

Roger Saxon
DSG Chair

Our Ref: NS-NDA-0242
Your Ref: DSG(2018)C003

15 May 2018

Dear Roger

Subject: Response to DSG comments on NDA draft Business Plan

Thank you for your response to the NDA's Draft Business Plan. Although there is a section in the published Business Plan which deals with the more general comments some more information on your specific comments is provided below.

A meeting between all the SSG chairs and vice chairs with both Tom Smith and David Peattie took place on 14 February. Every effort is made by members of the NDA Executive to meet with stakeholders regularly, and particularly to do so when visiting our sites. As you know David Peattie met with representatives of the DSG for dinner on Monday 19 March. David Batters (Chief Financial Officer), Kate Ellis (Commercial Director) and Candida Lamming (Non-Executive Director) met with a number of stakeholders on 26 March. Most recently Alan Cumming, our new Director of Nuclear Operations met with DSG representatives on 9 May. We are keen that this regular interaction continues and helps ensure that DSG members, representing the wider community, have the opportunity to highlight any concerns or issues. We also appreciate your positive feedback when appropriate. Following the very successful NDA Stakeholder Summit held last September we will have a similar event in Berkeley in July this year.

Foreword - Your comments regarding the statement in the Business Plan on NDA's work with HMG to implement workforce reforms which you felt was unclear has been amended in the final document. Essentially, the reference in the draft was to pension reforms.

Page 13 - You make reference to the NDA's relationship with MoD regarding the Vulcan site. As you are aware, Vulcan is an MoD site and therefore any matters pertaining to that site should be directed to the MoD. The NDA has a continuing relationship with the MoD site, as land owner and as a supplier via DSRL (electricity supply, emergency services etc.) but any strategic decision-making regarding Vulcan is a matter for the MoD. Although adjacent and sharing some services, the two sites (Dounreay and Vulcan) are the responsibility of two different government departments, and NDA merely leases the land at Vulcan to MoD.

The NDA has worked in close partnership with other public agencies in Scotland through the Caithness & North Sutherland Regeneration Partnership (CNSRP) to ensure that a socio economic development programme is delivered that aims to replace jobs and sustainable business lost through Dounreay decommissioning. Like the DSG, the partners in CNSRP are aware of the current Vulcan defueling programme. CNSRP stands ready to apply the same process as we have to proposed jobs lost to Dounreay decommissioning to any run down of Vulcan jobs.

Page 18/19 - You note that a number of key programmes for the NDA estate are attributed to Dounreay and ask to be informed should there be any substantial changes to the relevant dates. You also note that the NDA has not yet approved the Dounreay site's new life time plan.

Although there may be some changes to the individual programmes, the date for the Interim End State remains within the expected range of 2030 - 2033. The final version of the Business Plan shows the latest forecast dates for the programmes rather than the latest estimate of the contract dates. The comment on the lifetime plan is covered in response to the comments on page 36 of the draft Business Plan.

Page 21/22 - Regarding your comment on the summary on planned income and expenditure 2018/19 and decrease of government funding to be offset by income, the income forecast includes asset sales and nuclear services agreements not expected until 2018/19.

Funding for socio economics is updated in our recent report on this topic:-

<https://www.gov.uk/government/publications/socio-economic-spend-report-2016-to-2017>

With regards to the future of socio economic funding for West Cumbria the NDA has set out its position in the final version of the Business Plan. To ensure we make our investments in an evidence-based way we have commissioned two new economic impact assessments to provide robust data on how reliant our communities are on our sites and what specific social and economic impacts are likely as those sites continue through their lifecycle. We will use that data, and other work already completed (the information is already available for the Caithness and north Sutherland area in a study driven by CNSRP), to make sure our investment decisions are made on the basis of clear evidence of need or opportunity.

Page 36 - You note that planned expenditure for Dounreay site for 18/19 is £192 million which appears to be an increase from 17/18 (£187M) and would like to understand whether this increase is due to inflation or whether additional funding has been provided for specific projects.

The topic of funding was covered in David Batters' letter to you, NS-NDA-0241, on 13 November 2017. Please note that the figures you mention are the planned funding at the start of each year. However, the NDA has been able to offer additional funding during the relevant years beyond the figures quoted. For the 2017/18 financial year the funding offered was £218M and for 2018/19 a figure of around £206M is being considered. NDA keeps its funding to sites under review and this explains any potential changes from the time the draft Business Plan was produced. The additional funding has been provided to facilitate the prioritisation of the unirradiated exotic fuels project and also to reduce the impact of that work on other projects.

The contract between NDA and DSRL specifies the expected level of annual funding (sometimes referred to as Planned Assured Funding) which is around £176M in 2017/18 money values and subject to annual inflation. We currently anticipate that funding will return to this expected value in 2019/20. Beyond then, we expect that the outcome of the next Government Spending Review will apply. We cannot forecast that outcome but, as on previous occasions, will be preparing to make an appropriate submission to the Spending Review. You are already aware that the NDA achieved a very successful outcome for Dounreay funding at the last Spending Review.

Page 36 – You asked about the approval of the new lifetime plan.

It may be helpful to outline how changes to the lifetime plan are made. In the early years of the NDA, before the current Dounreay contract, the lifetime plan was re-issued annually to NDA by the site. This is no longer the case. Changes are now made incrementally using the Change Control Process, where appropriate changes requiring NDA approval can be justified by the site to NDA. Changes requiring NDA approval are primarily those impacting the Interim End State date or target cost. Just a few examples to show the variety of this include the change from storing exotic fuels on site to transfer to Sellafield (specific to Dounreay and Sellafield); an Employment Appeal Tribunal ruling on calculation of holiday pay (applicable to all employers); application of annual inflation (site specific); enhanced security requirements specified by HM Government or regulators (site specific).

