

NDA

Nuclear
Decommissioning
Authority

NDA Socio-Economic Policy draft for consultation 2006



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Herdus House, NDA Headquarters based in one of the organisation's priority areas - West Cumbria

Introduction

The NDA's approach to its socio-economic obligations was set out in the NDA's Strategy, published on 30 March 2006. Specifically, our aim is to have in place a socio-economic policy by April 2007 that addresses socio-economic priorities around NDA sites, as identified through consultation and research. This document sets out our draft policy proposals for consultation.

The Energy Act 2004 requires the NDA to consider the socio-economic impacts of its activities on local communities. These obligations are described in section 7- (1) (e) of the Energy Act 2004, which states:

“the NDA shall have the [supplemental] function, to the extent that it considers it appropriate to do so, of – giving encouragement and other support to activities that benefit the social or economic life of communities living near designated installations, designated sites or designated facilities or that produce other environmental benefits for such communities”.

The NDA's function in this regard is underwritten in section 10 (2) of the Energy Act 2004 which states:-

“The powers of the NDA include, in particular, power to make grants or loans to persons undertaking activities that benefit the social or economic life of communities living near designated installations, designated sites or designated facilities or that produce other environmental benefits for such communities;”

In this regard, the UK Government and the Devolved Administrations have charged the NDA with playing a full and active role in helping to mitigate these impacts and contributing to the development of sustainable communities around its sites. It is a unique opportunity for the NDA to work with other bodies and local communities to mitigate the impact of industrial decline.

There are three strands to the NDA's socio-economic policy, through which it aspires to foster a healthy, diversified local economy as site activities come to an end and to reduce over-reliance on the nuclear industry for generations to come:

- 1. direct NDA support;**
- 2. indirect benefits through day-to-day operations; and**
- 3. localised socio-economic support, delivered via site contractors.**

The arrival of the NDA and the focus we are bringing to decommissioning and clean-up will bring opportunities but will also have the potential to impact adversely on the social and economic wellbeing of communities. Our sites are located predominantly in geographically remote areas. Consequently, a number of NDA sites have become the dominant employer, inextricably linked to the wider social and economic wellbeing of the local area. This is particularly acute, though not exclusively felt, in West Cumbria, Caithness, South West Scotland and North Wales.

Our activities can also have a broader social impact on local communities: for example, disruption due to increased transport movements and increased demand for public services, such as housing and healthcare, resulting from the employment of greater numbers of contractors.

The NDA's socio-economic role is supplemental to its core activity of decommissioning and clean-up. So, while the socio-economic impact of our plans forms an integral part of our decision-making process, we consider it important that any socio-economic support that we give must be related to our core mission.

The NDA recognises that the lead for socio-economic regeneration lies with the established socio-economic organisations in localities, such as Local Authorities, Regional Development Agencies, Enterprise Networks etc. The NDA does not intend to usurp or compete with these organisations. Rather, we plan to support and partner them in developing and, in some cases, financing proposals that will have long-term socio-economic benefit in those areas affected by decommissioning and clean-up. A Socio-Economic Sub-committee of the NDA Board, led by an independent Chair, is being established to receive and consider funding proposals from such organisations. The Sub-committee will subject all proposals to evaluation against criteria based on NDA priorities and will make recommendations on which proposals should receive NDA funding.

Consultation

We will be consulting on the draft socio-economic policy between 5 October 2006 and 19 January 2007 and welcome your views on this document.

To request a copy of the document please telephone Kelly Jackson on 01925 802185 or email [**seconsultation@nda.gov.uk**](mailto:seconsultation@nda.gov.uk)

How you can respond:

- You can use our website (www.nda.gov.uk) to submit questions or comments to the NDA team
- You can also email us at [**seconsultation@nda.gov.uk**](mailto:seconsultation@nda.gov.uk)
- Written responses should be sent to Kelly Jackson at our head office address:

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The closing date for comments is **19 January 2007**. We look forward to receiving your views.
All responses will be published on our website unless otherwise requested.

NDA Vision, Objectives and Priorities

NDA VISION

To support and partner with local bodies (see page 9) in minimising the impact of decommissioning and clean-up on communities around our sites.

OBJECTIVES

Our objective is to minimise the impact of decommissioning and clean-up through three drivers:-

- enhancing the opportunity for local people to be involved in decommissioning work (which may last for several decades) through education, retraining and skills development;
- supporting the diversification of the local economy (reducing the reliance on nuclear sites for jobs and contracts by increasing the number, variety and vibrancy of local businesses, promoting entrepreneurship and attracting new enterprises); and
- increasing the attractiveness of areas near NDA sites as places to live, work and invest (with particular emphasis on environmental, social and infrastructure issues).

