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Dear National Stakeholder Group member

### **NDA funding and the Public Value Programme**

At the last National Stakeholder Group meeting in November I gave a presentation on NDA funding and explained how the NDA was participating in the cross-Government Public Value Programme (PVP) process.

To remind you, the PVP is a programme of value for money reviews across Departmental budgets, which will form a key part of the evidence base for future decisions on public spending. The aim is to identify options for improving the cost effectiveness and affordability of key spending areas. 50% of each department's budget is subject to a PVP review. DECC is leading on four PVP studies, of which the NDA is one. The NDA's PVP process is scheduled to conclude in the Spring with a report on options.

At that stage these will be options to improve the affordability of our programme for the period from 2010/11 to 2013/14. Funding from 2011/12 onwards will be decided in the context of the next spending round. Given where we are in the electoral cycle and the fact that the next spending review is most likely to be after the General Election, there is an unavoidable degree of uncertainty at this stage about the final outcome. Nevertheless, we have embarked on the PVP process and I have committed to keeping you informed as best I can.

Because of the focus on construction of facilities to deal with high hazards over the next few years, together with the declining ability to generate income from our assets, Ministers have accepted in principle that there will need to be an increase in direct government funding from today's levels. The PVP exercise is therefore focused on opportunities to reduce the level of increase in direct government funding rather than to reduce the absolute level.

In line with the timetable I shared in November, the NDA Board discussed a long-list of options at its December meeting. From this a short-list was agreed with our sponsors that offers a range of different activities, from deletion and deferral of some projects through to recovery and acceleration of others.

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These present different scenarios across our estate but together would:

- maintain our focus on safety and environmental performance
- improve the cost effectiveness and affordability of key spending areas
- maintain momentum in the decommissioning programme
- deliver value for money for the taxpayer

Further work is now being undertaken to “flesh out” these options.

I think it's worth emphasising that whilst we are reviewing future funding options for the NDA within the PVP process, prioritisation and the efficient use of resources are an integral part of our day job. So, we have and will continue to explore opportunities for the best way forward across our estate taking into consideration our primary drivers of safe, secure and environmentally responsible decommissioning and clean-up, optimising our commercial assets and delivering value for money.

It should also be noted that 2010/11 is the last year of the current three year funding settlement and we have a number of activities ongoing that we need to address in this period, which inevitably have implications for future funding.

The following information aims to give you an insight into our various considerations at this stage.

### **Dounreay**

In order to run an effective competition and deliver value for money from a new Parent Body Organisation, we need to be clear on the level of funds necessary to deliver essential components of the programme and have a degree of confidence that the corresponding level of funds will be sustainable in the context of future funding. We have termed this Planned Assured Funding.

With this in mind, we have brought forward the consideration of Dounreay's funding profile and agreed this with Government through the PVP process. The result is that we have recently announced agreement over planned assured funding of up to £150 million a year for Dounreay. This will see a re-phasing of some work planned over the next few years but will enable the PBO bidders to bring their expertise to bear and deliver greater value for money as they take the site to its interim end state.

### **Sellafield**

At Sellafield, the new parent body NMP Ltd is currently undertaking a comprehensive review of the inherited plan for the site. When this review is complete there will be a new programme of work for the contractor to work to which will reflect what is achievable over the next 16 years. This new plan will have a revised funding profile. The new plan will not be available until May 2010 and so assumptions around the level of efficiency and the pace of implementing change are key considerations affecting funding assumptions.

The key will be to arrive at an optimum position which offers a best value for money delivery programme while ensuring safety and environmental compliance.

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**Magnox**

For Magnox North and South the short-list of options provides scenarios ranging from placing all sites in a safe and secure condition through to those which examine the acceleration of work at one or more sites and the deferral of work at others. A further consideration is the progress we need to see ahead of the Magnox competition which is due to complete in 2012/13. The ability to accelerate some work will depend upon the development of business cases that demonstrate real value for money and on affordability constraints.

**Harwell and Winfrith**

At Research Sites Restoration Ltd covering Harwell and Winfrith there are few opportunities available for deferrals so the shortlisted options examine the potential for placing the sites in a safe and secure condition until funds become available to restart decommissioning through to the acceleration of work at both sites in order to reduce 'hotel costs'.

**Other**

For other areas of activity options are limited to deferral of activity, commercial opportunities and efficiencies in the NDA itself. The draft Business Plan 2010-13 also makes clear our intention to continue to drive efficiency savings across the estate but in particular by targeting overhead and support costs.

By the time of the next NSG in March I hope to be able to take you through the options recommended by the NDA Board and agreed by the Government Senior Review Panel for consideration by Ministers in the context of the next spending round.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Waite'.

*Richard Waite*  
*Executive Director*