It must also be noted that the contract is output-based. The NDA specifies the state to be achieved at Interim End State, but it is for DSRL to determine the programme activities to achieve that. DSRL is incentivised via the contract mechanisms to achieve Value for Money. DSRL is itself entitled to approve many changes which do not impact the Interim End State date or Target Cost. Thus at any point, although there is always an approved baseline, a number of changes may be in progress. I hope this explanation also helps to clarify the suggestion in your question that there has not been an agreed lifetime plan since the start of the current contract in 2012.

The main changes to cost and schedule requiring NDA approval currently in progress relate to the exotic fuels. These changes were prompted when HM Government requested that we prioritise the movement of the unirradiated exotic fuels off the Dounreay site. The series of direct changes to achieve this have largely been incorporated into the programme as each one was generated and then approved by NDA. At least one of these direct changes remains to be submitted.

A further request for change to address the indirect impact of this work on the rest of the site programme was generated by DSRL. This underwent initial review by NDA. In the interests of achieving greater certainty in the long term and greater value for money, it was decided that further consideration of this indirect change should be suspended until the true impact of the exotics prioritisation work was better known (by both DSRL and NDA). Generation and assessment of the indirect change has now resumed. This is a complex change and it is not expected to be fully approved and implemented into the lifetime plan until around November 2018. However, we anticipate that as a result the Interim End State date will remain within the 2030 – 2033 range, a range that has been given for some time. There is already an aspirational programme, generated by DSRL, based on work so far. Although this will need to be refined as work on the change progresses to completion in November, it must also be recognised that, given the nature of the overall decommissioning work, there will never be complete certainty until the Interim End State is achieved. Further changes to the lifetime plan are considered almost inevitable in the future, given the remaining duration of the contract.

You raised further concerns relating to issues on other contracts. It is worth noting that the reasons for changing the arrangements at Sellafield and terminating the Magnox contract do not apply to Dounreay. As explained above there is an approved life time plan subject to change control and supported by continuing good understanding of the Interim End State date. Some of the dates to which you refer in the draft Business Plan used expected contractual dates, but in the published Business Plan have been changed to the current forecast dates. It should be noted that these are still subject to change in accordance with the current change controls.

Page 40 - You asked for more information on how Higher Activity Waste is to be managed. Radioactive Waste Management (RWM) is a wholly owned subsidiary of NDA and its mission is to deliver a geological disposal facility and provide radioactive waste management solutions. RWM is currently engaging with communities to inform our work and full information on that engagement can be found at <https://www.gov.uk/government/organisations/radioactive-waste-management>. You are aware that the approach in Scotland, in line with Scottish Government Policy, is different to that in the rest of the UK. It allows for near surface disposal for suitable wastes or above ground storage.

Page 41 - The NDA welcomes the DSG's interest in the future of the DRS crane and siding at Georgemas and your support for its potential use for commercial freight. DRS has set up a working group to plan and deliver a trial and is currently looking at potential dates. An update was recently presented to the Caithness Transport Forum meeting to which DSG members were invited. I believe you attended the meeting and I hope you were satisfied with the report.

Page 42 - The NDA is pleased to have established Nucleus, the Nuclear and Caithness Archives in Wick, and that once underway, the project was realised so quickly and is now sustaining a growing number of jobs in Wick. There is capability for a large volume of local historical records to be archived in the Caithness Archives, which share space in the building with the NDA's nuclear records. The records to be retained are specified in a records retention schedule, which is publicly available. Other materials, such as news items and documentaries, unless owned by Dounreay will not be archived by Dounreay, but could potentially form part of the Highland Archives managed by Highlife Highland in the Caithness Archives or Highland Archives in Inverness. Although in the short term DSRL may have retained some of the information you list to support operational purposes, there is no obligation to archive that material in the nuclear archives.

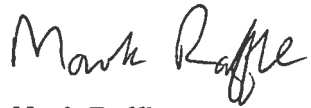
Page 42 - I welcome the DSG's continued interest in the future of the Viewfirth site. NDA agreed in 2010 to hold the land for 4 years and await a proposal with a good business case and evidence of community support. We have, to date, delayed placing the land on the disposals list. There is continuing dialogue with a local group who aim to locate an indoor sports facility on Highland Council property adjacent to the Viewfirth site and to use the NDA land for sporting activity. We have recently reviewed an application for funding for the indoor sports facility and offered to financially support the project as it builds momentum and secures other funding. The community group has done a sterling job in bringing the project to the pre-planning stage. Being able to see this progress and support from other major funders will help NDA continue to hold the land as you suggest. We welcome the DSG's support to the local group and their project and hope to see a successful outcome in the near future.

Miscellaneous - You raised a question on the status of the Dounreay workforce as either public or private sector workers.

- DSRL is currently in the private ownership of the PBO.
- It is almost entirely funded by the taxpayer and must follow a number of requirements on public bodies – for example in its procurement activities.
- The PBO is restricted in what it can do with DSRL, for example the PBO cannot sell DSRL.
- DSRL exists to carry out decommissioning of Dounreay – any other work must be agreed with NDA.
- NDA and HM Government retain powers to direct the disposition of the DSRL shares.
- As a result of the funding and control arrangements, the Office for National Statistics lists DSRL as a public body in its Public Sector Classification Guide, most recently issued June 2017.

If you have any questions on this please contact me.

Yours sincerely



Mark Raffle
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