

Meeting:	NuLeAF Steering Group, 24 October 2012
Agenda Item:	7
Subject:	Parent Body Organisation (PBO) competition
Author:	Stewart Kemp
Purpose:	To seek to ensure NDA involve local authorities in both a) determination of socio economic and other relevant criteria in PBO competition processes for new management contracts and b) evaluation of PBO performance against socio-economic and other relevant criteria in existing management contracts

Introduction:

This report considers:

- the background to the PBO competition process;
- the competition process for Magnox and RSRL Sites; and
- the extension of the PBO contract at the Sellafield site

Recommendation:

1. That officers assist member authorities in the terms set out in this report to ensure NDA involve relevant local authorities in:

- a) determination of socio-economic, environmental and other relevant criteria in Parent Body Organisation competition processes for new management contracts at NDA sites; and
- b) evaluation of Parent Body Organisation performance against socio-economic, environmental and other relevant criteria in existing management contracts at NDA sites.

2. That officers report on progress to the next Steering Group meeting.

Contribution to Key Tasks*:

Identify key issues for members resulting from NDA Strategy implementation including PBO Competitions, Community Benefits, and waste storage consolidation proposals.

*Subject to approval of 2012-2014 Service Plan

1 Background

Under the contracting relationship with NDA, PBO's take share ownership of a Site Licence Company (SLC) (or companies). They discharge their contractual obligations by providing senior site management that earn fees for the PBO through performance against agreed targets.

The current NDA Strategy 2011-2016 is short on detail about the role and expectations for PBOs. However, it does say (p61) "We deliver our remit through others by employing PBOs to manage the SLCs on our behalf. Competitions for PBOs to deliver new ownership of our SLCs are Strategic Critical¹ procurements for the NDA... The NDA is obliged to place contracts via free, open and non-discriminatory competition in accordance with UK Public Contracts Regulations and OGC best practice."

Expectations of PBO's towards site host communities are not explicit but they are expected to uphold NDA's socio-economic objectives. NDA confirms its socio-economic responsibilities towards local communities on (p64) "Our strategy is to support the economic development of communities affected by our activities, focusing on employment, education and skills, economic and social infrastructure and diversification. We will:

- engage with the organisations responsible for driving economic development, (including Local Authorities), providing resources to support them in developing strategies and plans that take account of our site restoration activities
- work with our stakeholders to define the long-term socio-economic framework, encouraging activities that deliver sustainable, transformational outcomes in areas where need is greatest
- consider funding socio-economic projects, generating funding leverage from public and private sector organisations
- align our resources and those provided through the SLCs and their PBOs to optimise deployment of the NDA, SLC and PBO resources
- identify and encourage learning across our estate, supporting opportunities for sharing best practice and for collaboration in areas where the NDA has a responsibility for socio-economic activities...".

Similarly, the corporate values expected of PBO's are not clear but again, they are expected to uphold NDA's own corporate values. Referring to its values of public and stakeholder engagement NDA say (p65) "We regard openness, transparency and effective public and stakeholder engagement and communications as key to building the support, confidence and trust necessary for us to deliver our mission."

2 Magnox & RSRL Competition Process

NDA are currently conducting a competition for the management of its Magnox and RSRL sites. NDA's website describes a 'key principle' of the competition process as "...an opportunity to maintain focus on socio-economic matters."

Graeme Rankin, NDA's Head of Competition said at the PBO Bidders' Conference on 19 July "Associated with this contract will be the reinforcing of the delivery of the NDA's socio-economic obligations. We have done that very recently in regard to Dounreay. It is our intent to continue with that work in Magnox and RSRL, acknowledging the very different imperatives that exist in the Magnox and RSRL sites. We intend to do all of that at the lowest credible target cost. That will essentially constitute the most economically advantageous tender...

"Moving on, in terms of competition matters, socio-economics has been a developing picture in regard to competition. Sellafield, because of the nature of the ongoing mission, captured socio-economic requirements. We set a threshold and we actually rank them, although the outcome score was actually quite small in regard to the overall selection score...

"We took a very different view of life with Dounreay, largely because of the very acute socio-economic challenges that prevailed in regard to it. **We sought actively to engage and consult with quite a wide variety of local stakeholders from a variety of different walks of life and organisations to really define what good would look like in regard to an incoming PBO and their attitude in regard to socio-economic delivery.** (Emphasis added)

"What 'good' will look like will be different in different areas. There are different socio-economic imperatives when comparing Wylfa, Harwell, Dungeness, Sizewell, for example. They will not all be the same and there will be different imperatives there. **We would seek to engage with the stakeholders in those particular areas and more widely to set quite a high bar in regard to those matters.** (Emphasis added)

"Having set that bar, we will use it as a basis for dialogue. I think we did this pretty effectively in Dounreay; it was well-received by Dounreay stakeholders, and socio-economics do not come much more acute than in that area. We are looking to build on that. We recognise Magnox and RSRL are not Sellafield or Dounreay, but we think we can come to a good answer on that that addresses socioeconomic considerations across the 12 sites we are currently contemplating. Having done that, we can put some contractual teeth into the competed contracts, in the same way we have done for Dounreay, to allow NDA, **and ultimately stakeholders and unions, to hold the winning PBO to account in the delivery of those obligations down the line, once they have succeeded in winning the contract.**" (Emphasis added)

At the NuLeAF/NDA/SLC Engagement meeting on 25 September 2012 Bill Hamilton, Head of NDA Stakeholder Relations, also said that all PBO bidders would be required to submit a programme of stakeholder engagement and socio-economic support, that this will be a threshold criteria against which bidders will be judged, and that the current Magnox and RSRL socio-economic programmes will be used as a baseline.

