

## NUCLEAR DECOMMISSIONING AND SOCIO-ECONOMICS

### Policy Statement 5

August 2019

#### 1. Introduction

In cleaning up the UK's nuclear legacy, the Nuclear Decommissioning Authority (NDA) spends around £3.3 billion every year, with the total cost of the clean-up mission estimated at £121 billion over 120 years.

Around three-quarters of NDA expenditure is allocated to the remediation of the Sellafield site, with the rest divided between the 12 Magnox sites, the Low-Level Waste Repository and other infrastructure. Significant funds will also be required to develop a Geological Disposal Facility (GDF) once a suitable host community has come forward.

NDA expenditure delivers employment and economic benefits to the communities that host nuclear legacy sites and related infrastructure. However, Nuleaf does not believe that, to date, the NDA has developed a coherent approach that maximises the positive social, economic and environmental outcomes of the public money it spends.

Our view is supported by the **Public Accounts Committee (PAC)** which concluded in October 2018 that '*We are not convinced that the NDA is achieving the wider economic benefits that would help justify the vast amounts of public investment*'<sup>1</sup> at Sellafield and across the NDA estate.

The Committee recommended action on education and skills, stimulation of the supply chain and enhanced expenditure on the local, regional and national economy. It also recommended that the NDA develop a **Socio-economic Strategy** to lend coherence and ambition to its approach.

Nuleaf supports the PAC's recommendations and is engaging with NDA as it develops its new Strategy. This Policy Statement sets out our view on the context and priority

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<sup>1</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1375/137505.htm>

areas for action that the new Strategy should address. It has been developed through discussion with our members at our Steering Group and Radioactive Waste Planning Group (RWPG); and in specially convened meetings held with the NDA in Bristol, London and Penrith.

Given that this is a period of great change in the nuclear decommissioning sector, this Policy Statement will be regularly revised and updated to reflect our members views on the economic implications of the evolving nuclear landscape.

## 2. The NDA and Socio-economics

The **Energy Act 2004** established a clear duty on the NDA *to 'support and encourage activities benefiting the social and economic life of local communities'*<sup>2</sup>, while the **Industrial Strategy**<sup>3</sup> and the **Nuclear Sector Deal**<sup>4</sup> set clear objectives for delivering wider economic benefits through decommissioning activities.

Other legislation also mandates all public bodies to deliver added value. The **Public Services (Social Value) Act 2012** places a duty all those who commission public services to secure wider economic, social and environmental benefits; while the UK Government has recently consulted on how to enhance **Social Value in Government Procurement**<sup>5</sup>. In Wales, the **Well-being of Future Generations (Wales) Act 2015**<sup>6</sup> requires public bodies to consider the long-term impact of their decisions, to work with communities, and to address issues such as poverty and climate change.

The NDA currently allocates around 1% of its budget to socio-economic projects and community funds. It also has targets for its wider spend, for example that by 2022, 33% of supply chain budget will be spent with Small and Medium Enterprises (SMEs). The NDA is a member of the **Nuclear Skills Strategy Group (NSSG)**<sup>7</sup> which is developing a skills plan for the sector, augmenting the NDA's own **People and Skills Strategy** published in 2014<sup>8</sup>.

The NDA's **Strategy**<sup>9</sup> states that their socio-economic mission is to *'support the maintenance of sustainable communities'*. It sets out four objectives which are to:

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<sup>2</sup> <http://www.legislation.gov.uk/ukpga/2004/20/notes>

<sup>3</sup> <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

<sup>4</sup> <https://www.gov.uk/government/publications/nuclear-sector-deal/nuclear-sector-deal>

<sup>5</sup> <https://www.gov.uk/government/consultations/social-value-in-government-procurement>

<sup>6</sup> <http://futuregenerations.wales/about-us/future-generations-act/>

<sup>7</sup> <https://nda.blog.gov.uk/2018/03/12/ready-to-deliver/>

<sup>8</sup> <https://tools.nda.gov.uk/publication/people-and-skills-strategy/>

<sup>9</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/609601/Extract\\_from\\_NDA\\_Socio-Economic\\_Strategy\\_III.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609601/Extract_from_NDA_Socio-Economic_Strategy_III.pdf)

