack, characterise, treat and repack unirradiated fuels that are currently stored on site. The facility will enable operators to safely handle the fuel while avoiding direct contact with it.

An improvement programme has been developed following a sodium tank farm fire, and enforcement action by regulators the Office for Nuclear Regulation (ONR) and the Scottish Environment Protection Agency (SEPA). The programme will be closely monitored.

Dounreay's first two underground waste vaults have been completed, marking a major milestone on the journey to site closure. The Low Level Waste Facility (LLWF) will take demolition material and other waste, including paper, rags, tools, glass concrete and clothing, that will arise as the site is taken apart. Subject to regulatory approval, waste material will start being transferred to the vaults later this year and once filled, will be capped, covered with earth and landscaped. The disposal facilities will finally consist of a series of shallow engineered vaults built in phases, up to a maximum of six, a grouting plant within the existing site and an administration block.

Part of the Dounreay site closure programme involves closing the historic contracts and returning the waste to customers, where feasible, under the terms of the reprocessing contracts. Last year, the final shipment of foreign waste from Dounreay to Belgium took place, marking the completion of one of these contracts. Preparations to return the waste started in 1995, requiring significant work from 2008 until the 21st shipment in December completed the repatriation of the 123 drums of cemented waste.

More recently, successful trials of bespoke equipment to lift off the Dounreay Fast Reactor (DFR) top plate has brought closer the removal of trapped fuel elements.

Decommissioning DFR is one of the most technically challenging projects in the NDA estate. In 2012, a camera looked inside the reactor for the first time. Subsequent inspections enabled the DFR team to assess the internal conditions in detail, providing an accurate basis for planning future fuel removal.

Working with a Caithness company, the DFR team has now carried out a series of trials, using specialised equipment to demonstrate that sections of the reactor top plate can be removed to release the trapped elements underneath. Additional work is planned during the summer to prepare for removal and repackaging of the remaining fuel.

PROGRAMME: LLW Programme

Vault 9 at the LLWR

Significant amounts of Low Level Waste (LLW) continue to be channelled through a range of alternative waste management options that are helping to preserve space in the UK's Repository for LLW, near Drigg, Cumbria. Among the options available through the services provided by the Low Level Waste Repository (LLWR) are: improved waste characterisation, consignment to specially licensed landfill sites for disposal, metal treatment and recycling, incineration and super-compaction.

The introduction of a more sustainable approach to waste management followed publication of the 2010 UK Strategy for the Management of Solid Low Level Radioactive Waste from the

Nuclear Industry, which placed greater emphasis on waste prevention, re-use and recycling, in line with the government's waste hierarchy. The Strategy, produced by NDA to reflect government policy, applies to NDA sites, subsidiaries and all industry sectors that produce LLW, including operating nuclear power stations and defence establishments. LLWR's waste services are also available to other organisations which produce radioactive waste such as research institutions and medical establishments.

The last financial year saw 89% of estate-generated LLW diverted to alternative treatments, representing a 3% increase on the previous year and a 21% increase on figures for 2012/2013.

Successes in waste diversion activities over the last financial year have contributed to extending the capacity of the LLWR's Vault 9 by three and a half years beyond the forecast: a reduction of more than 600 containers.

More non-NDA organisations are now taking advantage of the services provided by LLWR, including EDF, the MOD and URENCO-owned Capenhurst Nuclear Services. Some 39 tonnes of metallic waste, 975m^3 of Very Low Level Waste and 5m^3 of combustible waste were diverted by these organisations via LLWR services in the last financial year. That is a four-fold increase since 2012/2013.

LLWR continues to pursue additional routes for waste treatment and expects to have a new metallic waste treatment option available in the near future. Meanwhile, more effective use of transport assets has reduced the number of HGV movements through Drigg to the LLWR, and ensured fewer empty goods vehicles are on the UK's roads.

Through the LLWR, NDA's National LLW Programme leads on implementation of the Strategy, working in a collaborative partnership that includes organisations in the public and private sector. The LLW Programme Board, which meets quarterly, and the Peer Review Group, are among the forums established for sharing best practice and experiences.

Critical Enablers

The NDA supports a range of vital activities that are critical to enabling on-the-ground progress. These include supply chain initiatives, skills development, socio-economic measures, management of assets, research and development (R&D) and knowledge management. All make a significant contribution to achieving the mission while producing benefits for the wider nuclear market as well as regional economies.

Supply Chain

Supply Chain Event 2014

The NDA continues to focus on encouraging a healthy, vibrant supply chain across its estate as a key means of delivering its mission.

Together with its SLCs and subsidiary organisations, the NDA has introduced a series of measures to ensure contract opportunities are increasingly visible for suppliers, with a growing emphasis in recent years on both smaller businesses and collaborative procurement.

Since the NDA was created 10 years ago, sites have spent a cumulative total of more than £12 billion with suppliers. The annual spend has increased steadily over the period and continues to grow. The increase for the last financial year was 5%, or £87 million, when the total spent by SLCs reached more than £1.7 billion, representing more than half of the estate's annual budget.

In 2008/2009, the NDA and SLCs established a collaborative procurement initiative, to aggregate demand in commodities and medium-complexity services across the estate. The collaborative approach is in line with Government objectives for securing savings and efficiencies. Growth continues in in this area, with an increase in collaborative procurement spend to £417 million in 2014/2015, from £401 million in 2013/2014 and £306 million in 2012/2013. More than £65 million of savings were also recorded in the financial year.

The first Shared Services Alliance (SSA) Strategy of 2009 was updated and now covers the period up to 2016, with greater focus on contract management and exploring different ways to deliver maximum value from large-scale contracts. The SSA includes all SLCs as members, as well as NDA subsidiaries Radioactive Waste Management Ltd, INS and DRS, Westinghouse and the National Nuclear Laboratory are also members. Closer links with the Crown Commercial Services are also being developed, with the SSA having an increasing involvement in the placement of contracts for use by other public sector clients as well as the NDA Estate, focusing on those who procure nuclear-related services.

In 2011/2012, SLCs also started to report direct spend with Small and Medium-sized Enterprises (SMEs) as part of the estate-wide supply chain initiatives. The NDA Estate has an Action Plan, containing targets for spend with SMEs (both directly by SLCs and indirectly with Tier 2s). The target for 2014/2015 was 20%, a figure that has been exceeded with 21% recorded at the year end.
In financial terms, 2013/2014 saw £330 million spent with SMEs and £370 million spent in 2014/2015 (both direct and indirect spend).

A new mentoring scheme that links SMEs with larger organisations was piloted in 2014 and, after exceeding expectations, has been re-opened for 2015. The scheme, which arose from discussions within the SME community and is supported by the recently established SME Steering Groups, aims to help small businesses navigate through the maze of decommissioning opportunities.

The most high-profile initiative in support of the supply chain continues to be the successful NDA Estate Supply Chain Event, first launched in 2011 and attracting ever increasing numbers of visitors. Now believed to be one of the largest of its kind in Europe, the event is free of charge for delegates and exhibitors, enabling smaller businesses to avoid the kind of expenditure usually associated with trade shows and providing a full day of networking opportunities.

NDA's Supply Chain Manager Samantha Dancy said: "Our suppliers are a vital piece of the support framework for decommissioning and we depend on their flexible, collaborative approach to help solve the many technical issues on our sites."

Skills

Apprentice training

NDA investments continue to help ensure the skills needed for decommissioning remain available both now and over the longer term.

Retirement among the UK's ageing nuclear workforce means many skills are set to disappear in the next decade, while the advent of new build is also likely to see expertise transfer out of the decommissioning sector.

The NDA provides support across the whole estate for all skill levels, from college studies to apprenticeships and post-graduate research, while financial investments have contributed to delivering a range of educational facilities.

In 2014, an updated People and Skills Strategy was published, building on an earlier publication and placing greater emphasis on collaboration. Among the partner organisations already working to support skills are the PBOs, SLCs, the supply chain, universities, colleges, trade unions, the National Skills Academy for Nuclear (NSAN), Cogent Sector Skills Council, the nuclear regulators and others. All organisations share a vision of building world-class expertise to carry out the mission effectively and it is anticipated that the network will continue to grow. Working alongside a range of partners, NDA investment and support have helped to deliver: Cumbia's nuclear training centre Energus, the Construction Skills Centre in Cumbria, the Engineering Skills Centre at North Highlands College in Scotland, the Energy Skills Centre at Bridgwater College in Somerset, the Energy Centre at Coleg Menai and the Coleg Meirion Dwyfor CaMDA Engineering Skills Centre in Dolgellau, Wales.

Last September saw the first intake of 140 students to the Energy Coast University Technical College (UTC) which provides vocationally focused education and training in West Cumbria. In addition to the Cumbria UTC, the NDA also supports the Warrington UTC, which is set to open in September 2015. Meanwhile surplus land and facilities adjacent to the Berkeley site have been transferred to South Gloucestershire and Stroud College for development of a UTC focused on science and engineering. Some of the redundant facilities, including an old engineering hall will be refurbished as the centrepiece of the college, forming a real-life working environment for studies.

Meanwhile, along with The University of Manchester, the NDA is also a joint investor in the £20 million world-leading research facility, the Dalton Cumbrian Facility (DCF), which offers pioneering academic research into radiation science and nuclear engineering decommissioning. The DCF is specifically designed as a national user facility, providing academia and industry with the opportunity to carry out high-end research, incorporating academic access to the active research facilities at the National Nuclear Laboratory on the Sellafield site. Cumbria's nuclear expertise is now being brought together in the UK Centre of Nuclear Excellence (CONE), as one of four key initiatives promoting economic growth in the county. This involves collaboration between a range of institutions such as the National Nuclear Laboratory, the Dalton Cumbrian Facility and Britain's Energy Coast, alongside the industry, academia and local authorities to ensure the area maintains and develops its position at the forefront of cutting-edge capability in the nuclear, energy and clean technology sectors. Alongside capital projects, the NDA has developed a number of skills initiatives including the highly rated two-year *nucleargraduates* programme covering areas such as science, business and management which includes placements with sponsor organisations including Rolls-Royce, Sellafield Ltd and Magnox.

On-the-job apprentice training is also a growing focus across the estate. Since the NDA's inception in 2005, a total of 1,165 apprentices have been trained, or are undergoing training, across the estate.

As the largest site, Sellafield is at the forefront of apprentice training, recruiting 170 young people in 2014, its highest number, a figure that will be exceed by the September 2015 intake of an additional 200 apprentices. Across the whole estate, 600 apprentices are currently being trained.

Apprentice skills cover a range of traditional crafts such as welding, electrical and mechanical engineering, engineering design, fabrication, instrumentation and pipe-fitting. In addition to these, business administration and nuclear process worker apprenticeships are being developed, alongside civil engineering design and control systems. In 2014, Sellafield Ltd also announced its intention to recruit Project Management apprentices - the NDA's first higher-level apprenticeship.

In 2005, 10% of apprentices were female, a percentage which has steadily increased, reaching today's ratio of 27%, more than five times the UK average of 5% in industrial sectors. Sellafield Ltd is also playing a leading role in rolling out the new degree apprenticeships being pioneered by the Government. The ground-breaking courses, designed by industry, are aimed at breaking down traditional barriers between vocational and academic learning. Starting in 2016, students will combine practical experience with university studies, earning a wage as well as gaining workplace skills. The nuclear-focused course is being developed with partner organisations including the Ministry of Defence, EDF, the Office for Nuclear Regulation, the National Nuclear Laboratory, Westinghouse, Magnox Ltd and RSRL, LLWR, Culham Centre for Fusion Energy and the National Skills Academy for Nuclear.

Last year also marked the official arrival in Cumbria of a global movement to nurture innovation and spark invention with the opening of the Britain's Energy Coast (BEC) Fab Lab. Economic development organisation BEC, supported by NDA funding, has opened brand new facilities at Createc in Cockermouth and West Lakes Academy in Egremont, which have become the UK's ninth Fab Lab (fabrication laboratory). The Fab Labs provide businesses, entrepreneurs, schools and community groups with access to a wide range of cutting-edge equipment such as precision laser cutters and 3D digital printers, enabling them to develop products, prototypes or simply to learn more about the latest fabrication methods. There are around 250 Fab Labs world-wide.

Research & Development

Research students on the DISTINCTIVE programme

Research and Development (R&D) plays a critical role in solving the wide range of complex, often unique challenges that have accumulated at the NDA's sites over the decades. Progress depends on developing a clear understanding of the issues, finding the right solutions and ensuring the cost to taxpayers is acceptable.

Over the last five years, the NDA has spent, on average, around £90 million a year on R&D, with the bulk of the investment channelled through the SLCs and focused on specific site-related projects. The NDA oversees projects from a strategic perspective, ensures the proposals are technically robust and identifies opportunities for sharing the emerging technologies across multiple sites.

In addition, the NDA invests approximately £5 million a year directly on projects that help to influence the UK-wide strategy, deliver innovation across multiple sites and develop the vital technical skills that will be needed in future decades. Among the technologies supported are remotely deployed radiation mapping devices, novel materials for ILW immobilisation, laser-cutting for decommissioning and innovative in-situ waste characterisation methods.

The NDA portfolio has proved an effective pipeline for early innovative ideas to be accelerated and increase the potential for benefits to be realised on our sites. Examples include laser cutting of Magnox skips (safety, schedule and cost benefits over previous technologies) and radiation mapping devices remotely deployed at Sellafield and also abroad at Fukushima. This NDA investment includes projects delivered through our Direct Research Portfolio (competed framework contracts) aligned to the key strategic themes of Integrated Waste Management, Site Remediation and Decommissioning, Spent Fuels and Nuclear Materials, and also through our University Interactions.

Increasingly, the NDA collaborates with partner research organisations to leverage additional funding and maximise the impact of its investments. Such collaboration can more than double the funding available for projects (and thus supply chain organisations).

Following on from a successful collaboration in 2012, the NDA has contributed to a £13 million collaborative programme of support for a broad range of projects covering all aspects of nuclear, including new build, current operations and decommissioning. The funds are being provided by the Government's Innovate UK (formerly the Technology Strategy Board), the Department of Energy and Climate Change (DECC) and the NDA. The NDA investment has supported eight nuclear decommissioning projects varying in value from around £300,000 to £1 million. Projects include novel techniques for analysing contaminated concrete and, and the development of robotic characterisation and retrieval devices). Such collaborative programmes offer an entry route to the decommissioning market for external expertise.

The aim is to build a robust, sustainable UK supply chain through the development of innovative products and services for decommissioning and the wider nuclear industry. A further aim is to encourage the participation of smaller businesses and collaboration between academia and industry. NDA's Head of Technology Prof Melanie Brownridge said: "We are committed to targeting our R&D investments at developing innovative solutions for the many technical challenges faced by our sites and to help develop the next generation of nuclear specialists, who will have the high-level expertise to drive the mission forwards."

To enhance the level of future expertise, the NDA also provides wide-ranging support at post-graduate research level. This includes continuation of the annual £500,000 NDA bursary, which this year has supported seven PhD projects. Priority is given to projects that are relevant to multiple sites and/or have the potential to help inform strategic decisions.

The NDA also co-funds PhD projects with other partners, chiefly the Engineering and Physical Sciences Research Council, where a 2:1 funding leverage is typically achieved. In addition, a significant amount of in-kind support is committed to various postgraduate nuclear research programmes such as the Next Generation Nuclear Centre for Doctoral Training and the Decommissioning, Immobilisation and Storage Solutions for Nuclear Waste Inventories (DISTINCTIVE) programme.

Socio-Economics

The opening of John Fyfe House, in Albion Square, Whitehaven

Communities around the NDA estate have continued to benefit from the support of socio-economic programmes that contribute to local economies. The NDA is committed to encouraging a sustainable future for regions where decommissioning sites have been among a region's major employers.

The financial year saw the successful conclusion of two workforce transition schemes which opened up new career opportunities for staff at Dounreay, Wylfa and Trawsfynydd.

The schemes, make the Right Connections and Shaping the Future, were tailored to take account of the economic situation around the three sites. Among the options for staff, who will ultimately lose their jobs as decommissioning progresses, were skills diversification, career coaching and support for entrepreneurs. The NDA invested £2 million in the schemes which were run in partnership with private and public organisations including local authorities, chambers of commerce and regeneration groups. More than 2,000 individuals have taken part, surpassing the expectations of both schemes and helping to strengthen the local economies. A focus for the schemes was to develop high-tech knowledge and technical skills that would benefit both regions. A third workforce transition scheme, Beyond Chapelcross, which is supported by £1.2 million of NDA funding, is due to conclude in 2016.

Other initiatives during the year include £150,000 of NDA support for the Venture North initiative, a partnership between local businesses and visitor attractions, which aims to improve the tourism product in the north Highland area.

At Dounreay, with NDA's encouragement, DSRL has pioneered the inclusion of socio-economic elements in sub-contracts, ensuring that suppliers must consider options which have lasting local benefit such as apprentice training or work experience for students. DSRL is sharing its learning with commercial departments throughout the estate.

Meanwhile, in west Cumbria, the opening of a new four-storey office complex, John Fyfe House, last October represents an NDA investment of approximately £20 million, re-locating 1,000 Sellafield staff to the centre of Whitehaven. The two Albion Square office blocks will free up valuable space for decommissioning at Sellafield, reduce on-site traffic and help regenerate the town's economy.

The iconic glass-fronted building was named after economic strategist Prof John Fyfe who won a CBE for his services to partnership working and regeneration world-wide, particularly in west Cumbria. It is designed as the centerpiece of a series of projects aimed at transforming the centre of Whitehaven.

At the Magnox sites, NDA funds are channeled through the Magnox socio-economic scheme, which now completed a third year of operation. During 2014/2015, the scheme awarded £892,066 to 144 organisations creating: 58 jobs, seven new businesses, three new business units, 5,044 training opportunities and 18 apprenticeships. In addition, 13 organisations were awarded a share of £750,349 funding to support projects helping to mitigate the socio-economic impact of decommissioning. These projects secured an additional £4.39 million of external funding.

Event sponsorship and tourism development activities delivered a further £1.5 million of economic benefit.

As Bradwell approaches the C&M phase, a new group, the Bradwell Legacy Partnership, was formed in 2014 to focus on four areas of economic development: Tourism, Skills, Business Premises and Business (and community) Support. Work is progressing well and the £150,000 enabling fund from Magnox is making a positive impact, for example, the recently launched Dengie Enterprise Support, a one-stop shop for free business advice and training on the Dengie Peninsula.

The Marsh Million is a three-year £1 million fund, launched in September 2013 supported by £500,000 from the NDA (via Magnox), £400,000 from Kent County Council, and the remainder from Shepway District Council and Ashford Borough Council. Administered by Kent County Council, the scheme aims to encourage economic development that will help mitigate the impact of decommissioning Dungeness A. The scheme provides interest-free business loans between £2,500-£50,000 to start-up and small businesses, as well as grants that support economic growth and diversification. To date, 13 loans totalling £97,715 have been approved, supporting 60 jobs. The Marsh Million Economic Projects Scheme (EPS), launched in November 2014, has supported four successful applications totalling £203,000 and creating an initial four jobs.

Information & Knowledge Management

An artist's impression of the NDA Archive

Major progress has been made on development of the NDA's Archive in Wick, northern Scotland, which will house more than 70 years' worth of historic information from across UK's civil nuclear industry, including up to 30 million digital records.

The building will be located north of Wick, opposite the airport, on uncultivated grassland where RAF married quarters once stood. It forms part of land that is designated for industrial and business use. Its bold, triangular design has already been the subject of extensive consultations with the council and local community.

The Highland Council granted planning permission in March for the £21 million facility, while the NDA appointed Morrison Construction to carry out a detailed two-month design and cost review before starting construction in the summer of 2015. The building is due to be completed by the end of 2016. Separately, a procurement exercise is under way to appoint a commercial partner who will operate the archive.

The archive is part of a much larger NDA workstream, the Information Governance Programme (IGP), which is under way across the estate. The aim of the IGP is to ensure all records, information and knowledge are managed safely and securely, in line with Government legislation, in such a way that it can be re-used to support the nuclear industry and deliver value to future work programmes.

