

**UNITED KINGDOM ATOMIC ENERGY AUTHORITY,  
Minutes of the 4<sup>th</sup> UKAEA Board Meeting 2004**

**Date:** 14 June 2004

**Location:** Heathrow

**Members present:**

Barbara Thomas, Chairman

Colin Bayliss

Stan Gordelier

Norman Harrison

John Macpherson

Dipesh Shah

Rosemary Day

Paul White

Alan Young

**Secretariat:**

Maya Riddle, Minutes Secretary

Stephen White, Authority Secretary

**Others present**

Steve Beackon

John Crofts

Bob Simpson (Item 8)

Beth Taylor

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## **1 Chairman's Opening Remarks**

- 1.1 Barbara Thomas commented that the introduction of the Shareholder Executive would have a significant impact on UKAEA's relationship with the DTI. It would be essential to maintain a constructive working relationship with the Shareholder Executive.

## **2 March 2004 CEO's Report**

- 2.1 Dipesh Shah informed the board that the Energy Bill remained on course for Royal Assent in July.
- 2.2 The Government's policy had shifted firmly towards competition at Tier 1 level, regardless of how UKAEA performed.
- 2.3 This section of the minutes has been excluded on the grounds of commercial sensitivity.
- 2.4 Members had commented that the CEO's terms of reference set out in the Management Statement were financially orientated and did not include all of the responsibilities normally associated with a CEO. Therefore, he would redraft and circulate the CEO's terms of reference to members.
- 2.5 A list of key metrics had been produced with which UKAEA was seeking to externally benchmark itself. These were planned to be used by the Executive team to measure how UKAEA was progressing with its journey to being "best in class".
- 2.6 UKAEA had developed a corporate social responsibility (CSR) policy. Paul White was UKAEA's CSR champion.
- 2.7 Members made the following comments on the key metrics:
- Care was needed to define clearly some of the metrics, for example the ratio of indirect to direct costs.
  - UKAEA's impact on the liabilities estimate (LE) should be included as an internal measure.
- 2.8 Ken Vowles offered to advise on the types of internal performance indicators that the Executive might want to use.
- 2.9 Members agreed that the wording in the CSR policy should be changed to "Promoting the prosperity and well being of the communities around our sites".
- 2.10 The Board noted the report.

### **3 Project Challenge – 14<sup>th</sup> Progress Report**

- 3.1 Stephen White informed members that Project Challenge had been reviewed and a revised baseline plan for 2004/5 would be issued.
- 3.2 The first Nuclear Regulatory Forum meeting had been held, which the DTI/LMU, regulators and operators attended. The forum would be useful for driving through the big issues that could hold up site restoration, in particular those relating to waste.
- 3.3 A Breakthrough Team had been set up under Colin Bayliss, to look at accelerating work, reducing costs and bringing down the LE. UKAEA was looking to incorporate as much as the breakthrough thinking as feasible into LCBL 2.
- 3.4 Culture change was being progressed through leadership development and “best in class” workshops, which were aimed at stimulating debate on where UKAEA was going.
- 3.5 Rosemary Day asked about the barriers to culture change and noted that there was strong enthusiasm for the changes being made amongst many managers. Staff attitudes were also becoming more positive. However, there would be a significant risk to staff morale if UKAEA was fragmented. Senior managers needed to continue to provide positive role models.
- 3.6 Barbara Thomas said that the visits to Dounreay and Winfrith would give the Board an early opportunity for the Board to give some positive messages to staff. Rosemary Day suggested that there be separate tours for each of the non-executive Directors to give greater exposure of the Board.
- 3.7 The Board noted the progress being made with Project Challenge.

### **4 UKAEA Performance Report For Period 1 2004/5**

- 4.1 Stephen White informed members that performance in 2003/4, had been the best to date. The company-wide bonus to staff would be 4.6%.
- 4.2 The bonus structure for 2004/5 would again be based on a “delivery” x “enabler” multiplier. The delivery part would consist of performance based indicators (PBIs) and fusion milestones. UKAEA would be earning notional fee on delivery against the PBIs, which were weighted with respect to each PBI’s significance in the programme.
- 4.3 The new performance management system had been used for the first time to produce the period 1 performance reports, which had been cascaded from the Executive down through the organisation. The system would take a few months to fully bed in.
- 4.4 Dipesh Shah informed members that UKAEA and Dounreay had been awarded the ROSPA gold award for excellent safety performance, for the fifth year running.