On this basis, there is the potential to invest in a range of projects to benefit the whole community but the link to the impact of decommissioning and clean-up must be clear if they are to receive favourable NDA consideration. The NDA is particularly keen to encourage innovation in proposals coming forward.

THEMATIC PRIORITIES

In order to achieve its socio-economic objective, the NDA has a number of priority areas that it is keen to progress with national and local partners. These are:

- Employment – with a preference for higher value employment development;
- Education/skills – either related to decommissioning and clean-up or to support economic diversification;
- Economic and social infrastructure (including environmental remediation/improvement); and
- Economic diversification, including support for the local supply chain.

The NDA is unlikely to support proposals that do not address any of the above.

GEOGRAPHIC PRIORITIES

The NDA proposes to focus assistance where we believe it is most needed. Owing to the dominance of the nuclear sector and the lack of alternative, high-value employment opportunities, the NDA has identified four priority geographical areas. These are: -

- West Cumbria;
- Caithness and Sutherland;
- Anglesey and North Wales; and
- Dumfries and Galloway (South West Scotland)

• ***Do you agree with our priorities and objectives?***

Direct NDA Support

The NDA's draft Strategy was consulted upon in the latter half of 2005 and the approved NDA Strategy was published on 30 March 2006. Section 9 sets out our broad approach to socio-economic support. Key commitments from the Strategy are developed in more detail below in order to explain the our anticipated approach to socio-economic support:

We will develop a socio-economic policy which addresses national priorities yet is tailored to local needs. We will work with others to help mitigate the socio-economic impact of decommissioning and clean-up on local communities and to create a sustainable future for affected communities. (NDA Strategy, p.10)

Although the NDA has established a number of socio-economic priorities, we recognise that socio-economic needs and opportunities are different around each of the 20 civil nuclear sites for which the NDA is responsible. We do not believe it is practical, therefore, within a national framework, to stipulate which specific socio-economic issues the NDA is concerned to address, or which projects it is prepared to sponsor, at a local level. Rather, we are seeking to establish the structures, processes, priorities and criteria by which we will make funds available and invite local bodies to collaborate with each other, the private sector and others and make applications for funding that are consistent with local strategies and have wide-ranging support locally. The greater the level of collaboration and community buy-in, the more likely the project is to attract NDA funding.

In order to maintain focus on our strategic socio-economic objectives, we intend to channel our support to local communities¹ through appropriate accountable bodies. Consequently, we do not generally intend to accept proposals directly from individuals or local community groups.

The NDA would like to see the emergence of an iterative approach to generating funding applications, where relationships are developed between the NDA and local socio-economic bodies to build a greater understanding of local strategies and the local impact of decommissioning and clean-up. It is expected that proposals will be discussed and developed with the NDA from the very earliest stages via a partnership approach, reflecting our desire to generate long-term solutions to socio-economic issues and ensure that NDA funding decisions take account of local expertise and circumstance. We expect such proposals to be ambitious and transformational (i.e. have a significant and lasting effect on the local socio-economic situation).

The NDA is concerned that too much focus on smaller scale, social and community-based projects would reduce the likelihood of maintaining sustainable communities post-decommissioning. We would expect to deal with smaller scale projects only as part of a portfolio of projects which, combined, would be likely to have a transformational effect. In some cases, particularly those that are high risk or are of high value, we may seek an equity stake in the investment. This will be judged on a case-by-case basis.

We will invest in socio-economic initiatives that underpin our mission. (NDA Strategy, p.82)

As referred to above, we would expect proposals coming forward to the NDA for funding to have a clear link to the current or anticipated local impact of decommissioning (and local decommissioning timetable) as well as the NDA's priorities and criteria.

¹ The term 'local community' or 'local' should be defined based on where the majority of the local economic impact of site activity/decommissioning occurs; using measures such as travel to work area or local supplier base. The focus should be more sub-regional than local village/town focused.

We are seeking and finding efficiency savings that could, over time, provide significant amounts of money for socio-economic support. (NDA Strategy, p.83)

The NDA's budget for socio-economic support and development will be derived from efficiency savings achieved at our sites. The NDA has also maintained the level of support provided by BNFL and UKAEA previously enjoyed by communities local to those sites. The NDA expects to provide both practical and financial support to agencies working with the NDA to minimise the impact of our activities. Through its contractors, the NDA is securing efficiency savings and is committed to reinvesting a proportion of those savings into socio-economic support and development, with a particular focus on transformational projects. In order to maximise the impact from its funding, the NDA will give preference to projects which have significant levels of matched funding.

