

Meeting:	NuLeAF Steering Group, 29 th January 2015
Agenda Item:	5
Subject:	An update on Sellafield
Author:	Philip Matthews
Purpose:	To report on developments in the management arrangements for Sellafield

Introduction:

This report provides a report on recent developments in the management of Sellafield.

Recommendation:

That the Executive Director writes to the new management at Sellafield welcoming the changes in arrangements but also highlighting the opportunity this presents for local government to be better engaged in key decision making on site.

Background information

- NDA has published a Briefing for Stakeholders¹ on this topic.
- Secretary of State's announcement to Parliament².
- Other references can be found throughout this paper.

¹ <http://www.nda.gov.uk/publication/new-management-arrangements-for-sellafield-stakeholder-briefing/>

² <https://www.gov.uk/government/speeches/nuclear-decommissioning-authority>

1. Changes to Sellafield management structure

On the 13th January 2015 the Nuclear Decommissioning Authority (NDA) announced the termination of the current management arrangements for Sellafield (Appendix 1).

Since 2008 the site has been managed by a Parent Body Organisation (PBO) - Nuclear Management Partners (NMP) – a consortium consisting of AECOM, Amec Foster Wheeler and AREVA.

The PBO was originally offered the management contract for the site for up to 17 years. In April 2014 the Government supported the NDA decision to continue with the PBO arrangements on site, despite significant criticism of the lack of progress and the spiralling costs on site.

A National Audit Office (NAO) report in 2012³ highlighted '*poor project design and delivery by Sellafield Limited and weaknesses in the Nuclear Decommissioning Authority's oversight.*' In September 2013 an internal review of the contract undertaken by KPMG noted that there was a mis-alignment between the objectives of NMP and the NDA's commitment to deliver value for money, along with potential conflicts of interest with NMP's affiliate companies⁴.

More recently, in February 2014 the Parliament's Public Accounts Committee concluded that even after the contract extension, NMP '*has not provided the clear leadership, strong management and improved capabilities to deliver the performance required at the site.*'⁵

Over the last year the NDA has been conducting a review of the business model at Sellafield to determine which model offers the best potential for enhanced performance and value for money.

The commitment now is to bring Sellafield back within the NDA estate with the stated aim of simplifying management and thereby helping ensure greater clarity and focus on achieving site clean-up.

Sellafield Ltd will become a publically funded company owned by the NDA with the management team appointed and governed by a newly constituted board of the site licence company (SLC). A strategic partner from the private sector will be appointed to strengthen the programme management and commercial capability of the site. Thus the site will be publically owned with a private sector partner employed as a supplier rather than as operator of the site. This is a similar model to that operated for the London Olympics and Crossrail.

³ <http://www.nao.org.uk/report/managing-risk-reduction-at-sellafield/>

⁴ <http://www.nda.gov.uk/2013/11/kpmg-report-on-sellafield-performance/>

⁵ <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpublicacc/708/70802.htm>

The Sellafield Ltd Board will continue to consist of existing non-executive directors and key members of the current executive team, but over time will also see the introduction of NDA appointed directors. Reporting to this Board will be the Sellafield Ltd executive team which will continue to have day-to-day management responsibilities for the site.

An urgent question on the arrangements for Sellafield was tabled by Shadow Energy Minister Tom Greatrex on the 13th of January and responded to by Secretary of State Ed Davey⁶.

The Secretary of State expressed the view that *'The complexity and technical uncertainties at Sellafield are unique and need a management structure best suited to meeting the specific challenges faced.....Because of these unique challenges, Sellafield is less well suited to the transfer of full site-wide responsibility of the private sector via a PBO structure.'*

Implications for local government

As noted above, there has been widespread criticism of the performance of the Sellafield PBO, including from local authorities. The new arrangements represent an admission that the particular complexity of Sellafield does not lend itself to management through a contract with a private consortium. They offer the potential for better management on site and for more effective use of public money – although the significant challenges of site clean-up do of course remain.

NuLeAF has been critical of the lack of engagement with local authorities by Sellafield, for example in discussions on credible options for the future management of the site. The change in management offers the potential for better engagement, and it is proposed that NuLeAF write to the new management to highlight this.