Under the IGP programme, the NDA has secured accreditation for its electronic security systems, through the Government-approved Cyber Essentials scheme, which is designed to improve the resilience of businesses. Cyber Essential Plus, the highest level of certification under the scheme was awarded to the NDA following a comprehensive assessment by independent specialists, confirming that its systems are well protected.

The NDA is also working towards DECC targets on Information Risk Management (IRM), through a government mechanism that measures the organisation's effectiveness in managing the confidentiality, integrity and availability of information. The process has been useful and it is proposed to continue this annually in order to provide both business and regulatory assurance and continual improvement in information security maturity.

Other requirements/objectives of the IGP, which will continue for many years to come, are:

- the safeguarding of sensitive material
- the duplication and/or destruction of records
- the sharing of knowledge to support decommissioning goals
- ensuring access to knowledge and information
- agreeing systems for managing the information in both digital and hard-copy format

Asset Management

Managing aging plant and facilities

Substantial progress has been made by the SLCs in improving the care and maintenance of assets vital to delivery of the clean-up mission.

The NDA owns all the assets in its estate, including the buildings, machinery, land, facilities, vehicles, containers and other items. Given the historic nature of many facilities, some dating back to the 1940s and 1950s, managing assets effectively through maintenance and improvement plans, if necessary, is a critical factor that enables progress in decommissioning.

The NDA's sites have been working to devise a consistent means of assessing and managing assets, based on a standard widely used elsewhere in the public and private sector, PAS-55. A recent NDA review has concluded that the SLCs' ability to manage assets has improved, with a pragmatic approach to future risks and better decisions to manage those risks, as well as a focus on securing reliable performance.

The improvements enable more informed NDA funding decisions to be reached, while also providing reassurance about sites' capability in delivering the mission. Some key assets, however, continue to require performance improvements, although progress is being achieved, while additional requirements are being developed by the government in terms of new investment in buildings.

The estate focus continues to be on those assets that are critical to delivering the mission, for example, those associated with waste management, and sites are developing 'critical asset dashboards' to help further improve asset management plans. At Sellafield, for example, more than 200 buildings on the site are operating nuclear facilities or buildings containing radioactive materials. Some are deteriorating, are of uncertain condition or fall short of modern standards, with the potential to pose risks to people and the environment. These are the subject of specific management attention.

As an example of the improvements achieved, the progress within Sellafield's Legacy Ponds and Silos has contributed towards confirming more accurately the level of asset risks, which in turn is informing decisions on the pace and priority of decommissioning. Where previous investment decisions were essentially reactive, a more effective, forward-looking process is tailored towards securing the appropriate asset performance that aligns to future requirements.

Over the last 12 months, cost estimates relating to assets across the estate have reduced by more than £100 million, enabling the funds to be diverted elsewhere. The SLC scores allocated through PAS-55, meanwhile, have improved from 1.5 to the target of 3.

At Sellafield, for example, lifetime maintenance and care costs at the critical Legacy Ponds and Silos have been reduced by £70 million, while innovative repair in Magnox Reprocessing has avoided more than £10 million of lost production. Improved reliability of equipment has also reduced the operational risks in reprocessing and vitrification.

A cross-estate working group meets on a regular basis to share good practice, involving all the SLCs and NDA, while the experience of other industries has also served to improve knowledge. Organisations involved in developing the overall strategy include the nuclear regulators, who have also begun to incorporate some of the NDA's approach into their own assessments.

Directors and Executives

Non Executive Directors

Stephen Henwood CBE – Chairman

Stephen was appointed Chairman of the NDA on 1 March 2008 and was re-appointed in March 2014 for a further three years. 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 completed his term as Chair of the Board of the University of Cumbria in July 2014. In February 2014 Stephen was appointed Chair of the Aerospace Technology Institute (ATI).

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.

Patrick Dixon

Patrick is the Senior Non-Executive Director, Chair of the Safety and Security Committee and a member of the Audit and Risk Assurance Committee.

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 Audit and Risk Assurance Committee.

Janette is a member of The Institute of Chartered Accountants of Scotland and currently works as a Managing Director at Santander Global Banking and Markets where she is Head of Financial Sponsors in the UK. Janette has more than 20 years' experience in banking, concentrating on providing strategic, financial and transaction advice for a wide range of clients. Janette qualified as a chartered accountant in Scotland before moving to London where she has worked since. Prior to her current role, Janette's focus in banking has been the industrials sector.

Tom Smith

Tom is a member of the Audit and Risk Assurance Committee.

Tom is Chairman of Angel Trains Group Limited and a Non-Executive Director of Highways England. He was previously Chairman of the Association of Train Operating Companies and has also worked, at Managing Director level, for the transport company the Go-Ahead Group plc, the M6 toll motorway operator Midland Expressway Limited and held various senior positions with Trafalgar House plc.

An Oxford chemistry graduate, he started his career in the Diplomatic Service, working in London, Hong Kong and Beijing, before moving into industry, where he quickly specialised in major infrastructure projects.

Ken McCallum

Ken is a member of the Remuneration Committee.

Ken was appointed Non-Executive Director to the NDA in March 2014. Ken was, until then, Shareholder Executive's Director responsible for the governance of the NDA.

He joined Shareholder Executive in September 2012 to head the Information Economy Directorate.

Ken is a civil servant with experience in a range of roles, on subjects including international relations, cyber security and the London Olympics.

Volker Beckers

Volker Beckers has been involved in numerous change and transformational programmes and has extensive experience of the utilities, IT and European energy markets spanning over 20 years. A graduate of Cologne University in Economics/Business Administration, Volker was Group CEO, RWE Npower plc until the end of 2012 and prior to this, its Group CFO from 2003 to 2009.

Volker is a Non-Executive Director of Elexon Ltd. He is also the Chairman of Spenceram Ltd and Albion Community Power plc. Volker is also the Chairman of Reactive Technologies. He also sits on the Advisory Board of the EU Centre for Energy and Resource Security at King's College, and is Chair of the Advisory Board with Erasmus Centre for Future Energy Business. In 2014 he joined the Board of Trustees of Forum for the Future.

He has worked in a variety of trade and industry bodies, including the CBI President's Committee and on the Board of the German-British Chamber of Industry & Commerce, and since 1999 as Deputy Chair of the Executive Commercial Management Committee at the German Association of Energy and Water Industries (BDEW) and was also member of the Executive Committee of UKBCSE (now Energy UK). Volker also chairs the Business Energy Forum.

Evelyn Dickey

Evelyn Dickey joined Severn Trent's HR function in November 2006 and was appointed HR Director in 2010. Evelyn has extensive HR experience leading design and delivery of major change programmes, business restructuring, employee relations, resourcing, executive remuneration, organisational capability and performance management initiatives. Before joining Severn Trent Evelyn worked in HR consultancy and as HR Director (HR Operations) for Boots the Chemist.

Evelyn holds a BSc with combined Honours in business, society and government.

Executive Directors

John Clarke – Chief Executive Officer

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 International Nuclear Services Ltd where he was Managing Director. Prior to that he spent eight years as part of the Sellafield Ltd Executive team, in operational and environment, health and safety roles.

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

Since joining NDA John has worked on commercial and business planning issues and played a leading role in the restructuring of the NDA in 2011.

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

David Batters – Chief Finance Officer and Programme Director

David is a Chartered Management Accountant who, as Chief Financial Officer (CFO) is responsible for the Finance Function (Finance, Insurance, Pensions) Business Planning and Internal Audit. Additionally he is the Executive responsible for RSRL, DSRL, LLWR and Magnox sites with respect to performance and contract management. He joined the NDA in October 2010 as CFO and from December 2011 to April 2012 he was the Accounting Officer and Acting Chief Executive Officer of the NDA.

His appointment with 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 as Finance Director of a number of businesses.

Pete Lutwyche - Sellafield Programme Director

Peter joined the NDA in March 2014 from Jacobs, the US based engineering company, where he spent five years including as Vice President of Jacob's UK North business.

Prior to that he had over 22 years in the UK nuclear industry having held various senior positions within BNFL including as Chairman of the UK's Low Level Waste Repository and Director of Nuclear Decommissioning and Major Projects at the Sellafield site.

Peter is a Fellow of the Association for Project Management, a member of the Institution of Chemical Engineers and a Board member of Britain's Energy Coast.

Adrian Simper – Strategy and Technology Director

Adrian joined the NDA in October 2005 from British Nuclear Fuels where he played a key role in setting up the NDA through the transfer of Assets and Liabilities from BNFL to the NDA and 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 has a PhD in mathematics and is a Chartered Mathematician.

Adrian was appointed to the NDA Board in March 2014. He is also Chair of International Nuclear Services Ltd (INS) and of Radioactive Waste Management Ltd.

Directors

Kenna Kintrea - Assurance Director

Kenna Kintrea is Assurance Director at the Nuclear Decommissioning Authority. Kenna joined NDA in 2013 as Head of Programmes and Projects. Prior to joining the NDA, Kenna was Deputy Director of Venues and Infrastructure with the Olympic Delivery Authority (ODA) with responsibility for oversight of the delivery of the ODA's programme of capital works. Kenna also led the operational planning for the ODA's service delivery role during the Olympic Games.

Kenna has extensive experience in the delivery of major projects and programmes. Before joining the ODA Kenna was Director of Quality and Programme Management with Ford Motor Company, having spent the preceding 25 years in a variety of programme management and engineering positions at Ford, in the UK, Germany and the US. Kenna has a degree in Engineering Science, and an MBA and is a Fellow of the Association of Project Management.

David Vineall - HR Director

David Vineall was appointed as HR Director in April 2014.

David has a wealth of experience within the Industrial sector having held a series of senior HR leadership roles in TATA Steel in Europe, BAE Systems and GEC Alsthom. Roles have included HR Director for the TATA Steelmaking Operations in South Wales and HR Director for Shipbuilding and Support business across Glasgow and Portsmouth within BAE Systems.

David is also Chairman of Energus and Trustee Director of the Combined Nuclear Pension Plan (CNPP) and Non-Executive Director of The National Skills Academy – Nuclear (NSAN).

Jon Phillips – Director of Communications and Stakeholder Relations

Jon joined the NDA in March 2005 from BAA plc where he had worked since 1992 in a number of roles including Community Relations, Media Relations and Public Affairs.

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.

Jon is a Board member of Radioactive Waste Management Ltd and also a member of the Snowdonia Enterprise Zone Board.

Rob Higgins - Director of Business Services

Rob Higgins is a Chartered Civil Engineer and a practicing solicitor who has been with the NDA since 2009, initially as Head of Legal and Senior Information Risk Owner and, since 2014, as Director of Business Services.

Rob is the Chair of NDA Properties Limited, NDA's property company, and of NDA Archives Limited. Rob is also a Board member and chair of the audit committee of Radioactive Waste Management Ltd.

Prior to this Rob was Legal Director at Atkins plc with particular interest in major infrastructure projects, PFI and PPP. Before qualifying as a solicitor, Rob worked for 12 years as a construction engineer in the transport and water sectors.

Directors' Report

The Nuclear Decommissioning Authority is an Executive Non-Departmental Public Body (NDPB) and was 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 2015 and their responsibilities were:

Stephen Henwood	Chairman
Patrick Dixon	Senior Non-Executive Director
Janette Brown	Non-Executive Director
Chris Fenton	Non-Executive Director (term completed 28.02.15)
Ken McCallum	Non-Executive Director
Tom Smith	Non-Executive Director
Volker Beckers	Non-Executive Director (appointed 01.03.15)
Evelyn Dickey	Non-Executive Director (appointed 01.03.15)
John Clarke	Chief Executive Officer
David Batters	Chief Financial Officer
Pete Lutwyche	Sellafield Programme Director
Adrian Simper	Strategy and Technology Director

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. No fees were paid to the C&AG for services other than statutory audit work.

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 2014 was 197 increasing to 198 by 31 March 2015, with an average of 197.5. (2013/2014 start 276, end 284, average 280). On 01/04/14 a total of 87 full-time equivalent employees transferred to the NDA subsidiary, Radioactive Waste Management Ltd.

Of the total NDA permanent employees the breakdown of female staff is as follows: number of females on board = 0, number of females in senior management = 1, number of female other employees = 89.

The total number of staff employed across the NDA Group averaged 1,038 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 30 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, Harassment, Discrimination 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

The NDA continually invests in the capability of its employees to ensure that they are in possession of the skills, knowledge and experience they need to perform their job effectively in order to deliver the NDA's business objectives. Development is delivered through a mix of on-the-job experiences, secondments, performance feedback and observation, and formal training. The latter is delivered through Civil Service Learning, in order to ensure quality and value for money of the procured interventions.

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. Staff are also covered by a Collective Bargaining arrangement with Prospect Union. This means that all members other than the Executive are covered by a collective bargaining agreement for pay, holidays and hours as a minimum.

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 97.78% success rate for payment of suppliers in accordance with terms (2013/2014 – 96.28%). The average number of payment days from invoice date was 28 days and for a valid invoice, (i.e. one with all details correct and entered on the accounting system) was 6 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 6.3 days.

Charitable and political donations

During the year, the NDA made charitable donations of £Nil (2013/2014 – £Nil). No political donations or contributions were made (2013/2014 - £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 £2 million (2013/2014 £3.4 million).

Research and development

During the year, the NDA directly funded expenditure of £6 million (2013/2014 £5 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 was managed by EDF Energy to hedge energy price exposure. The NDA's foreign exchange risk is managed by the site licensees to hedge foreign currency transactions. Details can be found in notes 2.7 and 24 of the accounts.

Overall, the information risk management picture in the NDA estate is continuing to improve and this improvement is expected to be driven and maintained by the Information Governance Programme (IGP).

Quality and environmental performance

NDA successfully retained certification of ISO9001:2008 and ISO14001:2004 following audits carried out by Lloyds Register Quality Assurance.

Summary of results for the period

The summary of the results for the year is as stated in the Financial and Strategic Overview. Transfers to and from reserves are detailed in the Statement of Changes in Taxpayers' Equity.

The accounts show a deficit on the Statement of Comprehensive Net Expenditure of **£7,850 million** for the year ended 31 March 2015 and net liabilities of **£70,912 million** on the Statement of Financial Position primarily attributable to the nuclear provision.

Events after the reporting period

There have been no events which affect these accounts since the reporting date.

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
24 June 2015

Governance Statement

Introduction
This statement is constructed in line with the guidance given in Managing Public Money, updated in July 2013. It summarises the structure of the NDA Board and the Executive and how these provide effective governance over the key activities undertaken during 2014/2015; the control and assurance frameworks in place to measure the effectiveness of delivery; and the findings of key audit and assurance reviews and associated improvement actions.

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 the NDA and DECC is set out in a Framework Document.

NDA
The NDA operates in accordance with the provisions of the Energy Act (2004), the Framework Document 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 overall performance and delivery by the Executive is monitored and 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.

At the start of 2014/2015, the Board comprised six Non-Executive Directors including the Non-Executive Chairman, Stephen Henwood, and four Executive Directors: the Chief Executive Officer (CEO), Sellafield Programme Director, Strategy & Technology Director and Chief Financial Officer (CFO). The Chairman's appointment will conclude on 28 February 2017. The tenure of one Non-Executive Director, Chris Fenton ended on 28 February 2015. Volker Beckers and Evelyn Dickey, were appointed as Non-Executive Directors effective 1 March 2015. Patrick Dixon is the Senior Non-Executive Director and Tom Smith is the nominated Non-Executive Director for the purposes of the Whistleblowing Policy.

The Board meets formally on a bi-monthly basis with the meeting agenda closely aligned to corporate activities and driven principally by the annual planning and performance management cycles and developments in the major programmes and projects across the estate. The Board met outside of this cycle on a number of occasions to review the performance of the PBO contract model at Sellafield, and to consider alternative options available.

The NDA operates a Schedule of Delegated Authority (SoDA), approved by the Board, under which day-to-day business management of the NDA is delegated to the Chief Executive Officer who, in turn, discharges his responsibilities through the wider Executive Team. The Board is supported by Audit and Risk Assurance, Remuneration and Safety and Security Committees which are comprised wholly of Non-Executive Board members and to which the Board has delegated specific responsibilities. The NDA Chairman has an open invitation to attend all three Committees and attends for items of particular interest. Executive Directors and other members of the NDA attend these committees as required.

The Board places particular emphasis on the quality and integrity of the data submitted for its use. To maintain these high standards, critical processes and outputs fall within the control of the Assurance framework and are thus subject to either peer review and/or independent review by Internal Audit.

The Chairman
The Chairman is accountable to the Secretary of State and, where appropriate to the Scottish Ministers, 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 priorities 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 regular meetings with DECC Ministers, the Permanent Secretary and senior Shareholder Executive and DECC officials that augment the interface between NDA senior management and officials. During the year, the Chairman and CEO also presented on NDA activities and performance to the DECC Board. The Chairman makes himself available for meetings with Scottish Ministers and Scottish Government representatives given their role in the approval of NDA strategic and planning decisions as well as their interest in the performance of the Scottish sites and the impact of Scottish and Westminster policies on decisions affecting the sites.

The Audit and Risk Assurance Committee
The Audit and Risk Assurance Committee supports the Board in its responsibilities for issues of risk, control and governance. It reviews the comprehensiveness of assurance mechanisms in place within the NDA; and reviews the reliability and integrity of those assurances. Key activities during 2014/2015 included:

- worked closely with the Finance and Assurance functions; Internal and External Audit to ensure the NDA meets all of its financial reporting obligations in a timely manner
- ensured that the accounting practices deployed by the NDA are in line with DECC and HM Treasury guidance and oversight; and making sure that these translate into an easily understood and transparent Annual Report and Accounts
- supported the work undertaken on changing the NDA's approach to risk management following the 'Risk Maturity' review conducted by Internal Audit. This places increased emphasis on the strategic risks the organisation faces
- provided oversight of the information risk management control framework and associated improvement plans
- provided oversight and guidance on the further development of the organisation's Assurance Map. The Assurance Map is an aid to understanding the layers of assurance throughout the NDA (and the SLC's), and shows the assessment of effectiveness of key controls. Construction of the NDA's assurance map is in line with the guidance provided by HM Treasury and utilises the three lines of defence methodology: first line assurance being provided by the process owner; second line assurance is management and peer review and third line assurance is fully independent.

The Committee typically meets five times a year. Membership during 2014/2015 was:

- Janette Brown (Chair)
- Patrick Dixon
- Tom Smith

Regular attendees at Committee meetings include the NDA Chairman, Chief Executive Officer and Accounting Officer, Chief Financial Officer, Assurance Director, the Heads of Group Internal Audit, and Financial Operations, a representative from DECC Internal Audit and DECC's Audit Committee along with representatives from Shareholder Executive (ShEx) and the National Audit Office (NAO).

The Remuneration Committee
The Remuneration Committee advises the Board on the remuneration and terms of service for the Chief Executive Officer and the Executive Team; monitors their performance in delivering the annual objectives agreed by the Board; and assesses the NDA's arrangements for succession planning and talent management. More details on the work of the Committee are contained in the Remuneration report on page 51.

The Committee typically meets four times a year. Membership during 2014/2015 was:

- Chris Fenton (Chairman) (retired 28 February 2015 – interim Chair Stephen Henwood)

- Ken McCallum
- Patrick Dixon (4 March 2015 only)

The NDA Chairman, Chief Executive Officer and Accounting Officer, and the HR Director 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 2014/2015 included reviewing the estate-wide safety risk management, reviewing safety performance with particular focus on assessment of specific incidents and 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 2014/2015 was:
- Patrick Dixon (Chairman)
- Chris Fenton (retired 28 February2015)
- Stephen Henwood (4 March 2015)

Regular attendees are the NDA Chairman, Chief Executive Officer and Accounting Officer, Assurance Director and 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 Framework Document. 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. The Accounting Officer meets regularly with the DECC Permanent Secretary in his capacity as DECC Accounting Officer, and also has a schedule of regular meetings with ShEx, DECC and with Scottish Government representatives.

Executive Team
Following the restructure of the Executive team towards the latter part of 2013/2014 this year has seen a consolidation of the new structure into the organisation and specific development to ensure that both the joint responsibilities of the full Executive team and individual roles and responsibilities are clearly defined. Some slight adjustments to the organisation were necessary to achieve this status and further adjustments may be necessary following the decision to realign Sellafield Ltd as a subsidiary of the NDA.