4.5 The Board noted the paper.

## **5 UKAEA Annual Accounts**

5.1 Paul White informed members that the accounts had been reviewed and endorsed by the Audit Committee. The Board was asked to approve the accounts, which would be signed by himself as Finance Director and the CEO as Accounting Officer.

5.2 Rosemary Day suggested that an explanatory note be added to the section on nuclear liabilities to highlight the added-value that UKAEA had achieved in reducing the liabilities.

5.3 The Board approved the Annual Accounts taking into account the above comment.

## **6 Bi-Annual HR Report**

6.1 Steve Beackon updated members on key points/developments from the report:

- The Executive had agreed to maintain the 2003/4 targets for staffing levels. This would be achieved by increasing operational efficiency and offsetting increases in areas of skills shortages with natural losses in others.
- There was a potential risk arising from the Treasury's move away from notional funding of the pension schemes. This might require UKAEA to pay employer's pensions contributions and could therefore increase staff costs.

6.2 The Board noted the paper.

## **7 Members' Choice Presentation – Resource Accounting**

7.1 Paul White explained that resource accounts were accruals based accounts. The Government had moved from appropriation to accruals based accounting, with the aim of bringing the public sector up to date with the private sector.

7.2 The advantages of resource accounting included that it:

- Provided more useful information.
- Showed how assets were used over their lifetime.
- Showed how resources had been used to meet objectives.
- Enabled assessment as to whether value for money had been achieved.

7.3 The accounts were produced to GAAP standards and followed a common format.

7.4 The Board thanked Paul for an informative presentation.

## **8 Members' Choice Presentation – Development of New Tools and Processes**

- 8.1 Stephen White informed members that the key objectives for development of new tools and processes were that:
- There was a common UKAEA way – i.e. one system.
  - Areas were linked together to form an integrated system.
  - They were simple and easy to use.
  - They enabled managers to focus on delivery and removed duplication.
  - They were for UKAEA's own use, but also met the requirements of customers.
- 8.2 Progress in developing UKAEA's management system included development of project management and programme controls processes, which were currently being aligned, and work on engineering processes.
- 8.3 Further development of the management system would be defined by August. Delivery would be phased over 2004/5, with the initial focus on getting the key systems in place early.
- 8.4 Bob Simpson highlighted the key components of UKAEA's business IT system, which included:
- P3e – planning tool which held the plans and schedules.
  - SAP – multifunctional system consisting of the following modules:
    - Project Systems (PS) – standard performance reports (linked to plans in P3e).
    - Finance – actual costs and financial reports.
    - Investment Manager (IM) - programme management and budgets.
    - Business Warehouse (BW) – specialist reporting.
    - Electronic Buyer Professional (EBP) – purchasing.
    - HR - Staff records.
  - Pertmaster – risk modelling tool (linked to P3e).
  - Scope and Basis of Estimate – specialised oracle databases for the NTWP and baseline plans.
  - Cobra – performance reporting tool (interim measure until completion of phase 2 of SAP implementation).
  - Hummingbird – electronic document management system.
- 8.5 There were now over 1200 SAP users, ca. 18,000 orders had been raised, and internal and customer performance reports were being produced.
- 8.6 The business system would affect culture as there would be a greater transparency of information, managers would be driven to harder targets and staff would be required to use the UKAEA system, rather than developing their

own arrangements.

8.7 Members asked a number of questions and noted that:

- There were some teething problem with SAP, mainly with the EPB, but that a task force was resolving these and providing support to users.
- UKAEA would be driving discipline through the organisation by insisting that the UKAEA tools and systems were used, not local equivalents. ISaT was also looking at removing obsolete systems and databases.
- UKAEA had improved its safety management system and implemented an environment management system. Further improvements and integration of these systems was planned, as part of the overall project to develop UKAEA's management system.
- Good systems would give UKAEA competitive advantage.

8.8 It was agreed that an update on progress with the management system and a demonstration of how the business system was benefiting projects, would be given at the September Board.

## **9 Any Other Business**

9.1 Alan Young agreed to take on the role of Chairman of the Board Assurance Committee.

## **10 Minutes of May 2004 Board Meeting**

10.1 The Board approved the minutes of the previous meeting.

Maya Riddle, Minutes Secretary

Date:

Approved and signed .....

**Barbara Thomas, Acting-Chairman**