- Enhance the opportunity for local people to be involved in decommissioning work or other economic activity through education, retraining and skills development;
- Support the diversification of local economies into other sectors – reducing the reliance of communities on nuclear sites for employment – by increasing the number, variety and vibrancy of local businesses, promoting entrepreneurship and taking steps to attract new enterprises;
- Increase the attractiveness of areas near NDA sites as places to live, work and invest in, with particular emphasis on achieving environmental, social and infrastructure improvements; and
- Work with nuclear new build and neighbouring site organisations cohesively on socio-economics and maximize potential benefits to the community.

A **Social Impact Strategy**<sup>10</sup> and a **Transformation Plan**<sup>11</sup> for Sellafield has been published, while Magnox has prepared a **Socio-economic Plan**<sup>12</sup>.

Recent or planned developments in the NDA's approach will also have significant implications for local economies and communities. These include:

- Changes in NDA corporate structures, particularly the new operating model for Magnox and moves to support closer working under the 'One NDA' model.
- The closure of the THORP plant at Sellafield, moving the NDA's largest site towards one that will be focussed solely on decommissioning.
- Proposals to move away from the Care & Maintenance approach to the accelerated decommissioning of some Magnox reactors. This will affect the employment and spend profile of those sites selected for faster decommissioning and those which will not be prioritised.
- Plans for the application of a more 'risk based' approach to the management of all nuclear wastes, with implications for storage and disposal routes.
- The launch of the Geological Disposal Facility (GDF) siting process and consideration of the potential for Near Surface Disposal (NSD) of some Higher Activity Wastes (HAW).

### **3. The Socio-economic context for Local Government**

Local authorities have a central role in enhancing the economy and delivering wider social and environmental benefits. They are therefore an important partner for NDA in delivering better outcomes.

Directly, and through the 38 Local Enterprise Partnerships (LEPs), local government sets the strategic vision and the objectives designed to deliver better local economies

<sup>10</sup> <https://www.gov.uk/government/news/sellafield-ltd-launches-social-impact-strategy>

<sup>11</sup> <https://www.gov.uk/government/publications/transformation-plan>

<sup>12</sup> <https://www.gov.uk/government/publications/magnox-socio-economic-plan-2016-19>

and more sustainable communities. Critical to this are **Economic Strategies** and **Local Development Frameworks** (LDFs) and, through the LEPs, the preparation of **Local Industrial Strategies** and **Local Growth Strategies**. Councils also have an important role in education and skills as statutory bodies with responsibility for schools and colleges; in land use and waste planning; and in the development of infrastructure.

Financial support is provided through **Local Growth Funds** and **City Deals**. Looking forward there are plans to replace investment from the European Union with a new **Shared Prosperity Fund**.

#### **4. Nuleaf's position**

Nuleaf believes the NDA should use the development of a Socio-economic Strategy as the basis for a significant overhaul of its approach. The new Strategy must deliver the greatest possible legacy for the communities that have hosted nuclear licensed sites on behalf of the country for generations. Where the nuclear sector is being reduced or lost, the NDA should support economic diversification and the skills that will help local people to access new opportunities.

A clear, ambitious, effective and integrated Strategy should be prepared, built on partnership with local government, LEPs and local people. It should reflect and be tailored to the needs of individual nuclear communities, all of which have distinct local economies within which the nuclear sector varies in terms of significance.

Better reporting is required, enabling an understanding of how the NDA is working to minimise negative impacts and maximise positive outcomes across all areas from investment to the support of local supply chains. Clear linkages must be established between commitments in the Socio-economic Strategy and wider NDA work e.g. on decommissioning plans, waste disposal proposals and skills.

The overall approach should address the following:

##### **a. Engagement with local authorities and LEPs**

To date, the NDA, Magnox and Sellafield have only had limited engagement on economic development with local authorities and LEPs. A more regular dialogue is required, leading to greater collaborative working and the development of shared priorities.