UNDERPINNING PRINCIPLES

Needs-Driven:

Some communities may be affected disproportionately by decommissioning and clean-up activities. It is right, therefore, that this is reflected in the way in which funds are managed. However, the strict application of such an approach can have unintentional impacts in stifling innovation and opportunity in less affected communities and reinforcing the 'dependency culture' in others, leading potentially to unreasonable expectations or a lack of ambition. We propose therefore, that the needs-driven approach is reviewed, e.g. every 5 years, which will enable flexibility and encourage innovation in all areas. Nevertheless, mitigating the impact of our activities must remain our overriding objective and increased support is expected to flow to those areas where the impact of decommissioning will be felt the greatest. The rate of support will also link to the decommissioning timetables for individual sites.

Evidence-Based Decision Making:

As a public body, the NDA must demonstrate that its spending on socio-economic activity is based on sound argument and robust business cases. To enable us to discharge our legal functions effectively and efficiently, the NDA will expect to receive detailed business cases and cost-benefit analyses at a level of detail appropriate to the funding requested.

ROLES

NDA sites

The NDA's intention is to work closely with agencies in order to deliver its socio-economic objectives. However, site licensee companies have a pivotal role to play in ensuring that they are aware of the decommissioning agenda, informing them on decommissioning timescales and anticipated impacts and being the link between the other agencies and the NDA with regard to the development of funding proposals.

Subject to a satisfactory outcome to the 2007 Comprehensive Spending Review and continued adherence to the NDA socio-economic guidelines and advice, the funding that sites currently receive from the NDA for socio-economic support will continue. In addition to administering this relatively low level of funding, the sites have a critical role to play locally in drawing together socio-economic development agencies and other relevant bodies, such as Site Stakeholder Groups (SSGs), to collaborate on building funding proposals and to act as an intermediary between these groups and the NDA. The NDA sees the contractors as the key conduit to local socio-economic expertise. On a case by case basis, the NDA will consider channelling additional socio-economic funds via sites in order to enable them to support smaller-scale local projects. As noted earlier, this funding will come from efficiency savings.

Site Stakeholder Groups

Site Stakeholder Groups (SSGs) are the key link between local communities, the site contractors and the NDA and it is important for them to be consulted on socio-economic proposals that may affect the local area. However, we consider it important that the development of local proposals is led by those who have the socio-economic expertise. It is anticipated that SSGs will have an important role in the production of the annual site socio-economic plan, as well as being aware of the funding proposals going forward to the NDA from local socio-economic bodies. Some SSGs have developed a method by which local body collaborations (see below) have been established as formal sub-groups of the SSG, reporting to the full SSG when proposals are ready to be submitted to the NDA. This seems to have been working successfully to date.

Local Body Collaborations

The NDA expects between local bodies to collaborate on developing proposals for projects that will minimise the long-term impact of decommissioning and clean-up. There are a number of benefits to this:

- 1.** the NDA does not have as much knowledge of local socio-economic conditions and forecasts across all its sites as the local bodies;
- 2.** it may not and will not usurp the role of the local bodies charged with socio-economic development, which are better placed to develop local plans;
- 3.** the NDA does not have the level of socio-economic expertise or resource to take the lead in developing and assessing projects nationally.

Furthermore, we expect to rely on receiving funding proposals from collaborations rather than individual bodies in order to:

- maintain a focus on transformational, sub-regional proposals;
- avoid duplicate or contradictory proposals;
- encourage bodies to work together to address the socio-economic impacts of decommissioning and clean-up; and
- maximise the impact of NDA funds by increasing access to match-funding opportunities

It is not our intention to stipulate which agencies should be involved in these collaborations (or whether they operate informally or as arms-length management organisations in their own right) because circumstances will differ between each site, but we will expect to see the involvement of:

- Local Authorities
- Development Agencies
- Enterprise Networks
- Local Strategic Partnerships
- Learning & Skills Council or their equivalent
- Site & NDA representatives

Where proposals that look to have considerable merit are received from other sources, we propose to seek the views of the key organisations listed above before proceeding to formally consider the request. In many areas, such collaborations are already in existence, for example: Cumbria Vision, Chapelcross SSG Socio-Economic Sub-Group, and Sizewell A Taskforce Partnership. It is expected that the opportunities presented by the NDA's socio-economic fund will feed into their normal business and are likely to be complementary to work already being undertaken. In some areas, such collaborations may need to be established, although there need not be a collaboration for each site. Sites in close proximity to each other sub-regionally may not need to be represented separately. Although the NDA will develop its own application process, in order to maximise effectiveness, we will also consider applications that have gone through other processes, for example at European and regional levels, as long as all NDA criteria have been addressed. The attached appendix demonstrates how the process is expected to work.