A dedicated Assurance Directorate was established as a new function at the beginning of 2014/2015, providing independent second line assurance of the activities of the SLCs and the NDA. The Assurance Directorate is composed of:
- a Portfolio Management Office (PMO) responsible for coordinating risk management activities, performance analysis, planning of assurance (in line with key risks) and capability development for assurance and programme management
- a Portfolio Assurance team responsible for conducting second line assurance and providing benchmarks and comparators against which to assess the reasonableness of SLC plans and costings
- the Director of Security, Safety, Safeguards and the Environment and his team of subject matter experts responsible for NDA assurance of these matters within the NDA and its estate.

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 17 sites under contract to the NDA and holds them to account for their performance against those requirements. The Executive Team lead on the five core processes essential to successful delivery of the NDA mission:

- **Strategy** - the framework for delivery of our mission that sets out our strategic direction and long-term objectives and allows us to make recommendations on a series of discrete issues

- **Planning** - facilitates estate-wide decisions over the short and long- term, setting out the activities and outcomes that will deliver what we want, in the right timeframe and within the estate budget
- **Contracting** - contractual arrangements for the management and operation of our SLCs enables effective performance management and provides appropriate reward to our contractors and their respective PBOs and ultimate shareholders
- **Performance Management** - analyses SLC performance and programme/project plans, as well as proposals for managing deviations from plans, with rigorous verification of claims ensuring that there is robust challenge, dialogue and action where appropriate
- **Assurance** - provides confidence to the NDA and our stakeholders that the NDA Strategy will be delivered, that we have the right people and plans in place and that hazards are reducing as planned.

In order to achieve the delivery of the five core processes the NDA is committed to continue to mature the organisation; developing high-performing professional people and teams that are fully engaged in the business; committed to continuous improvement and consistently delivering planned outcomes through a disciplined approach to the task in hand.

The Executive formally 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 provides focus on the more strategic intentions of the Parent Body Agreement. Performance against plan is a standing Board agenda item. Bi-annual reviews are held with each of the NDA subsidiary companies and this is being extended to include Springfields and Capenhurst. Monthly Governance Meetings are held with ShEx, and Quarterly Governance Meetings are held with broader Government representation (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 Board for consideration of high-risk, high expenditure proposals and, as required, on to the Treasury Approval Panel.

The Executive Team, with Board support, continues to provide technical advice to HM Government to inform its policy and strategy development relating to the nuclear industry. During the year this included advice on plutonium disposition, extending operations at Wylfa, Magnox and RSRL Competition and Sellafield Options.

Board Attendance Record

	Board 10	**Audit 5**	**RemCo 4**	**Safety & Security 4**
S Henwood	10	*(4)*	*(3)*	*(3)*
P Dixon	10	5		4
J Brown	10	5		
C Fenton	8/9		3/3	2/3
K McCallum	10		4	
T Smith	9	5		
V Beckers	0/1			
E Dickey	0/1			
J Clarke	10	*(5)*	*(4)*	*(4)*
D Batters	10	*(3)*		*(1)*
P Lutwyche	9			*(1)*
A Simper	10			

() in attendance at meeting – not a member

Performance of the Board and its Committees

The NDA 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 and approved by the Remuneration Committee. Performance against both the corporate and personal targets is assessed by the Remuneration

Committee against written submissions from the Chief Executive Officer/Accounting Officer and an independent internal audit report of corporate objective achievement.

As part of the Board's overall effectiveness, an evaluation process is scheduled to take place in early 2015/2016. The Board's focus is to ensure the NDA maintains and enhances its position as an 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.

During 2014/2015 the Board has given particular scrutiny to the performance of major programmes and projects across the estate with particular attention to those at the Sellafield site. It has challenged the approach to programme and project management and reporting by the SLC's. In its capacity as sanction authority the Board has approved expenditure for a number of strategic investments across the estate.

As part of this scrutiny, the Board undertook a review of the key issues at Sellafield in order to better understand and then address the diversity and instability of the site work scope and the significant volatility in performance.

Following direction from the Board, the NDA Executive carried out a major review of strategic options for the ownership model for Sellafield Ltd as it was recognised that the extant PBO model was not delivering the benefits envisaged when the contract was let. A number of potential options were presented to the Board each of which was thoroughly evaluated for the greatest likelihood of addressing the identified obstacles to progress on the site whilst still representing value for money. The Board reached agreement on three shortlisted options. Each shortlisted option was then subject to a series of extensive and in-depth challenges leading to the Board approving the preferred option of a Market Enhanced SLC and endorsing the submission of the Business Case to Government.

On 13 January 2015, the Secretary of State announced the change to the PBO contract at Sellafield. Termination of the contract was approved and served in March 2015.

Following the decision to award the Magnox/RSRL PBO contract to the Cavendish Fluor Partnership (CFP) the board is maintaining oversight of the consolidation process by which the NDA and CFP complete the post award due diligence and agree a revised baseline by which contract performance can be measured.

The Board has also given direction and oversight to the NDA's preparatory work in advance of the next Spending Review ensuring any options are fully aligned to the Board risk assessments.

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 define the roles and responsibilities throughout the organisation. While the Accounting Officer has overall responsibility for risk management, ownership of risks lies with the Board. The Portfolio Management Office facilitates the effective management of risk and, in conjunction with Internal Audit, incorporates assessments of key controls into the Assurance map in order to target assurance activities most effectively. During 2014/2015 following a Risk Management Maturity Review completed by Internal Audit, NDA has started to deliver a programme of work to fundamentally review its strategic risks, risk appetite and the associated key controls and mitigations. Work on delivering the Risk Management Improvement Programme will continue into 2015/2016.

The NDA's capacity to handle risk is influenced 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 the Executive are able to take a holistic view by considering both the risk profile and the assurance measures around specific activities on the estate. Risk management is also a standard agenda item of the Quarterly Business Reviews between the NDA Executive and the various SLC and PBO Executives.

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 2014 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 has responsibility for the development and maintenance of the Internal Control Framework as it applies to their functional responsibilities. The Board and the Audit and Risk Assurance 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 SLCs. 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.

In 2014/2015 NDA received notification that it was in breach of Cabinet Office Controls. This was in respect of work conducted by an external consultant in support of the project reviewing the PBO model as applied to the Sellafield site. Action has been taken to strengthen controls in this area.

During 2014/2015 an Industrial Tribunal made judgement on a claim for unfair dismissal made against the NDA from events that occurred in previous years. The Tribunal found in favour of the appellant. Details of compensation payable will be determined at a further tribunal hearing to be held in October 2015.

The NDA has in place a Quality Assurance framework for the classification, specification, development and assurance of all business critical models. These procedures have been reviewed during the year to ensure they remain appropriate and are in line with the 2013 MacPherson Review recommendations, which apply to all Government departments and their arm's length bodies, including the NDA and its subsidiaries. The NDA strives to make continuous improvements to its existing processes in support of the MacPherson recommendations and where potential improvements have been identified; these have been either implemented during the year or have been included in the respective plan for implementation in 2015/2016.

The CEO with support from his Executive Team made additional changes to the internal workings of the NDA including the introduction of the Operating Committee which has been created to review and improve management controls of NDA's budgetary and operational performance; the introduction of the Senior Leadership Forum and revisions to the project approval process to better align executive decision making and Board oversight with key stage gates in the project lifecycle.

A major programme of assurance was conducted during 2014/2015 in order to provide scrutiny of Sellafield Ltd's revised lifetime plan (Performance Plan 14) prior to acceptance by the NDA. A primary aim of this project was to improve the quality of the submissions from the contractor that inform the plan. In support of this work Internal Audit undertook a programme of assurance reviews in real time rather than after the event to assess how well previous recommendations and improvements have been embedded. These reviews demonstrated clear improvements in the way that the NDA discharges its role as a client organisation.

Good engagement continued throughout 2014/2015 with the Major Projects Authority (MPA), who undertook a number of reviews associated with contracts set up through the competition process along with a review of the NDA's development of its Assurance Directorate. A further MPA review of the effectiveness of NDA's assurance framework and its implementation is planned for Q1 2015/2016. The NDA has continued to provide extensive support to the MPA for their reviews of other government programmes and projects.

As stated earlier, the NDA operates a model of 'three lines of assurance' in line with HMT guidance on assurance frameworks. During 2014/2015 the Assurance Director reviewed the Assurance framework to ensure that roles and responsibilities are fully documented and communicated.

The NDA's Head of Group Internal Audit has determined that there is generally a sound System of Internal Control both within the NDA and the wider estate. This opinion is based on the work undertaken by Internal Audit including its oversight of the various assurance activities undertaken by the NDA and its oversight and engagement with the SLC Internal Audit functions.
The Accounting Officer has concurred that the System of Internal Control is generally sound and appropriate to meet the Authority's objectives and there is an adequate and effective control environment across the NDA estate.

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 Baker Tilly. 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. A regular update on Internal Audit activities and outcomes is provided to the NDA Executive via a dashboard report and to the Audit and Risk Assurance Committee via a detailed quarterly report.

The NDA Internal Audit function also provides an audit service for the NDA subsidiary organisations. The NDA Internal Audit maintains a strong contractual working relationship with the SLC Internal Audit functions which gives it access to: the SLC audit personnel; their Audit Committee members; and full oversight of audit plans and resulting audit reports.

The SLCs operate a standard approach as set out by the NDA. These arrangements allow 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. NDA Internal Audit provides an assessment of SLC Internal Audit performance within its regular reports to the NDA Executive and Audit & Risk Assurance Committee.

During the year, NDA Internal Audit has continued to provide ongoing support and guidance to the NDA Sellafield Performance Plan 14 project team to help ensure the appropriate project controls and working methodology are being applied in NDA's scrutiny of the data supplied by Sellafield Ltd. This work has demonstrated that the NDA has established a strong project environment for this particular topic and a final review will be conducted shortly after the year end when the project concludes.

The Internal Audit work programme for 2014/2015 was strongly aligned to the NDA Assurance Map and covered a broad range of operational risks with a balance between activities concerning the NDA only and activities involving expenditure across its full estate. During this period a significant review was undertaken to establish the level of maturity of the risk process operated by the NDA. This assessed the NDA against a risk model established by Baker Tilly for a number of criteria. While the review showed that while there were no critical gaps in the NDA process there were opportunities to improve the Executive focus on risk management and reporting in order to bring added clarity to the risks that the Board should concentrate on to those which were more operational. The Executive team has adopted all of the proposed improvements.

Internal Audit has utilised its unique role within the organisation to share where possible and appropriate good/best practice, an example being the delivery of a series of workshops on the topic of Contract Management to a large number of mainly commercial and financial staff within both the NDA and its subsidiaries. These workshops provide the environment for a challenge to current practice; the sharing of recent innovations and best practice and provide the environment for bringing a consistent approach to contract management techniques whilst recognising the wide variety and complexity of contract arrangements operated within the estate.

The majority of the 18 reviews undertaken and finalised by the year end, covering both the NDA and its subsidiary organisations, showed that the process and controls could be categorised as either reasonable or good (95%).

Across the NDA and its subsidiary organisation only 1 Internal Audit report was rated as having major weakness in the process under review. This review was in respect of an IT procurement project (replacement of an

Enterprise Resource Planning system) at an NDA subsidiary. Improvement actions were implemented immediately and follow up reviews have shown significant improvements to the project performance. Action plans were agreed for all reported weaknesses and these plans are either complete or are being progressed.
The NDA has a well-established process for dealing with allegations arising from 'whistle-blowing' which uses the Internal Audit function for single point co-ordination. The NDA's policies and working methods for dealing with, and responding to whistle-blowing are in line with NAO best practice guidelines.

NDA information risk management
In accordance with the published Information Governance strategy NDA is implementing an Information Governance Programme (IGP) to optimise business value from the NDA knowledge and information assets in a compliant and secure manner, investing only in that which needs to be retained to deliver NDA's mission. This programme will ultimately improve information risk standards and practices across the NDA estate, whilst at the same time aiming to reduce baseline costs and increase our ability to share, collaborate and communicate efficiently, effectively and securely. The IGP has been designated as an NDA National Programme and consolidates a number of discrete projects, workstreams, Government mandated obligations and initiatives into a coherent and co-ordinated cross-estate programme that aims to:

- underpin NDA's leadership, governance and, where appropriate, auditability and accountability
- improve the estate's Information Governance culture and associated practices, with a focus on maximising business value
- develop a unified estate-wide approach to information risk management reporting and the application of relevant standards and practices
- develop and implement an estate-wide Information and Communication Technology strategy
- put in place an effective knowledge management plan and estate-wide policy (the NDA Knowledge Management Roadmap)
- control the implementation and ongoing management of the estate's long-term Records Management requirements (the NDA Nuclear Archive) through engagement with all stakeholders, specifically the regulatory community
- establish an NDA Information Risk Appetite against which to measure the acceptability of information risk.

An estate-wide forum of senior NDA, NDA subsidiary and SLC Directors responsible for key aspects of IGP delivery (Information Governance Officers), chaired by the NDA Senior Information Risk Owner (SIRO), has been constituted to assist the IGP Programme Manager with the implementation of programme initiatives. Good progress is being made in this area with a number of sub-groups emerging that engage the wider community including Regulators and other critical stakeholders. The degree of progress delivered will be measured by a number of reports and audits, chief amongst them being the annual Cabinet Office-led Information Assurance Maturity Model (IAMM) assessment, to which all members of the NDA estate contribute.

Performance across the estate during the year has continued to show steady improvement in line with previous years and future targets have been agreed with DECC and ONR (Civil Nuclear Security).

Overall, the management of information and the associated risks is continuing to improve across the NDA Estate. This improvement is expected to be driven and maintained by the IGP with governance provided by the associated Board.

Stephen Henwood	John Clarke
NDA Chairman	Chief Executive Officer and Accounting Officer
24 June 2015	**24 June 2015**

Remuneration Report

Executive remuneration summary
NDA's model of procuring global 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 the appropriate calibre of Executives in a competitive international market with the need to provide value for money. Salaries continue to be 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 organisation's goals effectively and that in so doing it is providing value for money for the taxpayer.

The Committee sets appropriate policies and takes decisions in line with those policies unless any specific exceptions are justified. Further information can be found within the Governance section.

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.

Whether it is to set the future strategy for Decommissioning, review the optimal model for Sellafield, to oversee the contracts to bring Dounreay or Magnox sites to interim end states or manage and seek innovative ways of maintaining and extending the delivery of around £1 billion per annum commercial income, the NDA needs leaders with the experience, commercial judgement, technical knowhow and delivery focus 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, not only in the international nuclear sector (be it new build or decommissioning), but also for major infrastructure projects in the UK and overseas.

The Committee routinely seeks independent advice on pay and, in reaching its conclusions, assesses 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. This year an independent and comprehensive executive benchmarking review was conducted and it confirmed that NDA is paying around the median in comparison to other comparable public and private sector organisations. The Committee has also taken the opportunity to refresh and update its Executive Reward policy which sets out key principles and criteria on which reward decisions are made.

Committee membership
Membership comprises two independent Non-Executive Directors. Last year the role was undertaken by Chris Fenton and Ken McCallum, with Chris Fenton as the Chairman.

A minimum of four meetings are held annually and are also attended by the Chairman, Chief Executive and HR Director for topics where there is no conflict of interest.

Chris Fenton completed his term as Non-Executive Director on 28 February 2015. The March 2015 meeting was chaired by Stephen Henwood with Ken McCallum and Patrick Dixon in attendance. Stephen Henwood will chair the June 2015 meeting after which the new Chair of the committee will be Evelyn Dickey.

Remuneration Policy
The remuneration of the Chief Executive and Executive Directors comprises base pay, an annual

performance-related payment and a Long-Term Incentive Plan (LTIP), pension and other benefits.

Salaries
In setting salaries this year the Committee noted pay increases across the private sector and the demands on public spend. It also took into consideration that pay increases across the NDA and the wider public sector had been, for a third consecutive year, set at 1%. It concluded that the salaries of the Board Executive Directors would be increased by 1% where appropriate. This was in line with the HMG Pay remit process and the pay increase applied to all employees within the NDA.

The Committee recognises the need to retain talent within the NDA at all levels and will continually review salaries in line with market conditions, the findings of the benchmarking review, changing scope of accountabilities and performance levels.

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.

75.8% of Corporate Targets for 2014/2015 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 overall performance, the individual performance and contribution of each executive in order to award the individual annual performance payments.

Long-Term Incentive Plan (LTIP)
The LTIP represents an additional award equal to up to 50% of the annual performance-related payment earned during the previous year. The LTIP operates with rolling annual awards with a new payment figure calculated at the start of each three-year period. The aim is to motivate Executives to improve performance and increase engagement in activities to deliver on medium term outcomes. Targets were approved by the Committee, and are now in place for LTIP plans from 2014 to 2017. Progress against LTIP targets are reviewed quarterly as part of the Remuneration Committee meetings.

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

As in previous years, this included for the CEO, the provision of a taxable allowance of £48,000 per annum, equivalent to £2,200 per month after tax, to enable the CEO to rent an apartment in London. This allowance covers all living expenses. 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 2014/2015:
1. The awards for the LTIP plan to vest in 2017 were agreed
2. The vesting of the awards granted in 2011 were agreed

Non-Executive Directors
Non-Executive Directors are appointed by the Secretary of State for DECC in conjunction with Scottish Ministers following consultation with the NDA Chair and in line with Codes of Practice issued by the Commission of Public Appointments.

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.

As part of his reappointment the Chairman's fee has remained static in 2014/2015.

Non-Executive Directors are entitled to fees of £25,000 per annum. The Chair of the Audit and Risk Assurance, Remuneration and Safety and Security Committees receive supplementary fees of £7,500 for the performance of those roles.

