

Responses to points raised by Gillian and Struan at the DSG public meeting on 7 June 2023 (DSG/PM(2023)M02/A001: Neil Cook to respond in detail to DSG the issues inflation is having on site budgets)

Responses prepared by Neil Cook and Frederic Stalin.

Gillian's question - where you talked about investments and organisational structures for Dounreay, can you explain in more detail what it will mean to the community at large and if your spending power is going to be eroded by inflation how this is going to impact?

INVESTMENT

Dounreay is investing in developing its ability to deliver its mission more effectively. The site previously operated under the assumption that it would close in the 2030s and was being run to achieve a target contract price, and therefore little value was seen in investing in the business capabilities or assets.

The new LTP recognises the life of the site will be substantially longer and is being designed to optimise delivery of all aspect of the site's mission over that period. As a result, it will allow us to consider the value of investments which improves our ability to: decommission effectively and efficiently (value for public money), discharge our critical asset stewardship obligations, minimise impact on the environment (including net zero obligations) and make the most beneficial impact on the local community (socio-economic and social value impact).

As individuals, our staff need to be technically skilled and provided with 21st century tools. As a workforce, they need to experience a supportive culture which supports personal development and high accomplishment. Whilst this will involve some nuclear industry specific skills, much of this will develop skills which are more generic and widen the hard and soft skill base of the local economy / community.

ORGANISATIONAL STRUCTURE: PROGRAMATIC APPROACH

For asset intensive sectors, including nuclear decommissioning, taking a piecemeal approach to managing multiple projects concurrently is common, but it often misses the mark in terms of achieving the best possible outcomes across cost, risk and business performance for both people and assets. This approach, backed by robust portfolio management, can be especially appropriate in an uncertain funding environment.

RISK REDUCTION

The change in organisational structure within Dounreay will minimise the risk of budget overruns, schedule delays and generally utilise resources more wisely. Working with other NDA sites will help remove mistakes and the production of bespoke designs, as these can be centrally coordinated, and enabling those learnings to be applied across other sites.

VALUE FOR MONEY

Flexibility around spend is useful in allowing adjustment to emerging urgent issues to be co-ordinated across the site to achieve the desired funding / expenditure profile.

BENEFITS FOR BUSINESS PERFORMANCE (PEOPLE AND ASSETS)

There are significant advantages for organisations with a workforce which moves between facilities:

- enables consistency across facilities, reducing issues around safety, and improving staff performance in each location
- positively impacts asset management, whole-of-life costs and asset optimisation
- having more consistency in services across buildings across the portfolio there is more consistency in the way the estate can be managed
- this is backed by OneNDA, which enables more value out of bulk purchases.

Our investments are designed to support the changes required to better achieve our mission, develop our people, to create an attractive and enduring skills and competence base for the local economy.

Struan asked how correlated is core inflation with what is required from a decommissioning perspective or are there unique inflationary pressures that Dounreay has that is not in the rest of the private sector market or are you seeing the same things that other areas are?

Mac responded that he would defer the detail to Neil and the team but would say the general response to that is we are not unlike others in what we are feeling in the round but we do have some unique elements in the nuclear industry - we are blessed with a strong and high ASFL when it comes to the annual site funding limit being given to us which gives us consistency for planning.

The government has funded Dounreay slightly above the nominal value of the last spending round review, for the 3-year period 2020-2024. The funding requested and gained was adequate. The site needed to:

- reduce its delivery ambitions in the short-term; as we have previously discussed, we were trying to deliver too much, with resource levels that it could not recruit, procure or manage
- investment in the time and resource to be allocated to building the structures, people, systems and processes to support future robust delivery of its mission - FFF
- get ahead of a backlog of different issues (e.g., asset management, carbon net-zero, regulatory, skills shortages, waste movement / characterisation), all of which compromised delivery in a variety of ways

Unfortunately, the real value of funding has been reduced by approximately 8% both last year and this year. The reduction in funds available to directly fund delivery is further compounded by the need to fund investments being made to build the future.