##### **Desired outcomes:**

- Better communication and more regular meetings between NDA and host local authorities and LEPs. Meetings should be a forum for discussion of socio-economic and planning issues. Updates should be provided on progress with

the decommissioning mission and any proposed changes in the plans for individual sites. Engagement with planners should be undertaken on revisions to plans for interim and final end states.

- Engagement by the NDA in the development of Local Industrial Strategies, Local Growth Strategies, Local Plans and other socio-economic plans. The NDA should demonstrate how its activities could contribute to wider economic objectives e.g. on energy, infrastructure or skills.
- Greater involvement by NDA in increasing the resilience of local economies and supporting economic diversification. Given the dependence of the West Cumbrian economy on NDA operations, the effective delivery of the Sellafield Social Impact Strategy and Transformation Plan, in collaboration with local government, is a particular priority in this region. NDA and Magnox must also engage more effectively around Lifetime Plans for sites and ensure that the Socio-Economic Plan is responsive to this.
- More collaborative working between the NDA and other nuclear site operators to develop a joined-up approach to activity where more than one site is in close proximity.
- Better engagement between NDA and BEIS to connect work being undertaken on decommissioning with wider Government priorities. The Industrial Strategy and Nuclear Sector Deal provide a clear underpinning for this.

## **b. Employment**

The NDA currently employs around 16,000, with more than 50% of jobs located in West Cumbria. Employment at Sellafield has declined, and this process will continue as site remediation and decommissioning progresses. For Magnox sites, planned changes to the approach to decommissioning will impact differently on the employment profile of each site over coming decades.

**Desired outcomes:** The Strategy should underpin an approach to decommissioning that best maintains direct employment and maximises indirect employment across the estate. Critical areas for action are:

- Sellafield – work with local authorities and staff to build on the commitments in the Social Impact Strategy and Transformation Plan
- Magnox – clarify plans for changes to the decommissioning timelines for Magnox stations. Ensure that proposals protect and enhance, as far as possible, employment on sites over the longer term. The potential for interim uses that will bring quality alternative employment opportunities to the locality should be explored.
- Where it is not possible to protect nuclear employment, NDA/site operators should engage with local authorities to establish whether there are opportunities to release all or part of sites for alternative beneficial uses.
- Across the estate, act to support the supply chain and local businesses and thus enhance indirect employment.

### **c. Investment in projects and infrastructure**

The NDA commits around 1% of spend (£31 million per annum) to socio-economics. This has helped fund some significant infrastructure projects around certain sites. However, Nuleaf members feel that more clarity on investment decisions is required, and that greater impact could be delivered through enhanced co-operation with local and national organisations.

#### **Desired outcomes:** That NDA:

- Increases its direct spend on socio-economics. Decisions about investment should be transparent, fair and meet the NDA's environmental and social objectives. Given the rural/peripheral location of many nuclear sites, consideration should be given to the use of different metrics to measure the return on public investment.
- Develops a more collaborative approach, working with local authorities, LEPs and other government agencies to deliver new investment in critical infrastructure, for example enhancements to the local transport network, that support the wider economic health and development of communities.
- Facilitate alternative employment uses e.g. by delivering a serviced site ready for development by others, either on an interim or long-term basis. Master-planning processes with Local Planning Authorities, such as has already been demonstrated for the Winfrith site, could be a useful mechanism for taking this work forward.

### **d. Support for the supply chain**

Much of the NDA's expenditure flows to private sector contractors including large international consortia, but also Small and Medium Enterprises (SMEs). The NDA has a commitment to support local businesses around its sites but as the PAC has shown more needs to be done.

**Desired outcomes:** That the NDA's procurement and investment processes optimise opportunities for local businesses and meet the commitment to enhance the social impact of their supply chain. Critical areas for action are:

- To use the Sellafield Social Impact Strategy and Transformation Plan, and changes in the governance arrangement for Magnox, to drive forward action that better supports local businesses and SMEs. NDA should work with stakeholders to review procurement processes and identify how to overcome barriers to local suppliers and SMEs winning contracts. Better monitoring and reporting of progress against targets should be established.
- To ensure that local businesses and SMEs included in framework agreements and consortia actually receive a fair and appropriate amount of work when contracts are awarded.
- To take on board in full the requirements of upcoming legislation on Social Value in Government Procurement.

