Meg Hillier MP
Chair
Committee of Public Accounts
House of Commons
London
SW1A 0AA

Dear Mrs Hillier,

Re: Committee of Public Accounts Report - Nuclear Decommissioning Authority: risk reduction at Sellafield

I write in connection with Recommendations 1 and 3 in the above Committee Report.

Enclosed with this letter are details of the work undertaken by the NDA to fulfil these recommendations. If you have any questions or would like further information please let me know.

Yours sincerely,

[Signature]

David Peattie
Chief Executive Officer
**Recommendation 1 - The NDA should write to the Committee explaining its plan for completing its work on mission reporting**

The NDA places a high priority on transparency and clarity of performance metrics. This was reinforced by the commitment made by NDA’s CEO, following the 2015 Committee session on Sellafield, to “find a way of clearly demonstrating our progress in those areas of our business that are more certain and where the committee and the taxpayer can reasonably expect to see predictable delivery and reducing liabilities.”

Since this time, the NDA has continued to improve the clarity of our reporting. This can be seen through NDA’s annual Business Plan which features a 20 year overview of the major programmes at our sites. Our Annual Report and Accounts also includes improved performance metrics with an annex dedicated to our major projects and programmes and further information on how progress contributes to the overall mission. The NDA regularly publishes reports on important aspects of our work, for example supply chain statistics, research and development, and nuclear wastes. Additionally the NDA publishes its annual Business Plan which provides details of our principal targets and objectives and which is subject to public consultation, allowing stakeholders to provide their views on our work. Finally, we also publish a document annually on the UK’s overall liability arising from decommissioning its civil nuclear sites.

The next stage in this work is to distil our reporting on progress into a robust ‘Mission Progress Report’ which will be made available to the public. This will go over and above our standard project and programme reporting to look at all of the NDA’s activities in total. The development of the Report has received the support of the NDA’s executive and board and has been tested with our site licence companies, subsidiaries, and a number of stakeholder representatives - including regulators and the NAO.

The report builds on the mission reporting document published in the NDA’s 2017/18 Annual Report and Accounts. It reflects progress in dealing with our principal challenges, namely the treatment and safe storage of radioactive materials and the decommissioning of our buildings and sites. The format will allow readers to track progress towards the completion of each aspect of our mission and to understand how this progress contributes to achievement of our principal objectives and outcomes.

This year’s report will include further information on progress measures and major planned outcomes and achievements. As the report develops further it will include specific detail on NDA’s strategic outcomes, delivery risks and costs. A sample of the current version of the report is shown below:
The completed and fully integrated Mission Progress Report will align with the NDA Strategy revision 4, which is due to be published in March 2021. It will then be updated regularly and published to an agreed timetable.

The NDA will make this report available to stakeholders and the public in order to provide greater transparency and visibility of our work and to provide the basis upon which we can be held to account. The NDA would be pleased to discuss the report with you in more detail if that would be helpful.
**Recommendation 3 - The NDA should write to the Committee to explain how it will evaluate whether its new approach will generate savings to the taxpayer, and how it is learning the lessons from past mistakes.**

The NDA understands the need to explain the relative costs and benefits of adopting alternative approaches to delivering our mission. We intend to set out the assessments that are made prior to implementing significant changes to our strategies and plans.

**Change as a Consequence of Uncertainty**

Due to the nature of the hazards which exist on our sites it is sometimes necessary to commence work on a hazard reduction project whilst we are still investigating the feasibility of a potentially more effective but less technically mature solution. The possibility of incurring ‘sunk’ costs against projects which are later cancelled is a significant consideration. The NDA and its SLCs are striving to find the most efficient and effective solution for managing the legacy of radioactive wastes and this may occasionally result in plans being changed. This can in turn lead to project changes and cancellations where newer, alternative and better value plans become available. It should be noted that stakeholder agreement, including that of regulators, is required before new plans can be enacted. This can mean that the original project is required to continue until an alternative approach is accepted and initiated.

**Project Cancellation – Example and Assessment**

A particular example of this process is the adoption of an alternative Intermediate Level Radioactive Waste Strategy at Sellafield in 2015. This change in strategy permits an earlier start to the removal of highly radioactive solid and liquid wastes from ageing legacy facilities and their transferral to modern standards storage facilities. This in turn facilitates earlier hazard reduction at the site. The strategy change removes the need for the initial construction of a very large waste processing facility (the Silos Direct Encapsulation Plant) and focusses efforts on the completion of the necessary stores. A technical and business justification was produced in support of the strategy change which was reviewed and approved by Sellafield, NDA and HMG governance bodies. The benefits of the change in strategy include an earlier start to retrieval and storage of the hazardous wastes and also results in a reduction in the capital costs associated with the construction of complex waste processing infrastructure.

**Expected Savings**

The estimated financial saving from the above strategy change is of the order of £600m. This estimate was derived from a comparison of the estimated construction costs for completing the waste processing plant (which was already under construction at the time of the change) and the estimated costs of undertaking the alternative approach. As this predicted saving is based on a comparison of two estimates the NDA intends to verify the expected savings when the costs of constructing the alternative approach are more certain. The optimum opportunity for this verification exercise is when the Box Encapsulation Plant (a key element of the alternative strategy) is nearing completion, at this point the outturn costs for the project works will be known to a reasonable degree of certainty. This stage of progress will be achieved around 2021. At this point the NDA will report on the relative costs and other benefits derived from the implementation of the strategy change.
Assessment Process

A retrospective review of project performance is regularly undertaken on major projects delivered by the NDA and its Site Licence Companies and is known as a “Post Investment Appraisal”. Under this process we derive the key learning points from our projects in order to capture positive measures and reduce the likelihood that negative occurrences might be repeated in the future. Following this review we will capture the key points of learning, share these across the NDA estate and with BEIS, and implement the findings in our future plans.

Future

The NDA will continue to apply current best-fit technological solutions to pursue our hazard reduction mission and to meet regulator commitments. In parallel we will also continue to strive for better and more value-adding solutions which allow the hazard to be reduced sooner and often at a lower overall cost.

The NDA commits to report back to the PAC when the above benefits verification exercise has been completed.