

**UNITED KINGDOM ATOMIC ENERGY AUTHORITY,
UKAEA 2003 2nd MEETING**

Date: 15 April 2003 **Location:** Harwell

Members present: Denis Tunncliffe Chairman
 Colin Bayliss
 Rosemary Day
 Stan Gordelier
 John Macpherson
 John McKeown
 Barbara Thomas
 Ken Vowles
 Paul White
 Alan Young

Secretariat Stephen White, Authority Secretary
 Maya Stevenson Minutes Secretary

Others present Martin O'Brien Item 7
 Martin Cox Item 7
 John Crofts
 Beth Taylor

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1 Chairman's Opening Remarks

- 1.1 Stephen White, the new UKAEA Secretary, was welcomed to the Board.
- 1.2 The Chairman informed members that he would be working two to three days per week in his new position as Chairman of the Rail Safety and Standards Board. This would not weaken his commitment to UKAEA.
- 1.3 Derek Davis had confirmed that the earliest date for contracts between NDA and UKAEA was April 2005 and that there was no prescribed timescale for the introduction of competition. The Board unanimously agreed that no further action should now be taken in response to the Derek Davis letter.

2 LMU Suppliers' Forum

- 2.1 Brian Wilson's opening speech had followed the White Paper line that while Government wanted to encourage more competition in the nuclear decommissioning market, UKAEA and BNFL would have the chance to become the NDA's suppliers of choice. The LMU focus by contrast was on site competition, although the LMU confirmed that there was not a prescriptive timetable for introducing this. The handout issued to delegates made no reference to the opportunity to incumbents to become suppliers of choice.
- 2.2 The Regulators supported the NDA but made clear that there would be no changes in the regulation of nuclear sites.
- 2.3 As far as sub-contracting was concerned, the LMU said they would expect a process whereby licensees would decide in each case whether to 'make or buy'. Given this, it was not clear whether the strategic decision taken by UKAEA to be largely a procurer of implementation works would continue to be regarded as advantageous. However, this policy did maximise competition at sub-contract level, which would seem to be consistent with Government policy.
- 2.4 The LMU was also cautious about PFI proposals because it did not see 'incremental funding' as sufficient justification, unless value for money could be demonstrated. The LMU also wished for as few constraints as possible on future NDA procurement decisions.
- 2.5 The details of the site contracts had yet to be determined and potential Tier 1 contractors were also cautious over the bidding costs and the possible risks involved.

3 Project Challenge

- 3.1 There was a vision statement and way of working for Project Challenge. A Steering Board had been set up to monitor risks and progress against the plan. The first Steering Board meeting would be held on the 29 April. Staff involved with Project Challenge were enthusiastic, working well together right across UKAEA and committed to becoming more effective;
- 3.2 Progress in the work streams included:
- **Programme planning** – The site work breakdown structures were completed in March and the first round baseline would be submitted to the LMU in June;
 - **Financial allocation and reporting** – The Project Horizon team were working with LogicaCMG to implement the new integrated business system using SAP software;
 - **Process improvement** – The work was being re-prioritised and properly integrated within Project Challenge;
 - **Commercial development** – Ian Caine was building up a team to look at contracts and the interfaces with the NDA;
 - **Cultural change** – Consultants had been appointed to help with the design of change processes and measurements.
 - **Communications** – The launch of Project Challenge had included a road show and article in UKAEA Today, which had been positively received. A Project Challenge website including a chat room had been set up.
- 3.3 Project Challenge had tangible external deliverables, such as delivering plans to the LMU and internal deliverables, such as the development of new processes, procedures and tools. Key success criteria related to culture change were also being developed. Members requested that future reports should include the Project Challenge deliverables, milestones and success criteria.
- 3.4 The Unions were involved in Project Challenge and were supportive. Peter Simpson, the Chairman of the TU side, was on the Project Challenge executive team and John Billard (National Secretary of Prospect) had been on the UKAEA Question Time panel.
- 3.5 The HR strategy was being revised to support UKAEA's aim of becoming the supplier of choice. This would clarify the personnel related actions required within Project Challenge, which would be closely related to the culture change work. There would be a report on personnel and culture change work at the May Board meeting.
- 3.6 It was suggested that it might be useful to benchmark against other companies who had gone through similar culture changes. It was also suggested that Project Challenge might engender a 'why not?' attitude of mind, to encourage innovative thinking about how to do the job better.