### **e. Education and Skills**

The Nuclear Sector Deal places a strong emphasis on skills, with a commitment to investment in increasing apprenticeships and STEM engagement. Co-ordination of effort is supported by the Nuclear Skills Strategy Group (NSSG) involving Government, the NDA and the wider industry. Developing the skills base of nuclear communities is hugely important in terms of social value and social mobility and action in this area can play a significant role in contributing to local economies.

**Desired outcome:** That, through the NSSG and other mechanisms, the industry delivers on the commitment to significant investment in apprenticeships and skills at every level.

The NDA should work closely with local authorities to determine local skills needs, how the nuclear sector can contribute and how local government can help deliver objectives through their role in supporting schools, colleges and LEAs. Where the nuclear industry employment base is being lost, the NDA should work with local authorities and LEAs to promote education and skills in other sectors that provide high quality job opportunities.

### **f. Community benefits and socio-economic funding**

Current levels of community funds and benefits paid by the NDA are small, and the basis on which decisions are taken about which projects to support are not clearly understood. Over the last decade comparable industries, from new nuclear to fracking and renewables, have established community benefit protocols and more generous funding commitments.

In some other nations, community benefits are paid to each community hosting such material. In the UK a community fund has been established in West Cumbria, though this is not specifically related to waste storage on the Sellafield site. Outside the NDA estate, EDF Energy has established a community fund in relation to the Dry Fuel Store on the Sizewell B site. Other nuclear communities do not receive payments for store.

Nuclear communities play host to Intermediate Level Waste (ILW) stores and will do so for many decades to come. Current proposals are also likely to lead to the in-situ disposal of Low-Level Waste (LLW) on nuclear sites.

Nuleaf believes that the NDA should recognise the service that nuclear communities provide and establish a Community Fund for waste storage/disposal that would provide support based on the quantities and types of waste received, and/or disposed of.

**Desired outcomes:** That the NDA should:

Conduct a review of community benefits and socio-economic funding. This review should:

- Involve Nuleaf and local authorities;
- Benchmark NDA performance on community funds against (a) comparable industries in the UK and (b) international best practice in nuclear decommissioning operations; and
- Establish a consistent and fair approach to such funds along with better reporting of outcomes.

### **g. Geological disposal**

The GDF siting process is now 'live'. Nuleaf has been active in working with Government and RWM on the financial package on offer to communities, covering employment, infrastructure investment, supply chain support, skills, business rates and mineral rights.

The NDA is also considering the potential for the Near Surface Disposal (NSD) of some Higher Activity Waste (HAW). We will continue to engage with NDA on this issue and make the case that any NSD facility must be based on the principles of community consent and offer a significant package of socio-economic benefits.

**Desired Outcome:** The socio-economic offer to communities and local authorities that enter and remain within the GDF siting process should be significant. Decisions on how funds are spent must be driven by local authorities and the wider community. Any proposals for an NSD facility must also be underpinned by these objectives.

### **h. Governance, Indicators and Reporting**

Local government and community understanding of the impact of the NDA on their economy is limited. Steps must be taken to improve reporting, both in terms of the range of information available and its accessibility.

The Socio-economic Strategy should be properly embedded within the NDA and linked clearly to other strategies and programmes, such as on proposed changes to the Magnox decommissioning strategy.

**Desired outcomes:** The Strategy should set out clearly:

- Governance structures for taking forward and monitoring socio-economic work at a national and local level. These should involve Nuleaf. At a community level there should be better working between NDA/Magnox and individual local authorities and LEAs.
- Proposals for enhanced reporting on the NDA's socio-economic programme. This should include (a) a breakdown of how the 1% of NDA funds specifically allocated to socio-economics is spent and (b) details of all projects that were



in receipt of NDA funds. NDA should present annually to Nuleaf on its socio-economic work and performance in relation to the objectives set in the Strategy.

- Indicators to measure progress against all objectives should be established. These should be SMART and be reported on regularly and in an accessible way.
- Ways in which the NDA will benchmark performance with comparable industries within the UK and overseas.