The above commitments from both the NDA's Head of Competition and the Head of Stakeholder Relations suggests there should be very good opportunities for local authorities hosting Magnox and RSRL sites to influence the socio-economic criteria that NDA apply in the PBO management contract competition, providing NDA set out clearly their timetable and process for public and stakeholder engagement. An opportunity for NuLeAF to raise this matter on behalf of member authorities will be available at the NDA's National Stakeholder meeting between 29 and 30 October which has the PBO competition listed for discussion. This meeting will be attended by the NuLeAF Chair, Cllr Knowles and Executive Co-Director, Phil Matthews.

Additionally, host authorities for Magnox and RSRL sites need to be involved in determining the weight to be given to socio-economic criteria in discriminating between PBO bids. As indicated above, these criteria appear to have had little influence in determining the outcome of the Sellafield PBO competition in 2008. Of course, socio-economic criteria are only one strand of criteria in the competition process, but nonetheless NDA should engage with the relevant local authorities so there is clarity and if possible, agreement about weightings.

South Gloucestershire Council has raised the above concerns by letter dated 18 September 2012 from the Chief Executive, Amanda Deeks, to NDA CEO, John Clarke and NDA's Head of Programmes, Brian Burnett. In her letter Amanda Deeks states "We are however concerned that as far as we can see the competition criteria and selection process do not presently include requirements for bidders to address socio-economic or community issues, and we are not clear on the scope of environmental factors that will be required to be addressed?" Ms Deeks continues "We suggest that it is important that the competition process for selecting a parent body include criteria requiring assessment against criteria relating to community, socio-economic and environmental issues, including:

- Socio economic factors including skills, local training and employment strategies to ensure local benefits to local communities and the local supply chain and businesses
- To ensure that positive relationships are maintained with local communities, including the delivery of community benefits
- In addition to statutory 'environmental standards' to ensure that all aspects of the local environment (e.g. landscape, biodiversity and cultural environment) are restored, conserved and enhanced."

It is suggested that NuLeAF liaise with all the local authorities hosting Magnox and RSRL sites to understand what engagement they have had to date with NDA and the PBO competition process and to coordinate engagement with NDA to ensure, so far as possible, member authorities aspirations for their areas are captured in the criteria against which PBO bids will be evaluated.

It is also suggested that NuLeAF write to NDA's Head of Competition and Head of Stakeholder Engagement seeking a) a structured time limited consultation on NDA draft socio-economic, environmental and related criteria to enable relevant member authorities to submit their considered views, b) a stakeholder workshop where the criteria and weightings proposed for evaluation of bids can be examined, discussed and, so far as possible, agreed, and c) a commitment to report the outcomes of such engagement, and how it has influenced the criteria that PBO bidders will be expected to meet.

3 Extension of the PBO Contract at the Sellafield Site

Separately, concerns have been raised within Cumbria about the performance of the PBO for the Sellafield site, Nuclear Management Partners, which is a consortium of three nuclear industry 'giants' - URS, Amec and Areva. Concerns relate to site performance, the process for awarding large framework contracts for supplies and services, and the scale of fees and expenses awarded through contractual arrangements to the parent body companies and the personnel they provide for site management teams.

At the time of writing the detail is to be established but the concern prompts a generic question about the role of key community stakeholders in the scrutiny and oversight of PBO contracts once they have been awarded.

In the case of the Sellafield PBO, it took charge of site operations in November 2008 and its 17 year contract is subject to 5 yearly review. The first review approaches in 2013. Currently there is no formal role for Sellafield site host authorities in this contract review process but there is a case for their inclusion and for NDA to consider views of key community stakeholders about PBO performance when deciding whether contracts are being adequately fulfilled and whether they should be extended or terminated. Such a role would provide local authorities with greater influence over day to day site performance as PBOs would know that they would be formally accountability to the community through a periodic contract review process.

It is therefore suggested that officers support any member local authority seeking engagement with NDA about the evaluation of PBO performance against socio-economic and other relevant criteria when existing management contracts are periodically reviewed.

For information, the National Audit Office has been assessing NDA's own performance as owner of the Sellafield site and is due to publish in the Autumn a report entitled: *Nuclear Decommissioning Authority: Managing risk at Sellafield*.

ⁱ NDA describe 'Strategic Critical' as typically high value, high risk contracts. "These require complex, innovative and bespoke contracts with intensive lifecycle contract management. All our PBO contracts are of this type."