- 3.7 The specification for embedded assistance would be published in the OJEC this week.
- 3.8 The Board noted that further funding to help support the Project Challenge initiative was unlikely to be secured from the DTI. UKAEA would therefore fund from saving initiatives from elsewhere in the programme and work was in hand to achieve this.
- 3.9 The Board congratulated Stephen White on an excellent paper.

4 Advantages and Challenges of Private Finance Initiative (PFI) within UKAEA

- 4.1 The paper provided members with a background on PFI. Advantages of PFI included:
- Helping to reduce short-medium term pressure on site plans;
 - Faster provision of facilities and ring fencing of funds;
 - Improved performance and reduced lifetime costs of the facility;
 - Better allocation of risks.
- 4.2 The Board noted that PFI was a Government initiative and that the DTI was encouraging UKAEA to find alternative funding to relieve immediate pressures upon Public Funds and to allow restoration work on sites to be accelerated to generate improved value for money. The LMU's concern over the use of PFI to provide incremental funding and its emphasis on value for money also had to be noted.
- 4.3 PFI was only applicable for large projects, as set-up and overhead costs were high. The set up could also take up to two years, as the project needed to be de-risked before there could be financial closure.
- 4.4 UKAEA had identified two pathfinder projects, which had potential for PFI funding. These were a Waste Treatment and Encapsulation Plant at Harwell and a Conditioned Waste Store at Dounreay.
- 4.5 UKAEA's approach to PFI followed Government guidance laid down in the Gateway process. UKAEA was discussing with both the DTI and the Regulators UKAEA's approach to PFI and the two pathfinder projects.
- 4.6 The Board approved this general approach to PFI, noting its benefits and risks, and agreed that the market should be tested. However, it would need to be satisfied with the proposals for particular schemes.

5 Harwell Waste Encapsulation and Treatment Plant (WETP) Sanction of Scheme and Detailed Design

- 5.1 The proposed PFI scheme was for the design, build, maintenance and possible decommissioning of a facility to treat and encapsulate waste from the Harwell Tube Store. Operation of the facility had not been included as it would be difficult to demonstrate licence compliance and it would carry staff/Union risks.
- 5.2 This item has been excluded on the grounds of commercial confidentiality.
- 5.3 There were four key risks prior to financial closure. If the project fell at one of these hurdles, UKAEA would lose some nugatory cost but would continue with a conventional contract.
- 5.4 The project was a good example of co-operation across UKAEA as it was being managed by Major Projects and Engineering Division on behalf of Southern Division, and Finance and Commercial Division was providing financial advice.
- 5.5 Members commented that the key was to get the procurement strategy and allocation of risks right and supported by the funders and Regulators. These issues should be clarified early. This was in line with the step by step 'gateway' approach being adopted
- 5.6 The Board endorsed the scheme and detailed design of WETP, on the condition that progress on taking forward the PFI schemes should be reported to the Board in six months or sooner if there were problems, in particular poor market interest.

6 Southern Division Presentation – Presented by Stan Gordelier

- 6.1 Southern Division consisted of:
 - Harwell – the Head of Site was John Wilkins;
 - Winfrith – the Head of Site was Alan Neal;
 - Windscale – the Head of Site was Peter Mann;
 - Central Property Unit – run by Steve Moss.
- 6.2 Progress on the Harwell site over the past year included:
 - Remediation of the Southern Storage Area, which required the clean up of 5 beryllium pits and 6 chemical pits, and removal of numerous bombs and 20,000 rounds of ammunition;
 - Removal of 47 cans of waste from the old tube store, against a target of 45, despite technical problems with the retrieval machine;
 - Disposal of 63 National Disposal Service sources against a target of 40;
 - Completion of monitoring work for the second delicensing case.