The impact of the new arrangements on local employment and businesses is also of concern, although as of now it is hard to assess whether the new arrangements will make a material difference. The NDA's press release simply states that *'Engagement with the supply chain at all levels will remain central to this new approach and key programmes of work will continue to be competitively let to the private sector.'*

Finally, it is worth noting that the change at Sellafield does not signal an abandonment of the PBO model. A new PBO contract for Magnox and RSRL sites has recently been signed, and NDA continues to believe that PBOs remain the best model for the management of sites outside Sellafield.

⁶ <http://www.parliament.uk/business/news/2015/january/urgent-question-nuclear-management-partners-and-sellafield-13-january-2015/>

Appendix 1: NDA Press Release on Sellafield Management arrangements

New, simplified management arrangements to be introduced at Sellafield to ensure the long-term success of the clean-up programme.

New, simplified management arrangements will be introduced at Sellafield to ensure the long-term success of the clean-up programme at the Cumbrian site, the government announced today.

After a year-long review of the options, the Nuclear Decommissioning Authority (NDA) has concluded that simplifying the relationship between the NDA and Sellafield Ltd will bring greater clarity and focus on achieving progress and value for money.

The new arrangements will build on the success of the approach taken to complex infrastructure projects such as London's Crossrail and the Olympics.

Ed Davey, Secretary of State for Energy and Climate Change, said "Sellafield is the biggest and most complex nuclear site in Europe, so it's right that we keep the way it's being managed under constant review. We have seen great examples of how this approach can work with Crossrail and the Olympics – and I'm confident we'll see similar results at Sellafield."

John Clarke, NDA's CEO, said: "This decision is the result of careful consideration and review of various commercial approaches in use where the combination of public and private sector comes together to deliver complex programmes and taxpayer value.

"I believe we can build on progress to date and drive further improvements in performance and value for money by enhancing the capability of the Site Licensed Company (Sellafield Ltd) through a different approach."

In the new arrangements, ownership of Sellafield Ltd reverts to the NDA from Nuclear Management Partners, the consortium that took control of Sellafield Ltd under contract to NDA in 2008.

The Sellafield Ltd Board will continue to consist of existing non-executive directors and key members of the current executive team, but over time will now also see the introduction of NDA appointed directors.

Reporting to this Board will be the Sellafield Ltd executive team which will continue to have day-to-day management responsibilities for the site.

The NDA's recommendation is fully supported by DECC and the NDA anticipates the full co-operation of Nuclear Management Partners during the transition to new arrangements over the next 12-15 months.

A key feature of the new arrangements is for a “strategic partner” to be sought from the private sector to advise and assist the Sellafield Ltd executive team in the work necessary to take an overview of all site activities – these arrangements are similar to those successfully put in place by London’s Crossrail.

This means the private sector becomes a supplier to the Site Licensed Company (Sellafield Ltd) rather than a parent of it. Engagement with the supply chain at all levels will remain central to this new approach and key programmes of work will continue to be competitively let to the private sector.

The continued safe operation of the Sellafield site is paramount, and the NDA will continue to work closely with the Sellafield Ltd Managing Director and Executive team throughout this process. During this transition period NDA and Sellafield Ltd will engage with the Sellafield workforce, their trade unions, the regulators and other key stakeholders to ensure they are fully aware of the proposed structure and how it will be implemented.

Notes to editors

- Sellafield consumes 60% of the NDA’s £3 billion annual budget and houses the vast majority of the UK’s civil nuclear waste. It also has commercial operating plants that support significant NDA income alongside historic waste stores and an enormous construction programme, all sharing an ageing infrastructure.
- Sellafield Ltd is the Site Licensed Company that operates the Sellafield site under contract to the NDA.
- Nuclear Management Partners is the consortium (comprising of AECOM, Amec Foster Wheeler and AREVA) that won the competition to become the Parent Body Organisation for Sellafield Ltd in 2008 for up to 17 years.
- The existing model continues to work well elsewhere in the NDA’s estate where the challenges are better understood and suitable contracts have been developed:
 - A target cost contract at Dounreay is being delivered in line with all key milestones, whilst additional scope has been added that will see the site reach fuel free status decades sooner than assumed and deliver £1 billion of savings to the taxpayer
 - A similar contract recently let for the 12 sites in the Magnox/RSRL competition has potential savings of over £1 billion to be delivered as all sites are progressively decommissioned
 - We are now in the second five-year term of a cost reimbursable contract for the management of Low Level Waste arising from our estate and beyond, with 85% of waste now being diverted from the repository at a saving of £2 billion