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
Pete Lutwyche	3 March 2014	6 months
Adrian Simper	1 March 2014	6 months

Service Details of Non-Executive Directors

	Date Term Commenced	**Duration of current term**
Stephen Henwood	1 March 2008	1 March 2014 – 28 February 2017
Janette Brown	5 March 2009	5 March 2013 – 4 March 2016
Patrick Dixon	5 March 2009	5 March 2013 – 4 March 2016
Chris Fenton	1 March 2012	Resigned 28 February 2015
Tom Smith	5 March 2013	5 March 2013 – 4 March 2016
Ken McCallum	1 March 2014	1 March 2014 – 28 February 2017
Evelyn Dickey	1 March 2015	1 March 2015 – 28 February 2018
Volker Beckers	1 March 2015	1 March 2015 – 28 February 2018

Directors' Emoluments 2014/2015

This information has been audited:

	2014/2015 Salaries £	2014/2015 Additional benefits £	2014/2015 Performance Related Payment £	2014/2015 LTIP payments made £	2014/2015 Pension benefits £	2014/2015 Total emoluments £	2013/2014 Salaries £	2013/2014 Additional benefits £	2013/2014 Performance Related Payment £	2013/2014 LTIP payments made £	2013/2014 Pension benefits £	2013/2014 Total emoluments £
Stephen Henwood	170,000	-				170,000	170,000	-				170,000
Murray Easton (i)	-	-				-	25,000	-				25,000
Chris Fenton (ii),(iii)	29,792	-				29,792	32,500	-				32,500
Janette Brown (iv)	32,500	-				32,500	32,500	-				32,500
Patrick Dixon (v)	32,500	-				32,500	32,500	-				32,500
Tom Smith	25,000	-				25,000	25,000	-				25,000
Ken McCallum (vi)	-	-				-	-	-				-
Volker Beckers (vii)	2,083	-				2,083	-	-				-
Evelyn Dickey (vii)	2,083	-				2,083	-	-				-
John Clarke (viii)	270,327	60,000	108,671	34,010	100,426	573,434	267,650	60,000	78,957	36,852	104,362	547,821
David Batters (ix)	225,000	12,000	67,860	32,849	83,587	421,296	210,850	42,000	50,636	34,259	72,857	410,602
Mark Lesinski (x)	-	-	-	-	-	-	140,137	31,889	29,000	32,676	52,685	286,387
Pete Lutwyche (ix), (xi)	225,000	12,000	69,660	-	83,588	390,248	17,540	935	3,683	-	6,839	28,997
Adrian Simper (ix)	165,000	12,000	48,114	24,383	103,965	353,462	13,750	1,000	3,246	2,428	1,407	21,831

Notes
(i) Resigned with effect from 31 March 2014
(ii) Includes additional fees of £6,875 for the role of Chair of the Remuneration Committee (£7,500 in 2013/2014)
(iii) Resigned 28 February 2015
(iv) Includes additional fees of £7,500 for the role of Chair of the Audit Committee (£7,500 in 2013/2014)
(v) Includes additional fees of £7,500 for the role of Chair of the Safety and Security Committee (£7,500 in 2013/2014)
(vi) Appointed 1 March 2014. Ken McCallum does not receive any additional remuneration for his services to the Board
(vii) Appointed 1 March 2015
(viii) Additional benefits were a London renting allowance of £48,000 and a car allowance of £12,000
(ix) Additional benefits received was a car allowance of £12,000
(x) Resigned with effect from 31 December 2013
(xi) Appointed 3 March 2014

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)	2015 contributions	2015 contributions
Up to £15,000	1.50	3.50
£15,001-£21,000	2.70	5.00
£21,000-£30,000	3.88	6.48
£30,001-£50,000	4.67	7.27
£50,001-£60,000	5.46	8.06
Over £60,000	6.25	8.85

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 2014/2015 £000's	Accrued Pension at 31 March 2015 £000's	CETV at 31 March 2014 £000's	CETV at 31 March 2015 £000's	Real Increase in CETV Funded by Employer £000's
David Batters	5 – 7.5	20 – 25	166	233	39
John Clarke	5 – 7.5	35 – 40	400	510	62
Pete Lutwyche	5 – 7.5	5 – 10	5	69	44
Adrian Simper	5 – 7.5	55 - 60	706	816	69

Notes:

The actuarial factors used to calculate CETVs were changed in 2014/2015. The CETVs at 31/3/14 and 31/3/15 have both been calculated using the new factors, for consistency. The CETV at 31/3/14 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

This information has been audited:

	2014/2015 Salaries and Benefits £'s	2014/2015 Bonus £'s	2014/2015 LTIP £'s	2014/2015 TOTAL £'s		2013/2014 Salaries and Benefits £'s	2013/2014 Bonus £'s	2013/2014 LTIP £'s	2013/2014 TOTAL £'s
Highest Director	330,327	108,671	34,010	473,008		327,650	78,957	36,852	443,459
Median	56,877	9,082	-	65,959		53,384	9,452	-	62,835
Ratio	7.2:1					7.1:1			

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.

Stephen Henwood
Chairman of the Remuneration Committee
24 June 2015

John Clarke
Accounting Officer and Chief Executive Officer
24 June 2015

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.

Health, Safety, Security, Safeguards and Environment (HSSSE) Report

SLCs

HSSSE is one of our critical enablers. 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.

In carrying out its functions, it is the duty of the NDA to have particular regard to relevant Government policy, the need to safeguard the environment and protect people from risks to their health and safety, and the need to preserve nuclear security. The NDA has an additional duty to secure the adoption of what it considers to be good practice by the persons with control of designated installations, designated sites and designated facilities'.

While operational matters are the responsibility of the legal duty holders, SLCs are held to account through the NDA's targeted assurance work, which ensures that processes and arrangements made in the interests of environment, health, safety and security are robust and embedded.

Nuclear Safety and INES 1 events

Number of INES events by SLC	2014/ 2015	2013/ 2014	2012/ 2013
Magnox	4	2	1
RSRL	0	0	0
DSRL	3	2	0
LLWR	0	0	0
Sellafield	0	4	4
Total	**7**	**8**	**5**

The International Atomic Energy Agency's (IAEA) International Nuclear and Radiological Event Scale (INES) facilitates communication and understanding between the technical community, the media and the public on the safety significance of radiological events. While the number of INES events serves as a useful comparator, an INES rating is not in itself a reliable indicator of the severity of an event, because INES is a communication tool, not an objective scientific scale.

In 2014/2015, our sites reported seven INES events, all at Level 1 – Anomaly, which is the lowest level of the seven point INES scale.

In 2014/2015, Sellafield Ltd's nuclear and radiological performance improved steadily over the year and at the end of 2014/2015 the site reporting its best ever safety statistics. In nuclear safety, the site recorded no INES 1 events and the rate of occurrence of nuclear events continues to be lower than in previous years.

There were also examples of good management, including recovery of WVP Line 3 following the 2013 contamination event. This work required several thousand personnel entries into the plant, and resulted in no personal contamination events.

Conventional Safety and RIDDOR

Safety Injuries by SLC	Total injuries rate[1] 2014/2015	2014/2015 RIDDOR Specified Injuries	2014/2015 RIDDOR (> 7 day LTA)	Total	2013/2014 RIDDOR Specified Injuries	2013/2014 RIDDOR (> 7 day LTA)	Total
Magnox	112	3	4	7	0	0	0
RSRL	0	0	0	0	0	1	1
DSRL	0	0	0	0	1	2	3
LLWR	0	0	0	0	0	0	0
Sellafield	88	7	6	13	0	12	12
Total	**N/A**	**10**	**10**	**20**	**1**	**15**	**16**
Weighted average injuries rate	**83**						

[1] - total injuries rate is the number of fatal, non-fatal and over-7-day injuries per 100,000 employees.
source HSE 2014 http://www.hse.gov.uk

The total number of conventional safety events reported by SLCs to NDA for the year 2014/2015 was 20, an increase from 17 in 2013/2014. By RIDDOR category this includes 10 Specified Injuries, 10 >7 day Lost Time Accidents (LTA), and zero cases of work-related disease.

Slips, trips, falls and strains continue to cause the majority of LTAs and in general are not severe injuries.

There were also 6 reportable RIDDOR Dangerous Occurrences that resulted in no injuries.

This shows an improvement over recent years, which has been sustained across the NDA Estate.

A reliable measure for conventional safety performance across sectors is the rate of injuries or cases of ill health per 100,000 employees. The average rate for the SLCs in 2014/2015 was 83 per 100,000 employees which is an increase on the value of 52 for the previous financial year however it compares well with the HSE national average of 305 incidents per 100,000 employees.

This year saw an improvement in Sellafield Ltd's performance in nuclear safety, conventional safety and environmental compliance. At the end of 2014 Sellafield reported its best ever conventional safety performance and, for the first time, nil internal dose to workers. This creditable performance resulted from long-running safety improvement work driven by the site, and NDA will continue to encourage improvements.

All safety events, irrespective of their outcome or severity, are investigated in order to identify learning and prevent reoccurrence. SLC improvement and awareness campaigns are used to help reduce these events.

Safety Awards
Dounreay Site Restoration Ltd received an International Safety Award with merit from the British Safety Council for 2014 calendar year.

Sellafield Ltd was successful in its applications for eight RoSPA Awards. There were five Gold Awards, for the site as a whole, Major Projects Division, Pile Fuel Cladding Silo, Pile Fuel Storage Pond, and Site Remediation and Decommissioning Projects Silvers awards were received by Operations Division, First Generation Magnox Storage Pond and the Magnox Swarf Storage Silos.

Sickness

Sickness absence rates (days per employee per year)	2014/2015	2013/ 2014	2012/ 2013
Magnox	5.66	4.85	5.43
RSRL	8.63	7.64	9.01
DSRL	7.67	7.44	7.87
LLWR	6.80	7.60	7.80
Sellafield	9.70	8.60	8.60
Weighted average	**8.66**	**7.64**	**7.78**

The weighted average SLC sickness rate of 8.66 days per year per employee, including cases of long-term sickness absence, increased from 7.64 in 2013/2014. This is in contrast to the national average sickness absence rate of 6.6 days lost per year per employee which has decreased from the value reported last year [3].

[3] - *source CIPD 2014*

However, for all parts of the NDA Estate, short-term sickness absence compares well with the UK National Average of 4.4 days per employee. [4.]

[4] - *source* Office for National Statistics 'Full Report: Sickness Absence in the Labour Market 2014

Protection of the environment
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.

Number of Environmental non compliances by SLC	2014/2015	2013/2014
Magnox	14	7*
RSRL	9	2
DSRL	26	18
LLWR	0	0
Sellafield	22	26*
Total	**71**	**53***

* – *updated value following completion of EA investigations*

This year saw an increase in the number of environmental non-compliances, which occur when a duty holder fails to meet the conditions laid out in their environmental Permit or Authorisation. However, most non-compliances were technical breaches related to reporting of sample results, and none had a significant effect on the environment.

At Dounreay while most relate to errors in reporting information to the Scottish Environment Protection Agency (SEPA), and minor breaches of non-radiological permit limits due to cleaning chemicals and rain water run-off, a fire at the Prototype Fast Reactor (PFR) sodium tank farm prompted SEPA to take enforcement action by issuing a variation to DSRL's radioactive substances Authorisation. The variation requires environmental impacts to be better managed during work planning and execution. Dounreay has established an improvement team to deal with the response to this event and improvements are progressing.

In contrast, there has been a decrease in non-compliances at Sellafield, our largest and most complex site, which is evidence of improved management control and a sustained effort on the part of the SLC to correct the previous trend.

Nuclear Security
Ensuring that the NDA estate is secure is of paramount importance to confirming nuclear safety and meeting UK strategic goals for security. As a critical enabler, Security as part of HSSSEQ, provides the NDA lead for nuclear security assurance across the estate. In recognition of the security challenges that our industry faces, we have increased the size of our security team and, in particular, invested in strengthening our ability to deal with the cyber security challenges.

Security arrangements across the NDA estate are kept under constant review as part of a continuous process to ensure they are robust and effective. Infrastructure enhancements at Sellafield have continued to be the main focus of our security effort and work has also continued to support, assure and enable enhancements to our other sites, in particular at Dounreay, Harwell and the LLWR.

The NDA estate has undergone an assessment against the Cabinet Office Information Assurance Maturity Model (IAMM). This is the second year that NDA, in conjunction with ONR (Civil Nuclear Security), has carried out this work and overall, the process has been useful. It is proposed to continue this annually in order to provide both business and regulatory assurance and continual improvement in information security maturity.

Nuclear Safeguards
Nuclear Safeguards are measures through which the international community gains assurance that UK civil holdings of nuclear materials are not diverted from their intended peaceful purposes – a key Government non-proliferation commitment. Within the EU, safeguards activities are conducted by the Euratom Safeguards Directorate ('Euratom'). Nuclear materials accountancy is the primary safeguards measure, and the NDA maintains oversight of SLC accountancy performance. NDA has also supported Euratom inspections and ONR Safeguards visits during the year.

Magnox and RSRL Transition
During 2013/2014 NDA held a tendering exercise for the contract to run the Magnox and RSRL organisations. Cavendish Fluor Partnership (CFP) was announced as the Preferred Bidder in March 2014.

A period of transition followed to allow all legal processes and due diligence to be carried out, with the Share Transfer to CFP taking place in September 2014. During the transition and the early period of the new contract NDA undertook enhanced oversight of HSSSE performance.
There was no significant evidence of a substantial drop in performance in 2014/2015 due to the process of consolidation or during the new contract period.

Regulatory matters
On 6 October 2014, a sodium-induced fire occurred at the Dounreay tank farm. This INES 1 event prompted enforcement action from the ONR (Improvement Notice) and SEPA (variation to the site's Environmental Permit).

With the assistance of its PBO (Cavendish Dounreay Partnership), DSRL has made progress in the improvements required to satisfy the regulators. The site completed safety stand-downs in January and

February, with activities restarting after a few days. DSRL's response is at an early stage. The NDA will continue to monitor and support the site's recovery.

NDA

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 36 health and safety events recorded internally throughout the year which included 32 safety observations and near misses and 4 minor injuries which occurred at NDA offices. Appropriate actions were taken in response to these events.

The average sickness absence of our employees was 5.1 working days absence per employee for 2014/2015, below the national average of 6.6 days and unchanged from the number of absence days in 2013/2014.

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 669,409 a decrease of approximately 17.9% on the previous year's total.

A Driver Safety programme including Driver Training and Winter Driving campaigns has been delivered this year.

Health and Wellbeing
The NDA is committed to ensuring that the risk of work related stress is effectively managed and controlled. A series of Stress Awareness workshops have taken place this year.

As part of our continued commitment to the health and wellbeing of employees, health and wellbeing awareness campaigns were delivered to our staff which included a Pedometer Challenge.

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.

Consultation with employees
The NDA Health, Safety & Environment Committee met 3 times in the year to discuss matters that may affect the health, safety and wellbeing of staff.

Security
The NDA achieved its corporate target of attaining the UK Governments Information Assurance Maturity Model (IAMM) level 2 score and is committed to achieving a level 3 score by the end of this 2015/2016.

The NDA's IT network is now compliant with the requirements of the Public Services Network (PSN) and NDA will be fully connected to the PSN in the coming financial year.

There were no major or serious security incidents of note.

Environmental Performance and Sustainability
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.

A summary report explaining NDA's contribution to sustainability performance under the Greening Government Commitments (GGC) and our own environmental management system is provided below with a more detailed report available on our website.

The NDA subsidiaries and wider nuclear estate are outside this reporting boundary, and have been exempted from the reporting requirements by the Sustainable Development in Government Exemption Panel.

Summary of performance

Area	2014/2015	Overall performance since 2009/2010	GGC target
UK based GHG emissions	**3.4% decrease**	**36.6% decrease**	**Achieved**
Total GHG emissions	**1.6% decrease**	**42.7% decrease**	**No GGC target**
Office waste	**9% increase**	**31.5% decrease**	**Achieved**
Office water	**3.3% decrease**	**14% decrease**	**Achieved**
Office paper	**37.1% decrease**	**69% decrease**	**Achieved**
Domestic air travel (flights)	**6.5% increase**	**58% decrease**	**Achieved**

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 2015 under the Energy Act (2004). The financial statements comprise the Group and Authority Statements of Comprehensive Net Expenditure and the Group and Authority 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2015 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"; "Financial and Strategic Overview"; "Directors' Report"; and "Health, Safety, Security and Environment 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 on pages 65 to 67.

Sir Amyas C E Morse
Comptroller and Auditor General

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

29 June 2015

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

Introduction

1. The Nuclear Decommissioning Authority (the Authority) is responsible for the decommissioning and clean-up of the 17 designated nuclear sites within the Authority's estate. As shown in the Authority's 2014-15 financial statements, the estimate of the discounted provision for nuclear decommissioning ('nuclear provision') was around £70 billion, of which £53 billion relates to Sellafield. This represents an increase in the region of £5 billion from 2013-14. The Authority's estimate of the nuclear provision is based on a programme of work due to be completed by the year 2137 and represents management's best estimate at each reporting date of the discounted future costs to decommission the designated nuclear sites.

Emphasis of Matter

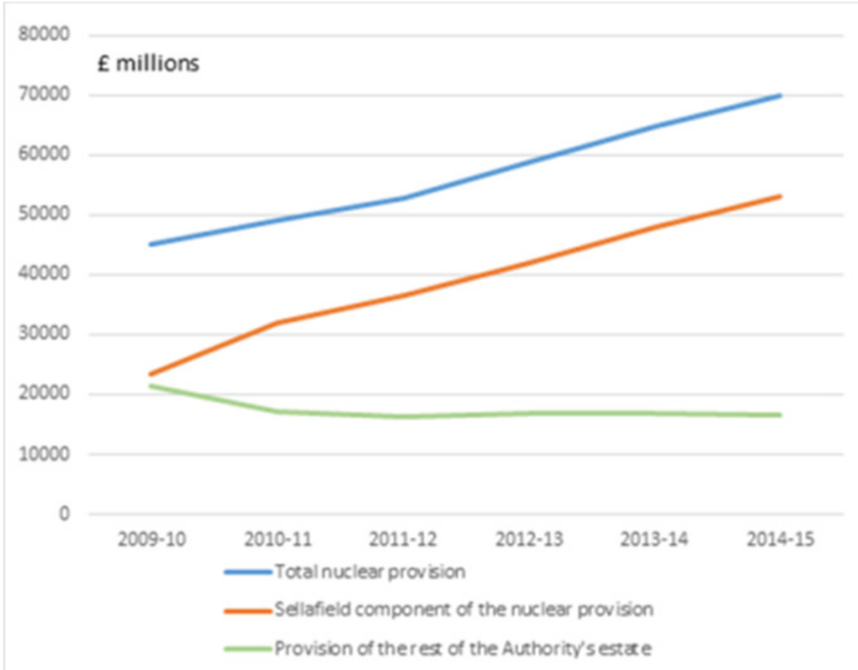
2. I have certified the Authority's 2014-15 financial statements with an unqualified audit opinion. I have included in my certificate an "Emphasis of Matter" relating to the significant amount of uncertainty in the provision for the estimated future costs of nuclear decommissioning. Auditing standards 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.

3. In order to obtain that evidence I ensure that management's estimate is arrived at 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.

Lifetime cost of decommissioning Sellafield

4. In March 2015 I reported on 'Progress on the Sellafield site: an update' in support of a hearing by the Public Accounts Committee. I noted that the contract delivery model for Sellafield was being revised, and also that the new lifetime plan was expected to lead to upwards movements in the provision. Having now completed my audit of the 2014-15 financial statements I consider it appropriate to provide an update on those cost revisions, and the management assumptions which underpin them.

5. Sellafield has always been the largest component of the provision, with the greatest complexity and containing the greatest element of uncertainty. The Authority's estimate of the lifetime cost of decommissioning at Sellafield has been increasing sharply in recent years. As at 31 March 2015, the Authority estimated the Sellafield component of the provision at nearly £53 billion after discounting future cash flows. This is around three-quarters of the Authority's total nuclear provision of nearly £70 billion and an increase of nearly £5 billion (10.4%) since March 2014. The estimated provision for the rest of the Authority's estate has remained relatively stable (Figure 1).



6. Sellafield is the UK's largest and most hazardous nuclear site. It includes two operational nuclear fuel reprocessing plants, and waste treatment and storage plants as well as legacy storage ponds and silos for nuclear waste material from the UK's first generation of nuclear plants. Between 2009-10 and 2014-15 the nuclear provision for Sellafield has increased by more than £25 billion. After deducting the cost of work actually completed, these increases in the provision are attributable to:

   - More than £18 billion because of increases in estimates of the cost of work required to complete decommissioning and clean up across the site, as the Authority has developed a better understanding of the nature of the hazards, particularly those relating to legacy ponds and silos. Of this around £3 billion relates to the removal of previously assumed efficiencies that had been built into the performance plan but which the Authority now deems to be unachievable

   - £7 billion from the impact of inflation and the unwinding of discount

   - £3 billion resulting from the step change in discount rates applied by HMT in 2012/13.

Sellafield Performance Plan 2014 (PP14)

7. Under the contractual arrangements in place until 2015 the Authority's contractors were required to periodically prepare and comprehensively revise a lifetime plan for Sellafield. This lifetime plan is the basis for management's best estimate of the future cost of nuclear decommissioning at the site at each year end. PP14 was the first comprehensive revision since 2011, and resulted in increased costs (on a discounted basis) of £5 billion. This will also be the last such comprehensive review under the current arrangements given the change in the contract delivery model which was discussed at PAC in March 2015.

Uncertainty in the Estimate

8. The Authority discloses the range of uncertainty for the decommissioning provision within the financial statements. It calculates this range based on methodology derived from HM Treasury's Green Book. On page 13 of the Financial and Strategic Overview the estimate for undiscounted future costs is £118 billion, but within a range from £95 billion to £218 billion. Note 27 on page 105 of the financial statements sets out further detail about key assumptions and uncertainties across all sites. Discounted cost estimates for Sellafield are disclosed within a range of an overall increase of £29.1 billion over the current point estimate, to a £4.9 billion reduction.

Management assumptions

9. Management builds on the information contained within the various lifetime plans for the portfolio of designated sites, and then applies a series of higher level 'top down' assumptions in order to produce the nuclear provision estimate included within these financial statements. These include, for example, estimates of the timeline for completing and operating the Geological Disposal facility. As part of management's assurance processes for the new lifetime plan at Sellafield relevant assumptions were revisited, and the accounts contain relevant disclosures on pages 13 to 18 of the Financial and Strategic Overview.