- 6.3 Progress on the Winfrith site over the past year included:
- The project to decommission A59 (active handling facility) being 12 months ahead of schedule;
 - 40 moves of fuel to Harwell were completed on target;
 - The second case for delicensing had been submitted to the NII and awaited NRPB investigation. Meanwhile UKAEA was undertaking the monitoring for the third case.
- 6.4 Progress on the Windscale site over the past year included:
- The Pile 1 settlement, to which Ian Caine had greatly contributed;
 - Removal of the WAGR reactor core six months early;
 - The target to consign all ILW from B52 (AGR PIE facility) had not been met, as the proposed BNFL store did not offer value for money. An alternative solution was being sought. This illustrated that, if not carefully framed, milestones could offer perverse incentives
- 6.5 Progress made by the Central Property Unit over the past year included:
- Promotion of the partnership approach for the Harwell/Chilton campus. The report to DTI had been delivered on time;
 - Preparation for the transfer of the eastern part of the Winfrith site to English Partnerships (working jointly with Winfrith);
 - Extension of the temporary planning approval for use of the JET buildings at Culham.

7 Fusion and Culham Division: Status and Key Issues

- 7.1 There was strong support in the Government for Fusion research; in particular from the Science Minister, Lord Sainsbury, and the Chief Scientific Advisor, Prof. King. Government was now promoting a 'fast track' approach to fusion.
- 7.2 The recently constituted Fusion Advisory Board was proving to be a useful sounding board for approval of future funding and the direction of the fusion research programme.
- 7.3 The sponsoring department for Culham Division had changed twice in the past year. First from the Nuclear Industries Directorate to the Office of Science and Technology in April 2002 and then to the Engineering and Physical Science Research Council in April 2003.
- 7.4 Customers of JET have been complimentary on the service provided since UKAEA took over the responsibility for JET operations in January 2000.
- 7.5 Funding for JET operations was guaranteed until the end of 2004, with a one to two year extension of the programme possible. Thereafter, Prof. King was campaigning for continuing European funding for JET, but JET would be competing against ITER for funds.

- 7.6 There had been a cut in EURATOM funding for the domestic Fusion programme. Culham Division was however applying for additional funds to upgrade the MAST facility, to undertake research that was supportive of ITER and to expand a materials research programme in collaboration with universities.
- 7.7 Members noted that ITER would not be on line until at least 2013. In the meantime, Culham could help to improve its operational effectiveness by refining operational modes using JET and MAST. It would also be able to provide suitable scientists for the project and could be invited to supply specialist equipment.
- 7.8 As far as property was concerned, Culham was currently fully occupied by UKAEA and tenants. The leases for AEAT, the biggest single tenant, expired in two years and AEAT was reviewing its options.
- 7.9 Frank Briscoe would be bringing a paper on the future for Culham to the May Board meeting.

8 CEO'S Report

- 8.1 UKAEA was finding increasingly weak particles since deployment of new, more sensitive monitoring system at Sandside Beach. A best practicable environmental option assessment would be undertaken, including consulting the public, on the long term management of the particles issue.
- 8.2 The Sodium Disposal Plant at Dounreay had processed 100 tonnes of sodium to date, out of an estimated 1,500 tonnes. Incremental improvements were being made to the associated Caesium Removal Plant.
- 8.3 This item has been excluded on the grounds of commercial confidentiality.
- 8.4 Operations of the Low Level Liquid Effluent Plant and on-site trials of sodium residue removal equipment were both awaiting SEPA approval.
- 8.5 The Board congratulated Beth Taylor's Communications Department for organising a successful Parliamentary Forum and for the presentation to UKAEA of a best Charity and Public Service Annual Review award.

9 Minutes of February Meeting

- 9.1 The minutes from the February Board meeting were agreed.

10 Any Other Business

- 10.1 The Board approved the Chairman's proposal to appoint Alan Young and Ken Vowels to the Board Assurance Committee.

10.2 The brief on the Cm 2919 replacement (Board Action 2003/11) had been taken in correspondence. Key points noted were:

- The need for interim storage of ILW, following uncertainty over the availability of a Nirex repository combined with caution about precipitate decommissioning action in the absence of waste routes;
- Not closing options for waste treatment until final disposition solutions were available.
- The validity of Brown-field end points for some sites;

10.3 The milestones and performance measures for the bonus scheme had been approved by the DTI.

10.4 One of the key issues for the May Board meeting was the start of the 2004 corporate planning process with the review UKAEA's objectives.

10.5 The June Board would be held at Dounreay. Members requested a draft programme for the meeting with travel times.

Maya Stevenson, Minutes Secretary

Date:

Approved and signed

Denis Tunnicliffe, Chairman