10. Two of management's most significant assumptions have been the subject of specific focus during my audit of the 2014/15 financial statements:

    - Management has retained reductions to costs in the period after 2026, as allowed by IAS 37, to take account of future efficiencies in decommissioning work. These relate to initiatives across the Sellafield site, including performance improvement, more efficient use of technology and accelerated hazards reduction. The aggregate impact of this efficiency assumption is to reduce the discounted value of the provision by approximately £6.5 billion.

    - There are 21 programmes within Sellafield, made up of around 2,000 specific projects. In producing their estimate of future costs at 31 March management has identified a population of significant major projects where current cost estimates are deemed to be relatively immature. This immaturity relates to factors such as: specific projects have not yet progressed to contract stage; the scope of work remains uncertain; technology is unproven; and/or work is contingent on the outcome of other projects or further research. Management has also taken account of historic cost overruns for similar projects and has reflected this increased uncertainty through £2 billion of costs over and above those already included within the Sellafield lifetime plan.

Conclusion

11. The estimate of future nuclear decommissioning costs is inevitably subject to considerable uncertainty, given the nature of the hazard and inherent complexity of the task, a programme of work that extends over 100 years, and the associated technological and programme uncertainties this brings. The Authority has made notable improvements in recent years to improve the quality of reporting around those uncertainties within the financial statements and in other external publications such as its periodic reporting through the Major Projects update. Nonetheless, further progress could be made by, for example:

    - a more systematic approach to those areas of the cost estimate that are relatively immature based on a portfolio assessment of risk; and,

    - a greater understanding of how the future efficiencies anticipated in the work programme beyond 2026 are likely to be identified.

12. Annual increases in the decommissioning provisions, and the lack of a clear path to making some of the more aged, toxic and degenerating hazards safe cause understandable stakeholder concern. We suggest that the adoption of some relatively short-term, measurable and specific goals might be helpful in allowing those who hold the Authority to account for protecting public value to carry out their responsibilities. The fact that the whole decommissioning process, and the stabilisation of and gradual retirement of the provision will take so long means that more short, measurable goals would be of considerable assistance.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

29 June 2015

Annual Accounts

Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2015

	Note	2015 £m	2014 £m
Continuing operations			
Expenditure			
Authority administration expenditure	5	41	42
Programme expenditure	7	1,185	867
Adjustments to provisions	8	7,600	7,415
Depreciation and impairment	9	82	115
		8,908	8,439
Income	10	(1,068)	(936)
Net expenditure		7,840	7,503
Interest receivable	4	(25)	(9)
Interest payable	4	2	2
Net expenditure after interest for the year		7,817	7,496
Other comprehensive (income) / expenditure:			
Loss on derecognition of property, plant and equipment	12	15	-
Actuarial (gain) / loss on defined benefit pension schemes	29	18	(13)
Total comprehensive net expenditure for the year		7,850	7,483

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 Comprehensive Net Expenditure
for the period ended 31 March 2015

	Note	2015 £m	2014 £m
Continuing operations			
Expenditure			
Authority administration expenditure	5	41	42
Programme expenditure	7	1,190	859
Adjustments to provisions	8	7,599	7,416
Depreciation and impairment	9	62	99
		8,892	8,416
Income	10	(1,035)	(891)
Net expenditure		7,857	7,525
Interest receivable	4	(1)	(2)
Interest payable	4	-	-
Net expenditure after interest for the year		7,856	7,523
Other comprehensive (income) / expenditure:			
Loss on derecognition of property, plant and equipment	12	15	-
Actuarial (gain) / loss on defined benefit pension schemes	29	9	(10)
Total comprehensive net expenditure for the year		7,880	7,513

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.

Consolidated Statement of Financial Position

as at 31 March 2015

	Note	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	12	855	894
Recoverable contract costs	15	1,636	2,547
Finance lease receivables	22	44	43
Trade and other receivables	23	41	45
Defined benefit pension scheme surplus	29	-	2
Total non-current assets		2,576	3,531
Current assets			
Assets classified as held for sale	17	-	51
Inventories	18	60	103
Other investments	21	382	338
Finance lease receivables	22	1	1
Trade and other receivables	23	227	352
Cash and cash equivalents	24	168	171
Total current assets		838	1,016
Total assets		3,414	4,547
Current liabilities			
Finance lease payables	25	-	(1)
Trade and other payables	26	(1,573)	(1,455)
Nuclear provisions	27	(2,939)	(2,588)
Other provisions	28	(161)	(211)
Total current liabilities		(4,673)	(4,255)
Total assets less current liabilities		(1,259)	292
Non-current liabilities			
Trade and other payables	26	(1,508)	(2,025)
Nuclear provisions	27	(66,935)	(62,356)
Other provisions	28	(1,196)	(1,255)
Defined benefit pension scheme deficits	29	(14)	-
Total non-current liabilities		(69,653)	(65,636)
Net liabilities		(70,912)	(65,344)
Taxpayers' equity			
Revaluation reserve		59	70
General reserve		(70,973)	(65,416)
Total taxpayers' equity		(70,914)	(65,346)
Non-controlling interests	30	2	2
Total equity		(70,912)	(65,344)

The financial statements on pages 68 to 119 were approved by the Board on 24 June 2015 and were signed on its behalf by:

John Clarke, Chief Executive and Accounting Officer, **24 June 2015**

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 2015

	Note	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	12	517	531
Investments in subsidiaries	14	229	226
Recoverable contract costs	15	1,636	2,547
Finance lease receivables	22	44	43
Trade and other receivables	23	41	45
Total non-current assets		2,467	3,392
Current assets			
Assets classified as held for sale	17	-	51
Inventories	18	38	91
Finance lease receivables	22	1	1
Trade and other receivables	23	449	580
Cash and cash equivalents	24	127	139
Total current assets		615	862
Total assets		3,082	4,254
Current liabilities			
Trade and other payables	26	(1,523)	(1,425)
Nuclear provisions	27	(2,938)	(2,588)
Other provisions	28	(159)	(210)
Total current liabilities		(4,620)	(4,223)
Total assets less current liabilities		(1,538)	31
Non-current liabilities			
Trade and other payables	26	(1,488)	(2,010)
Nuclear provisions	27	(66,870)	(62,269)
Other provisions	28	(1,170)	(1,228)
Defined benefit pension scheme deficit	29	(9)	-
Total non-current liabilities		(69,537)	(65,507)
Net liabilities		(71,075)	(65,476)
Taxpayers' equity			
Revaluation reserve		34	50
General reserve		(71,109)	(65,526)
Total taxpayers' equity		(71,075)	(65,476)

The financial statements on pages 68 to 119 were approved by the Board on 24 June 2015 and were signed on its behalf by:

John Clarke, Chief Executive and Accounting Officer, **24 June 2015**

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 period ended 31 March 2015

		NDA Group		Authority	
		2015	**2014**	**2015**	**2014**
	Note	**£m**	**£m**	**£m**	**£m**
Cash flows from operating activities					
Net expenditure for the year		(7,817)	(7,496)	(7,856)	(7,523)
Adjustments for:					
Interest receivable	4	(25)	(9)	(1)	(2)
Interest payable	4	2	2	-	-
Depreciation of property, plant and equipment	12	82	114	65	97
Impairment of property, plant and equipment	12	-	1	-	1
Reversal of impairment to subsidiary investment	14	-	-	(3)	-
(Increase)/decrease in recoverable contract costs		911	(543)	911	(543)
(Increase) / decrease in inventories		43	16	53	11
(Increase) / decrease in receivables		128	27	135	61
Increase / (decrease) in payables		(400)	104	(425)	95
Increase / (decrease) in nuclear provisions		4,950	6,090	4,951	6,089
Increase / (decrease) in other provisions		(109)	(555)	(109)	(554)
Net cash (outflow) from operating activities		(2,235)	(2,249)	(2,279)	(2,268)
Cash flows from investing activities					
Interest receivable	4	25	9	1	2
Interest payable	4	(2)	(2)	-	-
Proceeds on disposal of property, plant and equipment	12	1	2	-	1
Purchases of property, plant and equipment	12	(45)	(44)	(31)	(17)
Purchase of investments	21	(44)	(42)	-	-
Net cash (outflow) from investing activities		(65)	(77)	(30)	(14)
Cash flow from financing activities					
Grants from parent department		3,357	3,314	3,357	3,314
Surrender of receipts to Consolidated Fund		(1,060)	(1,085)	(1,060)	(1,085)
Net cash inflow from financing activities		2,297	2,229	2,297	2,229
Net increase / (decrease) in cash and cash equivalents		(3)	(97)	(12)	(53)
Cash and cash equivalents at beginning of period	24	171	268	139	192
Cash and cash equivalents at end of period		168	171	127	139

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2015

NDA Group	**Revaluation £m**	**General £m**	**Total £m**
Balance at 31 March 2013	70	(60,162)	(60,092)
Changes in taxpayers' equity 2013/2014			
Prior year adjustment (b)	-	(2)	(2)
Restated balance at 31 March 2013	70	(60,164)	(60,094)
Gross grants from parent department	-	3,314	3,314
Surrender of receipts to Consolidated Fund (a)	-	(1,085)	(1,085)
Surplus arising on revaluation of PPE	2	-	2
Transfer between reserves	(2)	2	-
Net comprehensive expenditure	-	(7,483)	(7,483)
Balance at 31 March 2014	70	(65,416)	(65,346)
Prior year adjustment (c)	-	(4)	(4)
Restated balance at 31 March 2014	70	(65,420)	(65,350)
Gross grants from parent department	-	3,357	3,357
Surrender of receipts to Consolidated Fund (a)	-	(1,060)	(1,060)
Surplus arising on revaluation of PPE	5	-	5
Deficit on revaluation of asset held for sale	(16)	-	(16)
Net comprehensive expenditure	-	(7,850)	(7,850)
Balance at 31 March 2015	59	(70,973)	(70,914)

Authority	**Revaluation £m**	**General £m**	**Total £m**
Balance at 31 March 2013	50	(60,242)	(60,192)
Changes in taxpayers' equity 2013/2014			
Gross grants from parent department	-	3,314	3,314
Surrender of receipts to Consolidated Fund (a)	-	(1,085)	(1,085)
Net comprehensive expenditure	-	(7,513)	(7,513)
Balance at 31 March 2014	50	(65,526)	(65,476)
Changes in taxpayers' equity 2014/2015			
Gross grants from parent department	-	3,357	3,357
Surrender of receipts to Consolidated Fund (a)	-	(1,060)	(1,060)
Deficit on revaluation of asset held for sale	(16)	-	(16)
Net comprehensive expenditure	-	(7,880)	(7,880)
Balance at 31 March 2015	34	(71,109)	(71,075)

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 £1,060 million (2014: £1,085 million) included £16 million payable as at 31 March 2015 (2013: £5 million at 31 March 2014). This amount was included within current trade and other payables in the Statement of Financial Position of Group and Authority at 31 March 2015

(b) The £2 million debit prior year adjustment to the General Reserve in 2014 was the net effect of the following adjustments: £2 million debit to PPE (see note 12), £2 million debit to Other Provisions (see note 28), £4 million credit to receivables and £2 million credit to non-controlling interests (see note 30)

(c) The £4 million debit prior year adjustment to the general reserve in 2015 is the net effect of the following adjustments: £6 million credit to PPE (see note 12), £1 million debit to receivables and £1 million debit to payables

Notes to the financial statements

for the year ended 31 March 2015

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 Financial and Strategic Overview on pages 8 to 19 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 DECC in accordance with section 26 of the Energy Act 2004. The accounts direction requires compliance with the 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 2015 shows net liabilities of £71 billion (2014: £65 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 2015/2016, taking into account the amounts required to meet the NDA's liabilities falling due in this year, have already been included in the DECC's estimates, and these have been approved by Parliament. There is no reason to believe that future DECC 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

The following new and revised Standards have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting of future transactions and arrangements:

IFRS10 – Consolidated Financial Statements, IFRS11 – Joint Arrangements, and IFRS12 - Disclosure of Interests in Other Entities (All as interpreted for use in the public sector).

The following Standard has not been adopted in the period but will be adopted prospectively from 1 April 2015. Early adoption is not permitted. The Authority does not expect that the adoption of this Standard will have a material impact on the financial statements of the NDA Group:

IFRS13 – Fair Value Measurement
IAS 36 – Impairment of assets (*Amendment*).

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 pages 50-55.

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.

With effect from 1 April 2014 assets on designated nuclear sites are only recognised where two criteria are met. Firstly the economic element of the asset's value at the reporting date must exceed £100,000, and secondly the proportion of the asset relating to commercial activity should exceed 10%.

Assets on non-designated sites are recognised where their value exceeds £2,000.

In future periods, existing assets on designated sites no longer meeting the above recognition criteria will be impaired with a charge to the SoCNE (see note 9) and then eliminated. The treatment of such assets in these accounts is described below.

None of the assets derecognised in the year had been revalued in the past. The effect of the introduction of this policy in the year and the estimated theoretical effect on last financial year are shown in the table below:

NDA Group and Authority	2015 £m	2014 £m
SoCNE: Other Comprehensive Expenditure – increase	15	33
SoCNE: Depreciation – (decrease)	-	(19)
SoCNE: Programme expenditure - increase	-	1
SOFP: Property, Plant & Equipment – (decrease)	(15)	(15)

On the grounds of immateriality, the 2013/2014 adjustment in the table above has not been treated as a prior period adjustment, with the correction having been made instead in 2014/2015 (See note 12g).

By applying clearer definitions of commercial materiality, and higher materiality thresholds, a large volume of low value items have been removed from the accounts while retaining materially similar overall gross and net book values in the Statement of Financial Position.

Similarly by applying clearer definitions and more relevant materiality thresholds to future capital expenditure, the creation of new assets will be restricted to those which are a genuine and meaningful addition to the NDA's commercial asset base.

In line with the accounts direction issued by the Secretary of State for DECC, waste management assets are excluded from the FReM requirement to carry PPE at fair value due to lack of reliable and cost effective revaluation methodology. Such waste management assets are therefore carried at cost less accumulated depreciation and any impairment charges, providing the new threshold criteria above are met.

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. This includes assets used to support commercial activities, property located outside nuclear licensed site boundaries, and property located inside nuclear licensed site boundaries where a reliable and cost effective revaluation methodology exists.

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 de-recognition of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to the general reserve.

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 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.

De-recognition 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.

De-recognition 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 re-measured 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 SLCs. 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. The rates applicable in the 2014/2015 accounts are:

- **Short-term rate**: between 0 and up to and including 5 years, -1.50% per annum.
- **Medium-term rate**: after 5 and up to and including 10 years, -1.05% per annum
- **Long-term rate**: exceeding 10 years, +2.20% per annum.

In the 2013/2014 accounts, the equivalent rates were:

- **Short-term rate**: between 0 and up to and including 5 years, -1.90% per annum.
- **Medium-term rate**: after 5 and up to and including 10 years, -0.65% per annum
- **Long-term rate**: exceeding 10 years, +2.20% per annum.

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. Grants are received gross from DECC and receipts are surrendered 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 £855 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 £46 billion out of the total £70 billion provision (2014: £41 billion out of £65 billion).
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. Should outcomes differ from assumptions in any of the following areas, this may require a material adjustment to the carrying amount of the nuclear provision and related assets and liabilities:

- 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 £2 billion (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 2015	Sellafield, reprocessing & transport £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Springfields and Capenhurst £m	NDA Admin and other non-prog £m	Subsidiaries and Group adjustments £m	Total 2015 £m
Authority administration expenditure	-	-	-	-	-	-	41	-	41
Authority administration expenditure	-	-	-	-	-	-	41	-	41
Contractor costs less capitalised	1,950	646	179	74	88	69	-	(94)	2,912
Decommissioning costs charged to nuclear provision	(1,136)	(645)	(173)	(74)	(45)	(63)	-	-	(2,136)
Decommissioning costs charged to other provisions	(241)	-	-	-	-	(2)	-	-	(243)
Fee, R&D and other programme expenditure	358	53	-	-	-	-	152	89	652
Programme expenditure	931	54	6	-	43	4	152	(5)	1,185
Other expenditure (a)	65	-	-	-	-	-	(3)	20	82
Programme expenditure and other non-cash items	996	54	6	-	43	4	149	15	1,267
Nuclear Provision increase/(decrease)	6,377	289	41	44	170	104	-	-	7,025
Other provisions increase/(decrease)	574	-	-	-	-	-	-	1	575
Provisions increase/(decrease)	6,951	289	41	44	170	104	-	1	7,600
Income	(911)	(111)	(2)	-	(2)	-	(9)	(33)	(1,068)
Interest payable	-	-	-	-	-	-	-	2	2
Interest receivable	-	-	-	-	-	-	(1)	(24)	(25)
Net expenditure/(income) from continuing operations for the year	7,036	232	45	44	211	108	180	(39)	7,817

(a) Other expenditure includes depreciation and impairment.

NDA Group 2014	Sellafield, reprocessing & transport £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Springfields and Capenhurst £m	NDA Admin and other non-prog £m	Subsidiaries and Group adjustments £m	Total 2014 £m
Authority administration expenditure	-	-	-	-	-	-	42	-	42
Authority administration expenditure	-	-	-	-	-	-	42	-	42
Contractor costs less capitalised	1,812	668	179	76	33	67	31	(106)	2,760
Decommissioning costs charged to nuclear provision	(1,302)	(675)	(171)	(77)	(8)	(75)	(24)	-	(2,332)
Decommissioning costs charged to other provisions	(240)	-	-	-	-	-	-	-	(240)
Fee, R&D and other programme expenditure	396	88	-	-	-	-	81	114	679
Programme expenditure	666	81	8	(1)	25	(8)	88	8	867
Other expenditure (b)	96	1	-	-	-	-	2	16	115
Programme expenditure and other non-cash items	762	82	8	(1)	25	(8)	90	24	982
Nuclear Provision increase/(decrease)	6,772	246	586	36	99	64	165	-	7,968
Other provisions increase/(decrease)	(551)	-	-	-	-	-	(1)	(1)	(553)
Provisions increase/(decrease)	6,221	246	586	36	99	64	164	(1)	7,415
Income	(710)	(164)	(2)	(1)	(5)	-	(9)	(45)	(936)
Interest payable	-	-	-	-	-	-	-	2	2
Interest receivable	(1)	-	-	-	-	-	(1)	(7)	(9)
Net expenditure/(income) from continuing operations for the year	6,272	164	592	34	119	56	286	(27)	7,496

(b) Other expenditure includes a £1 million impairment charge relating to Magnox.

Geographical information

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

	2015 £m	2014 £m
United Kingdom	758	811
Germany	120	30
Japan	112	68
Other countries	78	27
Total income	1,068	936

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

5. Authority administration expenditure

Authority	2015 £m	2014 £m
Staff costs (see note 6)	24	22
Administration costs	15	19
Rentals under operating leases – other	2	1
Auditors' remuneration	-	-
	41	42

Directors' emoluments are included in the above figures and can be seen in the Remuneration Report on pages 50-55.

Auditors' remuneration represents fees payable to the NAO for the audit of the Authority and the NDA Group and amounted to £395,000 (2014: £395,000). No other remuneration has been paid to the NAO.

6. NDA Group staff costs

NDA Group 2015	Permanently employed staff £m	Others £m	Total 2015 £m
Wages and salaries	57	5	62
Social security costs	6	-	6
Pension costs	8	-	8
Total staff costs	71	5	76

NDA Group 2014	Permanently employed staff £m	Others £m	Total 2014 £m
Wages and salaries	54	4	58
Social security costs	5	-	5
Pension costs	10	-	10
Total staff costs	69	4	73

NDA Group staff costs comprise Authority staff costs of £24 million (2014: £22 million) – see note 5 – plus other staff costs of £52 million (2014: £51 million) included within programme expenditure in note 7. NDA Group staff costs include the cost of the exit package 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 2015 No.	Total 2014 No.
Directly employed – Authority	193	22	215	216
Directly employed – Subsidiaries	810	13	823	791
Total	1,003	35	1,038	1,007

One individual left the NDA Group during the year (2014:four) and was in receipt of the exit package set out below:

2015 Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost £
£100,000 - £149,999	0	1	1	139,384
Total number of exit packages	0	1	1	139,384

2014 Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost £
£10,000 - £24,999	0	1	1	24,060
£50,000 - £99,999	0	1	1	57,230
£150,000 - £199,999	0	1	1	185,881
£200,000 - £249,999	0	1	1	207,945
Total resource cost	0	4	4	475,116

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		2015 £m		2014 £m
Contractor costs		2,941		2,772
Less: Decommissioning costs charged to nuclear provision (see note 28)		(2,136)		(2,332)
Less: Costs charged to other provisions (see note 29)		(243)		(240)
Less: Contractor costs capitalised		(29)		(12)
Contractor costs relating to commercial activity		533		188
Amortisation of recoverable contract costs (see note 16)	306		233	
Revalorisation of advance payments (see note 27)	51		149	
M&O contractor fees	88		99	
Subsidiary operating costs	70		67	
Trading costs	53		66	
Subsidiary staff costs	52		51	
Rentals under operating leases – other	11		5	
Research and development costs	9		5	
Insurance	5		9	
Dividend payable to minority interest	1		1	
Skills & socio-economic development programme	2		3	
Other costs	4		(9)	
Fee, R&D & other programme expenditure		652		679
Programme Expenditure		1,185		867

8. Adjustments to provisions

NDA Group	2015 £m	2014 £m
Movement in nuclear provisions:		
Provided for in the year (see note 27)	5,853	6,967
Unwinding of discount (see note 27)	1,172	1,001
	7,025	7,968
Movement in other provisions:		
Provided for in the year (see note 28)	562	(591)
Unwinding of discount (see note 28)	13	38
	575	(553)
Total provisions movement	7,600	7,415

9. Depreciation and impairment

NDA Group	2015 £m	2014 £m
Depreciation of property, plant and equipment (see note 12)	82	114
Impairment of property, plant and equipment (see note 12)	-	1
	82	115

10. Income

NDA Group & Authority	NDA Group 2015 £m	NDA Group 2014 £m	Authority 2015 £m	Authority 2014 £m
Reprocessing & Transport, waste management and storage (a), (b)	938	742	905	705
Energy trading (a)	105	157	105	157
Sundry	14	26	16	20
Rental income	5	6	3	4
Admin / non-programme	6	5	6	5
	1,068	936	1,035	891

(a) Revenue from spent fuel reprocessing, waste and product storage and the transportation of spent fuel, waste and products.
(b) The policy regarding the treatment of transactions between reportable segments is as given in note 33.
(c) Revenues from transactions with EDF amounted to more than 10 per cent of total revenues in the year, being £103 million (2014: £157 million) for electricity generation activities and £577 million (2014: £417 million) for reprocessing and the management of spent fuel and waste included in (a).

11. Tax

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

NDA Group	2015 £m	2014 £m
Net expenditure before tax	7,817	7,496
Deficit on ordinary activities before tax at the UK standard rate of corporation tax of 21% (2014: 23%)	1,642	1,724
Effects of:		
Income and expenditure which is not taxable or tax deductible	(1,588)	(1,637)
Capital allowances for the year in excess of depreciation	94	85
Unutilised losses	(148)	(172)
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.

12. Property, plant and equipment

NDA Group 2015	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 2014	19	2,401	7	21	5,147	52	236	7,883
Prior year adjustment	-	(5)	-	-	-	-	(1)	(6)
Restated 1 April 2014	19	2,396	7	21	5,147	52	235	7,877
Additions	-	-	-	-	-	-	45	45
Eliminations (f)	-	(299)	(4)	(13)	(337)	(1)	-	(654)
Derecognition (g)	-	(8)	(3)	(1)	(21)	1	(4)	(36)
Reclassification from AHFS (h)	35	-	-	-	-	-	-	35
Other reclassifications	-	24	-	-	59	6	(109)	(20)
Disposals	-	-	-	-	-	(4)	-	(4)
Revaluations	-	5	-	-	-	-	-	5
At 31 March 2015	**54**	**2,118**	**-**	**7**	**4,848**	**54**	**167**	**7,248**
Depreciation								
At 1 April 2014	-	(2,356)	(7)	(20)	(4,582)	(24)	-	(6,989)
Charged in year	-	(10)	-	-	(68)	(4)	-	(82)
Eliminations (f)	-	299	4	13	337	1	-	654
Derecogntion (g)	-	5	3	1	12	-	-	21
Disposals	-	-	-	-	-	3	-	3
At 31 March 2015	**-**	**(2,062)**	**-**	**(6)**	**(4,301)**	**(24)**	**-**	**(6,393)**
Net book value at 31 March 2014	19	45	-	1	565	28	236	894
Net book value at 31 March 2015	**54**	**56**	**-**	**1**	**547**	**30**	**167**	**855**

The net book value of plant & equipment at 31 March 2015 (£547 million) includes £229 million relating to future decommissioning costs.

NDA Group 2014	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 2013	19	2,400	7	27	5,140	45	214	7,852
Prior year adjustment	-	-	-	-	-	-	2	2
Restated 1 April 2013	19	2,400	7	27	5,140	45	216	7,854
Additions	-	1	-	-	1	-	42	44
Reclassifications	-	1	-	-	9	8	(22)	(4)
Disposals	-	(2)	-	(6)	(3)	(1)	-	(12)
Revaluations		1	-	-	-	-	1	2
Impairments	-	-	-	-	-	-	(1)	(1)
At 31 March 2014	**19**	**2,401**	**7**	**21**	**5,147**	**52**	**236**	**7,883**
Depreciation								
At 1 April 2013	-	(2,322)	(7)	(25)	(4,509)	(22)	-	(6,885)
Charged in year	-	(34)	-	(1)	(76)	(3)	-	(114)
Disposals	-	-	-	6	3	1	-	10
At 31 March 2014	**-**	**(2,356)**	**(7)**	**(20)**	**(4,582)**	**(24)**	**-**	**(6,989)**
Net book value at 31 March 2013	19	78	-	2	631	23	214	967
Net book value at 31 March 2014	**19**	**45**	**-**	**1**	**565**	**28**	**236**	**894**

The net book value of plant & equipment at 31 March 2014 (£565 million) includes £271 million relating to future decommissioning costs.

Authority 2015	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 2014	11	2,373	6	19	4,772	2	168	7,351
Additions	-	-	-	-	-	-	31	31
Eliminations (f)	-	(299)	(4)	(13)	(337)	(1)	-	(654)
Derecognition (g)	-	(8)	(2)	(1)	(19)	-	(1)	(31)
Reclassification from AHFS (h)	35	-	-	-	-	-	-	35
Other reclassifications	-	2	-	-	36	-	(38)	-
At 31 March 2015	**46**	**2,068**	**-**	**5**	**4,452**	**1**	**160**	**6,732**
Depreciation								
At 1 April 2014	-	(2,351)	(6)	(18)	(4,443)	(2)	-	(6,820)
Charged in year	-	(9)	-	-	(56)	-	-	(65)
Eliminations (f)	-	299	4	13	337	1	-	654
Derecognition (g)	-	3	2	-	11	-	-	16
At 31 March 2015	**-**	**(2,058)**	**-**	**(5)**	**(4,151)**	**(1)**	**-**	**(6,215)**
Net book value at 31 March 2014	11	22	-	1	329	-	168	531
Net book value at 31 March 2015	**46**	**10**	**-**	**-**	**301**	**-**	**160**	**517**

The net book value of plant & equipment at 31 March 2015 (£301 million) includes £164 million relating to future decommissioning costs.

Authority 2014	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 2013	12	2,373	6	25	4,761	2	169	7,348
Additions	-	-	-	-	1	-	14	15
Reclassifications	-	-	-	-	13	-	(14)	(1)
Disposals	(1)	-	-	(6)	(3)	-	-	(10)
Impairments	-	-	-	-	-	-	(1)	(1)
At 31 March 2014	**11**	**2,373**	**6**	**19**	**4,772**	**2**	**168**	**7,351**
Depreciation								
At 1 April 2013	-	(2,320)	(6)	(24)	(4,381)	(2)	-	(6,733)
Charged in year	-	(33)	-	-	(64)	-	-	(97)
Reclassifications	-	2	-	-	(1)	-	-	1
Disposals	-	-	-	6	3	-	-	9
At 31 March 2014	**-**	**(2,351)**	**(6)**	**(18)**	**(4,443)**	**(2)**	**-**	**(6,820)**
Net book value at 31 March 2013	12	53	-	1	380	-	169	615
Net book value at 31 March 2014	**11**	**22**	**-**	**1**	**329**	**-**	**168**	**531**

The net book value of plant & equipment at 31 March 2014 (£329 million) includes £181 million relating to future decommissioning costs.

(a) 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 2015 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 GVA Grimley Ltd Chartered Surveyors.

(c) There were no impairment charges to expenditure this year. (2014: £1 million)

(d) 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 £ nil (2014: £nil).

(e) Contracted capital commitments relating to those economic assets expected to be subsequently capitalised, were £29 million (2014: £13 million).

(f) In the year, the NDA has eliminated fully depreciated assets which no longer perform commercial activity, having a gross book value and accumulated depreciation of £654 million.

(g) In the year, the NDA has derecognised assets on designated sites which have a net book value below £100,000, in accordance with the policy set out in note 2.11. These assets had a gross book value of £36 million and accumulated depreciation of £21 million, giving rise to a loss on derecognition charged to Other Comprehensive Expenditure of £15 million. This was not treated as a prior period restatement on the grounds of immateriality.

(h) During the year the land at Moorside was reclassified from Assets Held for Sale to Property, Plant & Equipment as per note 17.

13. Intangible assets

Intangible assets had no economic value at 31 March 2015 and 31 March 2014.

14. Investments in subsidiaries

Authority	2015 £m	2014 £m
Cost		
At 1 April	229	229
Additions	-	-
At 31 March	**229**	**229**
Impairment		
At 1 April	(3)	(3)
Reversal	3	-
At 31 March	**-**	**(3)**
Net book value at 1 April	226	226
Net book value at 31 March	**229**	**226**

The reversal of impairment charge in 2014/2015 of £3 million relates to NDA Properties Limited and is credited to the Authority Statement of Comprehensive Net Expenditure under Depreciation and Impairment.

Details of the Authority's subsidiaries at 31 March 2015 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 (i)	Japan	*Technical support to the nuclear industry*	66%
International Nuclear Services France SAS (ii)	France	*Transportation of spent fuel*	100%
International Nuclear Services Japan KK (ii)	Japan	*Transportation of spent fuel*	100%
International Nuclear Services Limited (INS Ltd)	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 (ii), (iii)	UK	*The transportation of spent fuel, reprocessing products and waste*	68.75%
Rutherford Indemnity Limited	Guernsey	*Nuclear insurance*	100%
Radioactive Waste Management Limited (iv)	UK	*Development of Geographical Disposal Facility*	100%
NDA Archives Limited (v)	UK	*Development of National Nuclear Archive*	100%

(i) As at 31 March 2015 INS Rokkasho KK was in the process of being liquidated.
(ii) Ownership through INS Ltd.
(iii) On 23 July 2014 the percentage owned by INS Ltd increased from 62.5% to 68.75%
(iv) Incorporated 3 March 2014
(v) Incorporated 1 July 2014

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.

NDA is a member of Britain's Energy Coast, a company limited by guarantee registered in the UK and contributing to the economic regeneration of west Cumbria.

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.

Recoverable contract costs comprise costs which were incurred before the revenue recognition period of each contract and which are amortised each year in line with revenue ('Historic costs' below) and costs which form part of the nuclear provision, which are restated each year for unwinding of discount and other changes in estimate, and released as they occur in each year ('Future costs' below).

NDA Group and Authority	2015 £m	2014 £m
Recoverable contract costs relating to Nuclear Provisions:		
Gross recoverable contract costs	5,661	5,906
Less applicable payments received on account (see note 26)	(3,504)	(3,279)
Less associated contract loss provisions (see note 28)	(521)	(80)
	1,636	2,547

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

NDA Group and Authority	Historic costs £m	Future costs £m	2015 Total costs £m	Historic costs £m	Future costs £m	2014 Total costs £m
Balance as at 1 April	2,763	3,143	5,906	2,996	2,689	5,685
Increase in year (see note 27)	-	505	505	-	850	850
Unwind of discount (see note 27)	-	30	30	-	47	47
Amortisation (see note 7)	(306)	-	(306)	(233)	-	(233)
Release in year (see note 27)	-	(474)	(474)	-	(443)	(443)
Balance as at 31 March	2,457	3,204	5,661	2,763	3,143	5,906

16. Deferred taxation

Deferred tax liability not recognised
A deferred tax liability of £7 million (2014:£12 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
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	2015 £m	2014 £m
Tax losses	640	698
Accelerated capital allowances	466	480
Intangibles	7	8
Short term timing differences	8	9
Deferred tax asset at UK standard rate of Corporation Tax for 2015 of 20% (2014: 23%).	1,121	1,195

17. Assets classified as held for sale and discontinued operations

Assets classified as held for sale
On 1 May 2014 the NDA reached an agreement with NuGen on the key commercial terms of an agreement in respect of the land at Moorside, Sellafield. This was a revision to the previous terms under which this land has been included as an asset held for sale since 29 October 2009, and provides for NuGen to exercise an option to acquire the land before 2019. Given the potentially long timeframe before completion of the transaction it has been determined that the asset does not fully meet the criteria to be shown as an asset held for sale under IFRS5. However the NDA's expectation that a sale will be concluded is unchanged to the previous year.

NDA Group and Authority	2015 £m	2014 £m
At 1 April	51	51
Revaluation	(16)	**-**
Reclassification to PPE (see note 12)	(35)	-
At 31 March	**-**	**51**

18. Inventories

	NDA Group 2015 £m	NDA Group 2014 £m	Authority 2015 £m	Authority 2014 £m
Nuclear fuels	1	1	1	1
Raw materials and consumables	44	45	37	39
Work-in-progress	15	57	-	51
	60	103	38	91

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 2015 £m	NDA Group 2014 £m	Authority 2015 £m	Authority 2014 £m
Financial assets					
Fair value through profit or loss (FVTPL):					
Other investments	*21*	382	338	-	-
Loans and receivables:					
Non-current finance lease receivable	*22*	44	43	44	43
Non-current other receivables	*23*	10	9	10	9
Current trade and other receivables (a)	*23*	146	277	373	507
Current finance lease receivables	*22*	1	1	1	1
Cash and cash equivalents	*24*	168	171	127	139
		751	839	555	699

	Note	NDA Group 2015 £m	NDA Group 2014 £m	Authority 2015 £m	Authority 2014 £m
Financial liabilities					
Fair value through profit or loss (FVTPL):					
Other financial liabilities:					
Current finance lease payables	*25*	-	(1)	-	-
Current trade and other payables (b)	*26*	(715)	(713)	(671)	(683)
		(715)	(714)	(671)	(683)

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 2.16.

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 2015 (2014: £2 million). The risk of loss associated with these deposits is considered to be minimal.

In addition to this, a letter of credit is issued by a commercial bank on the NDA's behalf in favour of a certain supplier, with respect to energy trading costs. This does 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. This sets 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	
	2015 £m	2014 £m	2015 £m	2014 £m
Investments carried at fair value:				
Bank deposits	76	62	-	-
Other investments	306	276	-	-
	382	338	-	-

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	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts receivable under finance leases:				
Not later than one year	1	2	1	2
Later than one year and not later than five years	6	6	6	6
Later than five years	179	178	179	178
	186	186	186	186
Less: unearned finance income	(141)	(142)	(141)	(142)
Present value of minimum lease payments receivable	45	44	45	44

	Present value of minimum lease payments			
	NDA Group		Authority	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts receivable under finance leases:				
Not later than one year	1	2	1	2
Later than one year and not later than five years	5	4	5	4
Later than five years	39	38	39	38
Present value of minimum lease payments receivable	45	44	45	44

	Present value of minimum lease payments			
	NDA Group		Authority	
	2015 £m	2014 £m	2015 £m	2014 £m
Of which:				
Non-current assets	44	43	44	43
Current assets	1	1	1	1
Present value of minimum lease payments receivable	45	44	45	44

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 was 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 were 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 was fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.

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**	
	2015 £m	**2014 £m**	**2015 £m**	**2014 £m**
Non-current:				
Prepayments	31	36	31	36
Other receivables	10	9	10	9
	41	45	41	45
Current:				
Trade receivables	112	140	356	382
Less: allowance for doubtful debts	-	-	-	-
	112	140	356	382
Accrued income	20	124	12	117
Other receivables	14	13	5	8
	146	277	373	507
Prepayments	12	10	7	8
VAT	69	65	69	65
	227	352	449	580

Non-current other receivables relate to lump sum payments made under early retirement arrangements to individuals working for SLCs who have retired early, or who have accepted early retirement, before 31 March 2015. 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 £2 million (2014: £9 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	
	2015	**2014**	**2015**	**2014**
	£m	**£m**	**£m**	**£m**
Neither impaired nor past due	105	131	355	377
Not impaired but past due in the following periods:				
within 30 days	2	4	1	2
31 to 60 days	4	4	-	3
61 to 90 days	1	1	-	-
Total	112	140	356	382

Movement in the allowance for doubtful debts:

	NDA Group		Authority	
	2015	**2014**	**2015**	**2014**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	-	3	-	3
Amounts recovered during the year	-	(3)	-	(3)
Balance at 31 March	-	-	-	-

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	
	2015	**2014**	**2015**	**2014**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	171	268	139	192
Net change in cash and cash equivalent balances	(3)	(97)	(12)	(53)
Balance at 31 March	168	171	127	139
The balances at 31 March were held at:				
Commercial banks	33	33	(1)	1
Government Banking Service	135	138	128	138
	168	171	127	139

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	
	2015	2014	2015	2014
	£m	£m	£m	£m
Amounts payable under finance leases:				
Not later than one year	-	1	-	-
Later than one year and not later than five years	-	-	-	-
	-	1	-	-
Less: future finance costs	-	-	-	-
Present value of minimum lease payments payable	-	1	-	-

	Present value of minimum lease payments			
	NDA Group		Authority	
	2015	2014	2015	2014
	£m	£m	£m	£m
Amounts payable under finance leases:				
Not later than one year	-	1	-	-
Later than one year and not later than five years	-	-	-	-
Present value of minimum lease payments payable	-	1	-	-

	Present value of minimum lease payments			
	NDA Group		Authority	
	2015	2014	2015	2014
	£m	£m	£m	£m
Of which:				
Non-current liabilities	-	-	-	-
Current liabilities	-	1	-	-
Present value of minimum lease payments payable	-	1	-	-

The finance lease payable in 2014 related to the purchase of locomotives for which the leases have now expired. 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. None of the change, either during the year or cumulatively, in the fair value of the above liability is attributable to changes in the credit risk of that liability. There is no material difference between the liability's carrying amount and the amount that would be required to be paid at maturity to settle the obligation.

26. Trade and other payables

	NDA Group		Authority	
	2015	2014	2015	2014
	£m	£m	£m	£m
Current:				
Trade payables	134	170	117	163
Receipts to surrender to the Consolidated Fund	16	5	16	5
Other payables	8	10	1	4
Accruals	557	528	537	511
	715	713	671	683
Other taxes and social security	2	2	-	-
Payments received on account	850	739	848	741
Deferred income	6	1	4	1
Grants	-	-	-	-
	1,573	1,455	1,523	1,425
Non-current:				
Payments received on account	1,495	2,017	1,488	2,010
Finance lease	-	-	-	-
Other payables	13	8	-	-
	1,508	2,025	1,488	2,010

	NDA Group 2015 £m	NDA Group 2014 £m	NDA Authority 2015 £m	NDA Authority 2014 £m
Movements on gross payments received on account				
Balance at 1 April	6,035	5,911	6,030	5,906
Revalorisation (see note 7)	51	149	51	149
Amounts invoiced	652	686	652	686
Released to income	(889)	(711)	(893)	(711)
Balance at 31 March	5,849	6,035	5,840	6,030

	NDA Group 2015 £m	NDA Group 2014 £m	NDA Authority 2015 £m	NDA Authority 2014 £m
Gross payments on account at 31 March	5,849	6,035	5,840	6,030
Deduction of recoverable contract costs (see note 15)	(3,504)	(3,279)	(3,504)	(3,279)
Net payments on account at 31 March	2,345	2,756	2,336	2,751
Of which:				
Current	850	739	848	741
Non-current	1,495	2,017	1,488	2,010
	2,345	2,756	2,336	2,751

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).

None of the change, either during the year or cumulatively, in the fair value of the above liabilities is attributable to changes in the credit risk of those liabilities. There is no material difference between the liabilities' carrying amounts and the amounts that would be required to be paid at maturity to settle the obligations.

27. Nuclear Provisions

	NDA Group 2015 £m	NDA Group 2014 £m	Authority 2015 £m	Authority 2014 £m
Balance at 1 April	64,944	58,858	64,857	58,768
Provided for in the year and charged to:				
- Statement of Comprehensive Net Expenditure (note 8)	5,853	6,967	5,855	6,966
- Recoverable contract costs (a) (note 15)	505	850	505	850
Unwinding of discount charged to:				
- Statement of Comprehensive Net Expenditure (note 8)	1,172	1,001	1,171	1,001
- Recoverable contract costs (a) (note 15)	30	47	30	47
Decommissioning costs utilised in the year (note 7)	(2,136)	(2,332)	(2,136)	(2,332)
Recoverable contract costs released in year (note 15)	(474)	(443)	(474)	(443)
Provision changes impacting property, plant and equipment (note 12)	(20)	(4)	-	-
Total change in provision	4,930	6,086	4,951	6,089
Balance at 31 March	69,874	64,944	69,808	64,857
Of which:				
Current	2,939	2,588	2,938	2,588
Non-current	66,935	62,356	66,870	62,269
	69,874	64,944	69,808	64,857

(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 2015 (NDA Group and Authority) is £5,661 million (2014: £5,906 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 £62 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £76 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 2014 values to current price levels. The overall increase in the provision was £4,930 million (2014: £6,086 million) of which the Authority estimates that £586 million related to changes in price levels (2014: £1,471 million).

The introduction of new discount rates (see page 17) in the current financial year produced an increase of £214 million (2014: £321 million decrease).

A total of £2,610 million (2014: £2,775 million) has been released from the nuclear provision in the year to 31 March, being the amount provided for that year as at 31 March 2014.

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. A decrease of £20 million was recognised in the year (2014: £4 million).

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

NDA Group	Waste £m	Research £m	Sellafield £m	Fuel manufacturing and generation £m	Others £m	Total £m	2014 Total £m
Within 1 year	46	281	1,909	669	32	2,937	2,588
2 – 5 years	242	1,192	8,515	2,307	282	12,538	12,414
After 5 years	4,281	2,096	42,774	4,753	495	54,399	49,942
	4,569	3,569	53,198	7,729	809	69,874	64,944
Sensitivity							
Increase	8,200	500	29,150	1,500	70		
Reduction	(1,370)	(210)	(4,850)	(2,570)	(40)		

The NDA calculates its provision based on the management's best estimate of the future costs of the decommissioning programme, which is expected to take until 2137 to complete. The NDA also considers credible risks and opportunities which may increase or decrease the cost estimate, but which are deemed less probable than the best estimate. These are the basis of the sensitivities identified above, and the key sensitivities (rounded to the nearest £10 million) are as follows:

- 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 cost of constructing and operating the repository, which range from a £1,370 million reduction on the current estimate, to a £8,200 million increase (50% saving to 300% increase respectively in long-term costs)
- 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 £210 million; an increase in the cost and/or a delay of past the latest anticipated Interim State date (2029) would increase the provision by up to £500 million

- Sellafield represents activities associated with operation of the site, reprocessing and eventual decommissioning, and includes all site overheads. Principal sensitivities are around the cost of delivering the plan, particularly the costs of new construction, decommissioning and post operational clean out (POCO) work in the long-term (beyond the next twenty years). The potential costs range from a £4,850 million reduction against the current estimate (50% reduction in costs beyond the next 20 years), to a £29,150 million increase (300% increase in major project costs in the same period)
- fuel manufacturing and generation (which for this purpose includes Magnox 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 future cost savings with, for example, a 35% overall saving reducing the provision by £2,570 million. The main cost risk is in the final site clearance phase, which may increase costs by £1,500 million.

28. Other provisions

NDA Group	Restructuring £m	Contract loss £m	Other £m	Total £m
Movements in gross provisions				
Balance at 1 April 2013	94	2,205	42	2,341
Prior year adjustment	-	-	(2)	(2)
Provided for in the year (see note 8)	(1)	(590)	-	(591)
Released in the year (see note 7)	(11)	(227)	(2)	(240)
Unwinding of discount (see note 8)	-	38	-	38
Balance at 31 March 2014	82	1,426	38	1,546
Provided for in the year (see note 8)	5	556	1	562
Released in the year (see note 7)	(10)	(231)	(2)	(243)
Unwinding of discount (see note 8)	-	13	-	13
Balance at 31 March 2015	77	1,764	37	1,878

NDA Authority	Restructuring £m	Contract loss £m	Other £m	Total £m
Movements in gross provisions				
Balance at 1 April 2013	94	2,204	12	2,310
Provided for in the year	(2)	(590)	-	(592)
Released in the year	(11)	(227)	-	(238)
Unwinding of discount	-	38	-	38
Balance at 31 March 2014	81	1,425	12	1,518
Provided for in the year	5	556	-	561
Released in the year	(11)	(231)	(1)	(243)
Unwinding of discount	-	14	-	14
Balance at 31 March 2015	75	1,764	11	1,850

Analysis of net provisions	NDA Group 2015 £m	NDA Group 2014 £m	Authority 2015 £m	Authority 2014 £m
Balance at 31 March	1,878	1,546	1,850	1,518
Amount deducted from recoverable contract costs (see note 15)	(521)	(80)	(521)	(80)
Net balance at 31 March	1,357	1,466	1,329	1,438
Of which:				
Current	161	211	159	210
Non-current	1,196	1,255	1,170	1,228
	1,357	1,466	1,329	1,438

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 2015. 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.

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 and RWM employees have pension benefits provided through the PCSPS. The PCSPS is an unfunded multi-employer defined benefit scheme in which the NDA and RWM are unable to identify their share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/. 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 (DRS) employees joining after 1 April 2008 participate on a defined contribution basis in 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. INSL's contributions to these schemes are assessed as part of regular actuarial valuations of those schemes and will vary in line with the funding position of the relevant scheme.

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 £5,342,000 (2014: £6,751,000) 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
The Group participates in various pension schemes which are accounted for as defined benefit schemes.

GPS DRS section of the CNPP
DRS participates 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 Nirex section was closed to new entrants on 1 April 2007 and has no active members.

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 Closed section was closed to new entrants and further accrual on 31 March 2010.

Merchant Navy Officers Pension Fund (MNOPF)
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)
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.

In relation to the CNPP it is noted that:
The scheme is sectionalised and individual sections cannot be liable for any other sections' obligations under the terms and conditions of the scheme.

There is no agreed allocation of any surplus or deficit should a participating employer withdraw from the scheme or on wind up. In such an event the participating employer's obligations would be subject to negotiation with the relevant scheme trustees in light of the funding position of the scheme at that time.

In relation to the Merchant Navy schemes, whilst the schemes are sectionalised they operate on a "last man standing" basis such that a participating employer can become liable for part of the obligations of another participating employer should that employer withdraw for the scheme with underfunded obligations.

Actuarial valuations for the various defined benefit schemes referred to above have been updated at 31 March 2015 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.

Risks associated with the Group's defined benefit schemes
The defined benefit schemes expose the Group to a number of risks such as:

Changes in bond yields
Pension liabilities are calculated using discount rates linked to bond yields which are subject to volatility. In order to mitigate this risk the schemes hold a proportion of their assets in bonds, which provide a hedge against falling bond yields.

Investment risk
Some asset classes such as equities, which are expected to provide higher returns over the long term, are subject to short term volatility and may lead to deficits if assets underperform the discount rate used to calculate future liabilities. The allocation to such assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

Inflation risk
Since most of the scheme liabilities are indexed in line with price inflation, higher than assumed levels of inflation will increase the liabilities. In order to mitigate this risk the schemes hold a proportion of their assets in index-linked bonds.

Longevity risk
Increases in life expectancy will result in an increase in liabilities. The scheme actuaries regularly review actual experience of the scheme membership against the actuarial assumptions underlying the valuation of the liabilities and carry out detailed analysis when setting appropriate scheme specific mortality assumptions.

Other risks
There are a number of other risks involved in sponsoring defined benefit schemes including operational risks and legislative risks. The scheme trustees regularly assess these risks as part of their ongoing governance process.

One particular legislative risk is in relation to the equalisation of Guaranteed Minimum Pensions (GMPs). The UK Government has announced its intention to gender-equalise these benefits in accordance with sex discrimination legislation, although it is not clear when and how this will be achieved. GMP equalisation would likely increase the liabilities of the defined benefit schemes, although at this stage it is not possible to quantify the potential impact of this change and, in line with most UK reporting entities, the Group has not made any allowance in this year's accounting liabilities.

NDA Group

Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	**2015 £m**	**2014 £m**
Benefit obligations	250	198
Fair value of scheme assets	(231)	(197)
Deficit / (surplus) in schemes	**19**	**1**
Receivable from third parties	(5)	(3)
Net deficit / (surplus) recognised in schemes	**14**	**(2)**

Statement of Comprehensive Net Expenditure

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:	2015 £m	2014 £m
Current service cost	3	3
Net interest on net DB assets / liabilities	-	1
Net cost in SOCNE	**3**	**4**
Actuarial loss / (gain)	20	(14)
Receivable from third parties	(2)	1
Actuarial loss / (gain) recognised in OCE	**18**	**(13)**

Changes in the present value of the defined benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2015 £m	2014 £m
Opening defined benefit obligation	198	204
Current service cost	3	3
Net interest on scheme liabilities	8	9
Employee contributions	1	1
Actuarial loss / (gain)	46	(15)
Benefits paid	(6)	(4)
Closing defined benefit obligation	**250**	**198**

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

	2015 £m	2014 £m
Opening fair value of scheme assets	197	188
Interest income on scheme assets	8	8
Actuarial gain / (loss)	26	(1)
Employer contributions	5	5
Employee contributions	1	1
Benefits paid	(6)	(4)
Closing fair value of scheme assets	**231**	**197**

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

	2015 £m	2014 £m
	4	4

The major categories of plan assets as a percentage of total scheme assets are as follows:

	2015 %	2014 %
Equities	43	50
Property	2	2
Fixed Interest Gilts	13	10
Index Linked Gilts	17	16
Corporate Bonds	21	18
Hedge funds	3	3
Cash	1	1
Total	100	100

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

	2015	2014
Discount rate	3.20%	4.40%
Future salary increases *	3.00% - 3.50%	3.35% - 3.85%
Rate of increase of pensions in payment	2.90% - 3.00%	3.25% - 3.35%
Rate of increase of pensions in deferment	2.00% - 3.00%	2.35% - 3.35%
Retail Price Inflation	3.00%	3.35%
Life expectancy for a male pensioner aged 65 (in years)	21.9	21.9
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.2	23.3

* For those schemes with members accruing benefits future salary increases for 2015 are assumed to be 3.00% for the next three years, 3.25% each of the following ten years, and then 3.50% thereafter.

Mortality assumption

2015	2014
S1NA Year of Birth tables with CMI 2014 projections subject to minimum improvements of 1% trend for males and females	S1NA Year of Birth tables with CMI 2013 projections subject to minimum improvements of 1% trend for males and females

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Experience adjustments on plan liabilities	(2)	4	4	2	(3)
Experience adjustments on plan assets	27	(1)	16	(1)	3

Change to	Change in assumption	Impact on DB obligation as at 31/03/15	Change in assumption	Impact on DB obligation as at 31/03/15
Discount rate	Increase by 0.5%	-10.0%	Decrease by 0.5%	11.0%
Rate of salary increase	Increase by 0.5%	2.0%	Decrease by 0.5%	-1.0%
Rate of price inflation	Increase by 0.5%	10.0%	Decrease by 0.5%	-9.0%
Rate of mortality	Increase by 1 year	2.0%		

Authority

Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	**2015 £m**	**2014 £m**
Benefit obligations	124	102
Fair value of scheme assets	(115)	(102)
Deficit / (surplus) in schemes	**9**	**-**
Receivable from third parties	-	-
Net deficit / (surplus) recognised in schemes	**9**	**-**

Statement of Comprehensive Net Expenditure

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:	2015 £m	2014 £m
Current service cost	-	-
Net interest on net DB assets / liabilities	-	-
Net cost in SOCNE	**-**	**-**
Actuarial loss / (gain)	9	(10)
Receivable from third parties	-	-
Actuarial loss / (gain) recognised in OCE	**9**	**(10)**

Changes in the present value of the defined benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2015 £m	2014 £m
Opening defined benefit obligation	102	108
Net interest on scheme liabilities	4	4
Actuarial loss / (gain)	20	(8)
Benefits paid	(2)	(2)
Closing defined benefit obligation	**124**	**102**

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

	2015 £m	2014 £m
Opening fair value of scheme assets	102	98
Interest income on scheme assets	4	4
Actuarial gain / (loss)	11	2
Benefits paid	(2)	(2)
Closing fair value of scheme assets	**115**	**102**

The Authority made contributions to the Authority's defined benefit pension schemes during the year. The value of these contributions was below the level of rounding used in the financial statements.

Estimated expected employer contributions over the next financial year:
Estimated expected employer contributions over the next financial year are nil (2014: 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 are as follows:

	2015 %	2014 %
Equities	48	65
Property	-	-
Fixed Interest Gilts	-	-
Index Linked Gilts	26	18
Corporate Bonds	26	17
Cash	-	-
Total	100	100

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

	2015	2014
Discount rate	3.20%	4.40%
Future salary increases	-	-
Rate of increase of pensions in payment	2.90% - 3.00%	3.25% - 3.35%
Rate of increase of pensions in deferment	2.00% - 3.00%	2.35% - 3.35%
Retail Price Inflation	3.00%	3.35%
Life expectancy for a male pensioner aged 65 (in years)	21.9	21.9
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.2	23.3

Mortality assumption

2015	2014
S1NA Year of Birth tables with CMI 2014 projections subject to minimum improvements of 1%trend for males and females	S1NA Year of Birth tables with CMI 2013 projections subject to minimum improvements of 1%trend for males and females

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Experience adjustments on plan liabilities	2	2	-	(1)	(1)
Experience adjustments on plan assets	11	2	8	(1)	1

Sensitivity analysis

Change to	Change in assumption	Impact on DB obligation as at 31/03/15	Change in assumption	Impact on DB obligation as at 31/03/15
Discount rate	Increase by 0.5%	-10.1%	Decrease by 0.5%	11.2%
Rate of salary increase	Increase by 0.5%	n/a	Decrease by 0.5%	n/a
Rate of price inflation	Increase by 0.5%	11.2%	Decrease by 0.5%	-10.1%
Rate of mortality	Increase by 1 year	1.9%		

30. Non-controlling interests

Non-controlling interests balance is the aggregate of the non-controlling interests' share of the two non-wholly owned subsidiaries.

Group	2015 £m	2014 £m
At 1 April	2	-
Prior year adjustment	-	2
Restated balance at 1 April	2	2
Change in equity of non-controlling interests during year	-	-
At 31 March	**2**	**2**

31. Commitments under leases

31.1 (a) Operating leases - NDA as lessee

	NDA Group		Authority	
	2015	**2014**	**2015**	**2014**
	£m	**£m**	**£m**	**£m**
Minimum lease payments under operating leases recognised as an expense in the year	13	6	2	1

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

	NDA Group		Authority	
	2015	**2014**	**2015**	**2014**
	£m	**£m**	**£m**	**£m**
Buildings and other:				
Not later than one year	10	12	2	1
Later than one year and not later than five years	33	38	9	4
Later than five years	13	12	38	8
	56	62	49	13

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 2015 and 2044, 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 (2014: £6 million).
Total future minimum lease receivables under operating leases are given in the table below:

	NDA Group			Authority		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Buildings:						
Not later than one year	4	5	5	3	2	2
Later than one year and not later than five years	14	4	2	10	2	-
Later than five years	55	15	7	34	2	1
	73	24	14	47	6	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 2015 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.

International Carrier Bond
During the year the NDA procured a US Bond on behalf of their subsidiary, INS Ltd, in order to meet US law in respect of vessels calling at US ports for commercial purposes. This Bond is required to ensure that all duties, taxes and fees owed to the federal government are paid. The Bond would therefore only be called on in the case of non-payment of any of the above, and the total cost would not be expected to exceed $100,000.

Other contingent liabilities

The NDA considers the likelihood of liabilities arising from a legal case which is ongoing at the reporting date to be remote. Any liabilities that do result from this case are expected to be immaterial to these accounts.

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.

During the year, the NDA made socio-economic contributions to the value of £1 million (2014: £4 million) to Energy Coast West Cumbria Ltd (trading as Britain's Energy Coast), a company limited by guarantee (see note 15) which has a director in common with the NDA. These transactions were conducted on an arm's length basis.

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		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Direct Rail Services Ltd	(31)	(29)	-	-	7	8	-	(1)
International Nuclear Services Ltd	(70)	(15)	3	20	204	204	-	(201)
Nuclear Services France SAS	-	-	-	-	-	-	-	(1)
Nuclear Services Japan KK	-	(1)	-	-	-	-	-	-
NDA Properties Ltd	(7)	-	-	-	43	42	-	-
Pacific Nuclear Transport Ltd	-	(17)	2	2	-	201	-	-
Rutherford Indemnity Ltd	(2)	-	-	-	-	-	-	-
Rokkasho KK								
Radioactive Waste Management Ltd	(24)	-	1	-	-	-	-	-

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.

Loans to related parties

Amounts owed by DRS includes a loan of £7 million 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 to 2038.

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 pages 50 to 55.

Authority	2015 £'000	2014 £'000
Short-term employee benefits	2,543	2,313
Post-employment benefits	324	220
Other long-term benefits	457	430
	3,324	2,963

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	137	-	(16)	-
Balances with bodies external to government	90	41	(1,557)	(1,508)
At 31 March 2015	227	41	(1,573)	(1,508)
Balances with other central government bodies	146	-	(7)	-
Balances with bodies external to government	206	45	(1,448)	(2,025)
At 31 March 2014	352	45	(1,455)	(2,025)

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 £134,775 (2014: £1,567).

Type of loss	2015 Total £	2015 Number of cases	2014 Total £	2014 Number of cases
Cash losses	2,995	1	-	-
Stores losses	33,776	3	-	-
Losses of pay, allowances and superannuation	-	-	-	-
Fruitless payments	93,316	27	-	-
Constructive losses	-	-	-	-
Claims waived or abandoned	-	-	1,567	13
Book-keeping losses	4,688	2	-	-
Failure to make adequate charges	-	-	-	-
Exchange rate fluctuation losses	-	-	-	-
Special payments	-	-	-	-
Total	134,775		1,567	

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.

There were no special payments in either the current or prior periods.

36. Events after the reporting period

- There have been no events which affect these accounts since the reporting date.

- IAS 10 requires the NDA to disclose the date on which the accounts are authorised for issue, which is the date of the Certificate and Report of the Comptroller and Auditor General. The authorised date for issue is 29 June 2015.

NDA-Owned Subsidiary Reports

Radioactive Waste Management Limited

Our role is to provide solutions to support our parent organisation, the NDA, its Site Licence Companies and waste producers in the management of radioactive waste. We aim to help them retrieve, condition and package wastes now in ways that make them suitable for disposal later. In parallel with this we are working to develop a Geological Disposal Facility (GDF) for the long-term management of the wastes with a view to eventual disposal in line with the UK Government's 2014 White Paper Implementing Geological Disposal.

On 1 April 2014 we were established as a wholly-owned NDA Subsidiary. As a separate legal entity, Radioactive Waste Management Limited (RWM) will be able to apply for and hold the regulatory permits and licences required for the siting, construction and operation of a GDF.

During our first year of operation, we have successfully launched our vision for "a safer future by managing radioactive waste effectively, to protect people and the environment" and established corporate governance arrangements including a new Board of Directors. We have also strengthened our Executive team with the appointment of two new directors with responsibility for GDF Siting and Stakeholder Engagement and Communication.

We worked closely with UK Government on the development and publication of the White Paper "Implementing Geological Disposal – A framework for the long-term management of higher activity radioactive waste". This sets out an improved GDF siting process based on lessons learned from the previous process and feedback from public consultation. I believe it provides a sound framework for us to lead a developer-led GDF implementation process.

Following the launch of the White Paper, we have been developing guidance for national geological screening to be reviewed by an Independent Review Panel appointed by the Geological Society. After review it will be subject to public consultation before being applied by the British Geological Survey during 2016.

This approach will not apply in Scotland. The Scottish Government has published its own policy which states that: "The long-term management of higher activity radioactive waste should be near-surface facilities. Facilities should be located as near to the site where the waste is produced as possible."

We are taking further steps to improve openness and transparency and to communicate more effectively with a wide range of both specialist and pubic audiences. These include sixteen public and stakeholder engagement events on national geological screening.

Other achievements during the year include;

- the development and implementation of an integrated programme to deliver all of the commitments identified in the White Paper, in readiness for formal community engagement
- the development, jointly with waste producers, of a prioritised disposability assessment schedule
- the publication in September of a Science and Technology Plan, identifying the nature and timing of planned research and development tasks over the next decade.

We have completed a thorough review of computer modelling risks and working practices and have developed and implemented new modelling and data management arrangements that follow best practice guidelines and the 2013 Macpherson Review recommendations.

We are now looking forward to the challenges ahead including our leading role in the new process for siting a Geological Disposal Facility, and working with waste producers to deliver waste packaging solutions.

Bruce McKirdy, Managing Director

Direct Rail Services Limited

Direct Rail Services (DRS) Limited was established in 1995 to provide a rail service for the transportation of Nuclear Material. As part of a broader portfolio including commercial freight, the key focus for DRS over the next three years is to grow profitably in all strategically identified markets with particular focus on supplying safe, secure and reliable services to the nuclear transport market.

During 2014/2015, DRS has maintained progress against the agreed strategy for the Company. During this particular period even more focus has been placed on all aspects of Company performance, but in particular, in the areas of Health, Safety, Security and Environmental, which has seen a good level of performance achieved against stringent rail industry targets.

For the third year running, DRS was presented with the industry award for the Best Performing Rail Freight Operator and was for 2014/2015 the Most Improved Operator for On Track Performance.

Key to the management of future nuclear capacity risk is the careful management of the integration of transport requirements of nuclear new build, with the existing nuclear transport within the constrained infrastructure of the Cumbrian coast.

Key developments in 2014/2015 include:

- maintainance of an extremely high level of delivery to support Magnox and EDF operating plans, successfully delivering required volumes of spent fuel from generating stations to Sellafield
- further projects to introduce new transport capability for a wide variety of waste streams, supporting the NDA strategy and hazard reduction throughout the UK. Considerable work has been undertaken to ensure transport and logistics capability does not become the constraining factor within the nuclear operating plans
- the development of complementary business including a further expansion of the Network Rail supporting contract, the support services provided to rail franchise operators, as well as consolidation and increasing the efficiency of DRS's intermodal portfolio
- Successful management of the emerging risks during 2014/2015, such as changes to regulatory performance regime and the maintenance of capability, both of the nuclear sector and non-nuclear sector, resulting in no detrimental events to DRS or its key customers. Mitigation of these ongoing risks requires continuous management attention.

Neil McNicholas
Managing Director

International Nuclear Services Limited (INS)

International Nuclear Services Limited (INS) is the world's leading shipper of specialist nuclear materials and also manages the NDA's large portfolio of contracts with UK and international utility companies for nuclear fuel management and nuclear transport services.

In addition, INS markets the portfolio of nuclear knowledge and experiences that constitutes the NDA's intellectual property.

In this regard, and in support of UK businesses, INS also uses its extensive network of strong relationships in Japan's nuclear industry to connect British clean-up expertise with opportunities in this important market.

Furthermore, good progress was made in the Chinese market where a wide- ranging Memorandum of Understanding (MoU) was signed by DECC and INS with CAEA and CNNC in the presence of the UK Prime Minister and the Chinese State Premier. There are other instances where new INS contracts have been signed in Japan and Spain.

In addition, significant work has gone into preparation for key strategic shipments in future years and ensuring the vessels and INS' approach to operations continue to comply with all regulations.

INS continues to refine its role as a UK Centre of Excellence for Transport within the NDA family and is supporting a number of transport related strategic objectives across the NDA estate.

Key achievements in 2014/2015 include:

Overseas Plutonium Management - on behalf of the NDA, INS negotiated further contracts with overseas utility customers to enable title exchanges of plutonium to remove the need for the physical shipment of this material. The exchanges did not increase the overall amount of plutonium in the UK.

Return of Overseas Waste - INS successfully completed a return of vitrified high level waste from the UK to Japan in April 2014, the largest such transport yet, showing the success of the programme. The transport, carried out on the Pacific Grebe fulfils contractual and UK policy obligations to return wastes arising under the NDA's reprocessing contracts and utility customers.

Centre of Excellence for Transport - during the year, INS cemented its position in supporting various transport objectives across the NDA Estate. Investment in research and development for the new INS3578 package and large format waste transport packages has continued. INS has continued to support Radioactive Waste Management Ltd in identifying its potential transport options for moving waste to a geological repository.

Dounreay Fuel Cycle Contracts - on behalf of the NDA INS also manages the outstanding delivery of obligations under historical fuel cycle contracts for operations at the Dounreay site.

Marketing NDA Nuclear Knowledge - with DECC, INS signed a new Memorandum of Understanding with the Chinese Atomic Energy Authority and the China National Nuclear Corporation (CNNC) to share expertise in the field of decommissioning and waste management.

Connecting British Businesses in Japan - on behalf of the NDA, INS has continued to work closely with UK Trade and Investment to ensure that progress can be made using INS' Japan KK office in Tokyo, to create tangible opportunities for British nuclear engineering in the developing Japanese decommissioning market.

Mark Jervis - Managing Director

NDA Properties Limited

NDA Properties Limited acts as a property management company for non-operational properties outside the nuclear licensed sites, in accordance with the NDA's Land and Property Management Strategy. It continues to optimise the use of properties where they are of value to the estate and has commenced both a programme of selective property development activity and disposal of surplus assets.

The year's major collaborative achievement has been the completion of Albion Square in Whitehaven, the largest investment seen in the town for a generation. It has transformed a complex brown field site to provide a lasting economic legacy and created 1,000 office spaces in modern open plan accommodation for Sellafield. The project was completed below budget and ahead of schedule, without a health and safety incident, adding an asset worth £25 million to the property company.

The company has also divested further assets in line with the Government Estate Strategy. After many years of marketing the site, agreement has now been reached with Stroud College at Berkeley Centre. This should realise a capital receipt of £935,000 in 2016, reducing liability, whilst freeing up land which was once part of a nuclear site for a further education college.

During the year, the company has managed the procurement of a building contract for the £21 million construction of the Archive in Caithness, having received planning permission for this project. We are also acting as a project management house for the development of the CNC Training Centre at Yottenfews in West Cumbria on behalf of NDA. Options for accommodation to support the mission continue to be reviewed across the estate, whilst some remedial investment into Hinton House at Warrington is taking place to maintain the mechanical and engineering aspects.

With the widened property development remit, health and safety arrangements have been reviewed. A contract has been put in place for retained support with our external property provider, GVA.

David Atkinson
Managing Director

Rutherford Indemnity Limited

Rutherford Indemnity Limited

Rutherford Indemnity Limited is a licensed insurance company, registered in Guernsey and regulated by the Guernsey Financial Services Commission. The company provides insurance cover for the NDA and its estate.

Transacting Insurance
The company participates in a number of the NDA's insurance programmes, principally those providing protection against property, nuclear liability and general liability losses. It retains a prudent proportion of the risks underwritten in line with its risk appetite and where it makes financial and commercial sense to do so.

These arrangements transfer volatility from the NDA's budget, and by demonstrating this significant financial commitment to the insurance markets, enable the NDA to secure appropriate financial protection on competitive terms. This also allows the NDA to access reinsurance protection, at lower cost, for the larger and more volatile risks from organisations with approved security ratings.

The company continues to meet all of the regulatory solvency requirements and has been able to utilise its capacity to expand the number of insurance programmes underwritten, further reducing the NDA's reliance on external (re)insurance markets.

The insurance strategy is not expected to change in the short to medium-term. However, a key challenge for the company will be to ensure that it is properly placed to respond to any additional insurance requirements arising from the proposed changes to the Paris and Brussels Conventions on nuclear third party liability.

The company continues to work closely with the NDA to help reduce the costs of insurable risks, including provision of tailored risk management information and participating in the NDA's annual insurance workshop.

Investment Management
The company aims to match its assets with its insurance liabilities. Investment performance continues to be good, and the Company has produced a net investment return for the year of £22.6 million (8.2%) and remains on track to achieve the intended returns of CPI+2% over a 5 year target.

The investment objective is delivered primarily by three fund managers with distinct investment styles operating against a common mandate, with an additional allocation to property. This approach, designed to reduce volatility through diversification of investment approach, has been reviewed during the year and the Strategic Asset Allocation within the investment mandate has been validated and confirmed.

The company continues to apply strict credit and ethical investment criteria and to ensure that investment performance and capital security are closely monitored.

Operational Efficiency
Management services for the company are sourced on a commercially tendered basis from approved providers, and are continually scrutinised to ensure they represent value for money. Custody services in respect of the investment portfolio have been subject to market engagement in the year, leading to lower operating costs.

John Langlois OBE
Chairman

Introduction to the Site Licence Companies

The following pages give a brief report on each of the NDA's designated sites, grouped by the entity which holds the site operating licence.

The reports cover progress towards delivering key milestones and activities outlined in our 2014/2017 three year Business Plan.

The Health, Safety, Security, Safeguards and Environment (HSSSE) Report on page 57 provides an overview of overview of the health, safety and environmental incidents reported during 2014/2015.

More detail regarding the performance of our estate can be found on our website www.nda.gov.uk

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.

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 2014/2017 NDA Business Plan and are colour coded to reflect the strategic themes to which the target belongs, consistent with the Business Plan.

- **Completed** – the key milestone or activity has been completed during the financial year (2014/2015)
- **On Target** – the key milestone or activity was due for completion after 31 March 2015 and as at that date was on track to be completed to schedule
- **Behind Target** – the key milestone or activity was due for completion before 31 March 2015 and as at that date there had been a delay against the planned 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 Limited is the SLC responsible for the operation of Sellafield, including Calder Hall and Windscale nuclear licensed sites. The site is led by Paul Foster, Managing Director and is located in Seascale, Cumbria.

The PBO is Nuclear Management Partners Limited (NMPL), a consortium comprising URS, AMEC and AREVA.

Paul Foster – Managing Director

Key progress areas against this years targets

2014/2015 Business Plan Activities	
Site Restoration	
Pile Fuel Storage Pond	
Continue removal of contaminated metal for treatment and storage	On Target
Pile Fuel Cladding Silo Programme	
Continue works testing of the hole cutting machine in preparation for retrievals	Behind Target
Select the contractor to support the Box Encapsulation Plant Product Store / Direct Import Facility (BEPPS/DIF)	Complete
First Generation Magnox Storage Pond	
Complete active tie-ins for SPP1 (Sludge Storage Tanks) buffer in readiness to receive sludge	Complete
Magnox Swarf Storage Silo	
Commence delivery and installation of SEP2 machine	Complete
Completion of the Silo Maintenance Facility main building foundations	Complete
Decommissioning	
Continue the decommissioning and demolition of the filter gallery from Windscale Chimney Pile	On Target

Spent Fuels	
Continue to reprocess Magnox Fuel in line with MOP9	On target
Completion of all transportation of out of reactor breeder fuel from Dounreay	Behind target
Continue to reprocess oxide fuel through THORP from EDF Energy and overseas customers	Behind target
Integrated Waste Management	
Continue to process HAL through the Waste Vitrification Plant	On target
Continue to repatriate overseas owned vitrified HAL to its country of origin	On target
Complete all module pipe work on Evaporator D	Behind target
Critical Enablers	
Continue the implementation of the Excellence Plan which is an evolution of the Integrated Change Programme (ICP) to improve capability	On target

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. On 1 April 2015, following a successful re-licensing application the former RSRL sites, Harwell and Winfrith, were added to the Magnox estate.

The PBO of the company is Cavendish Fluor Partnership (CFP), a consortium compromising Cavendish Nuclear and Fluor Corporation.

Kenny Douglas – Managing Director

Key progress areas against this years targets

2014/2015 Business Plan Activities	Status
Spent Fuel	
All fuel off site at Sizewell	Complete
Integrated Waste Management	
Delivery of the Magnox element of the estate-wide Low Level Waste management plan.	Behind target with little possibility of recovery
Berkeley, Gloucestershire	
Integrated Waste Management	
Completion of caesium removal plant bulk resins retrievals	Complete
Bradwell, Essex	
Site Restoration	
Continue Fuel Element Debris (FED) dissolution and retrievals	Behind target

Chapelcross, Dumfries & Galloway	
Site Restoration	
Continue bulk asbestos removal from third and fourth reactor buildings	Complete
Hinkley Point A, Somerset	
Site Restoration	
Commence FED retrieval activities and establishment of buffer storage arrangements	On hold – pending clarity on the new FED strategy
Reactor 2 ponds drained and stabilised	Complete
Hunterston A, Ayrshire	
Site Restoration	
Completion of the pond wall surfaces stabilisation	Complete
Sizewell A, Suffolk	
Spent Fuels	
Complete defueling in line with MOP9 – all fuel offsite	Complete
Wylfa, Anglesey	
Business Optimisation	
Continued electricity generation	On target

Dounreay Site Restoration Limited

Dounreay Site Restoration Ltd


Mark Rouse – Managing Director

Dounreay Site Restoration Limited (DSRL) is the SLC responsible for the operation of the Dounreay site in Caithness, Scotland.

The current PBO is Cavendish Dounreay Partnership Limited (CDP), a consortium comprising Cavendish Nuclear Limited, CH2MHill and AECOM-URS.

Key progress areas against this years targets

2014/2015 Business Plan Activities	Status
Spent Fuels	
Completion of all out of reactor DFR breeder fuel transportation to Sellafield	Behind target
Integrated Waste Management	
LLW facility operational including the grouting plant	Behind target
Completion of the Material Test Reactor raffinate immobilisation	Complete
Completion of the construction of the encapsulation facility	Complete

Research Sites Restoration Limited

Kenny Douglas - Managing Director

Research Sites Restoration Ltd (RSRL) is the SLC responsible for the operation of the Harwell and Winfrith sites. The PBO of the company is Cavendish Fleur Partnership (CFP), a consortium compromising Cavendish Nuclear and Fluor Corporation. From 1 April 2015 the RSRL sites were transferred to Magnox Ltd.

Key progress areas against this years targets

2014/2015 Business Plan Activities	Status
Harwell, Oxfordshire	
Integrated Waste Management	
Recovery, processing and packaging of solid ILW	Complete
Winfrith, Dorset	
Site Restoration	
DRAGON Reactor –Integrated Scheme Design Completed	Complete
SGHWR – Decommissioning of the Primary Containment Areas	Complete

Low Level Waste Repository Limited

Dennis Thompson – Managing Director

Low Level Waste Repository (LLWR) Limited is the SLC responsible for the operation of the LLW site near the village of Drigg in Cumbria and delivering the National Programme for lower activity radioactive waste on behalf of NDA. The Parent Body Organisation of the company is UK Nuclear Waste Management Limited (a consortium comprising AECOM, Studsvik and Areva). The Parent Body Agreement (PBA) for operating the site is in its second term running to March 2018

Key progress areas against this years targets

2014/2015 Business Plan Activities	Status
Site Restoration	
Environmental Permit and Planning approval	Behind target
Integrated Waste Management	
Delivery of the National LLW Programme to optimise LLW Strategy Implementation	Completed

Springfields Fuels Ltd

Springfields Fuels Limited (SFL) is responsible for the operation of the Springfields fuel manufacturing site.

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 arising prior to the sale.

2014/2015 Business Plan Activities	Status
Site Restoration	
Continue the Post Operational Clean Out (POCO) and decommissioning of redundant areas	On target
Nuclear Materials	
Processing of historic residues to recover uranium for return to the nuclear fuel cycle and making material suitable for future storage	On target

Capenhurst Nuclear Services Ltd

Capenhurst Nuclear Services Ltd (CNS) is responsible for the operation of the Capenhurst site.

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 paving the way for URENCO to invest in new facilities as required in order to meet future customer demand. CNS are contracted to provide uranic storage and decommissioning of facilities as they become redundant.

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.

2014/2015 Business Plan Activities	Status
Site Restoration	
Continue the POCO and decommissioning of redundant areas	On target
Nuclear Materials	
Continue the storage of uranic material	On target
Preparation of the Reference Design for the Legacy Cylinder Facility	On target

Glossary

AGR	Advanced Gas-Cooled Reactors
BAA	British Airport Authority
BEC	Britains Energy Coast
BNFL	British Nuclear Fuels Limited
C&AG	Comptroller and Auditor General
C&M	Care and Maintenance
CDP	Cavendish Dounreay Partnership
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNPP	Combined Nuclear Pension Plan
CNS	Capenhurst Nuclear Services Ltd
DCF	Dalton Cumbrian Facility
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
ESPS	Electricity Supply Pension Scheme
FED	Fuel Element Debris
FGMSP	First Generation Magnox Storage Pond
FReM	Government Financial Reporting Manual
FVTPL	Fair Value Through Profit or Loss
GDF	Geological Disposal Facility
GGC	Greening Government Commitments
GPS	Group Pension Scheme
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
IFRS	International Financial Reporting Standards
IGP	Information Governance Programme
ILW	Intermediate Level Waste
INES	International Nuclear and Radiological Event Scale
INS	International Nuclear Services
ISO	International Standards Organisation
LETP	Liquid Effluent Treatment Plant
LLW	Low Level Waste
LLWR	Low Level Waste Repository
LP&S	Legacy Ponds & Silos
LTA	Lost Time Accident
LTIP	Long-Term Incentive Plan
MNOPF	Merchant Navy Officers Pension Fund
MNOPP	Merchant Navy Officers Pension Plan
MNRPF	Merchant Navy Ratings Pension Fund
MNRPP	Merchant Navy Ratings Pension Plan
M&O	Management and Operation
MoD	Ministry of Defence
MODP	Magnox Optimised Decommissioning Programme
MOP	Magnox Operating Programme
NAO	National Audit Office
NDA	Nuclear Decommissioning Authority
NDPB	Non Departmental Public Body
NED	Non-Executive Directors
NMP	Nuclear Management Partners
NSAN	National Skills Academy - Nuclear
ONR	Office for Nuclear Regulation
PBO	Parent Body Organisation
PCSPS	Principal Civil Service Pension Scheme
PFR	Prototype Fast Reactor
PFSP	Pile Fuel Storage Pond
PNTL	Pacific Nuclear Transport Limited

POCO	Post Operational Clean Out
R&D	Research and Development
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RoSPA	Royal Society for the Prevention of Accidents
RSRL	Research Sites Restoration Limited
RWM	Radioactive Waste Management Limited
SEPA	Scottish Environment Protection Agency
ShEx	Shareholder Executive
SIRO	Senior Information Risk Owner
SLC	Site Licence Company
SME	Small & Medium Enterprises
SODA	Schedule of Delegated Authority
te	Tonnes
TEPCO	Tokyo Electric Power Company
THORP	Thermal Oxide Reprocessing Plant
UKAEA	United Kingdom Atomic Energy Authority
UKTI	UK Trade & Industry
WAGR	Windscale Advanced Gas-Cooled Reactors

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