NDA GOVERNANCE

In order to ensure that appropriate governance arrangements are in place, the NDA has established a Socio-Economic Sub-committee of the NDA Board, with an independent Chair (yet to be appointed). The role of the Sub-committee is to:

1. advise the NDA Board on its socio-economic policy and on the appropriate exercising of the NDA's socio-economic obligations;
2. develop and maintain an appropriate process, including evaluation criteria, for the assessment of socio-economic funding proposals;
3. assess and make funding recommendations on proposals for socio-economic support; and
4. review progress and outcomes of socio-economic projects sponsored by the NDA.

The Sub-committee is expected to meet quarterly and its decisions will be made public. The Sub-committee will be the mechanism through which funding is distributed on a case-by-case basis, according to agreed criteria and in line with the principle of evidence-based decision-making. In some circumstances, however, the Sub-committee may decide to grant funding in advance, at least in our higher-priority areas, to formally convened local collaborative bodies. Assessment and decision-making would be delegated to such bodies, on the basis that the NDA's criteria and evidence requirements are strictly adhered to.

NDA Regional Offices

We recognise that there may be a need to support projects that are not transformational in nature but are significant at a local level and address the longer term impacts of decommissioning and clean-up.

The NDA is prepared to consider funding for such projects and we anticipate that NDA regionally based staff will take a leading role in their development and evaluation. There will be two routes for such proposals:

- referral to regions from the NDA's 'transformational' projects analysis, if more appropriate to be considered at a regional level; or
- direct referral from sub-regional collaborations via sites if the level of funding required is below a particular threshold (to be established in consultation).

- ***Do you agree with our proposed approach to direct NDA socio-economic support?***

Support through NDA Operations

In addition to providing funding to support bodies in mitigating the impact of decommissioning and clean-up, there are a number of other ways that the NDA can support the maintenance of sustainable communities around sites. These will require us to work closely with current and future site operators and include:-

1. the development of performance-based incentives for operators related to their involvement in local socio-economic initiatives;
2. the inclusion of clauses covering required socio-economic activity in future contracts;
3. the creation of socio-economic criteria by which to evaluate tenders for future contracts;
4. assisting site operators in effective workforce planning, in order to ensure that there is accurate forecasting of future skill requirements, thereby enabling local bodies to plan accordingly;
5. supporting and funding nuclear skills development, including decommissioning and clean-up skills;
6. creating a healthy competitive environment at site management level and below while creating conditions and processes that support the continuing involvement and development of the local supply chain, in line with EU regulations;
7. ensuring that consideration is given to potential socio-economic benefits in the review of site end-states and in the reuse of redundant site assets;
8. supporting economic diversification through increased entrepreneurship from sites in their make/buy decisions; and
9. establishing processes to make sure that the socio-economic impact of proposed activities is always taken into account in NDA decision-making.

Development of Performance-Based Incentives

Performance-based incentives (PBIs) are used by the NDA to drive desired behaviours and improved performance in priority activities. In its first year of operation, the NDA created a generic PBI for sites to develop an annual socio-economic plan. In future, PBIs can be used in a more sophisticated way and be tailored to individual sites to improve particular aspects of their socio-economic performance.

Evaluation Criteria in NDA Competitions

Tenderers for future contracts will be invited to set out how they intend to contribute to socio-economic development in their submissions. This will form a material part of the overall evaluation of the tender. The NDA will look for knowledge of socio-economic needs and opportunities in the area, along with comprehensive and innovative proposals and evidence that socio-economic activity will form an integral part of the contractor's operations. We will also actively consider how new contracts can bring about further benefits to the communities in which our sites operate.

Workforce Planning and Skills Audits

Nuclear decommissioning will involve changes to operations and, therefore, changes to the numbers of employees and type of skills required.

Local Economic Development bodies need to know what skills are needed, and when, so that they can plan to ensure that they are available locally. This may involve the development of training courses or advertising campaigns to raise the area's profile. Advance warning of requirements will be key to maintaining an effective workforce in the area and ensuring that as many local people as possible are eligible for the available jobs.

It is important for local bodies to know when particular skills will no longer be required at NDA sites. Using those skills as a base, they may plan for alternative employment opportunities and economic diversification. The NDA will, therefore, require its contractors to undertake comprehensive workforce planning and skills audits on a rolling basis and make these available to interested local bodies.

Skills Development

The NDA has a statutory duty to ensure there is an appropriately skilled workforce available to carry out decommissioning and clean-up activities. The NDA's approach to skills can be found within the NDA's Strategy (available at www.nda.gov.uk). We acknowledge that skills development, both for decommissioning and for economic diversification, has the potential to make an important contribution to the NDA's socio-economic agenda.

Support to Local Supply Chain

The NDA is keen to develop and maintain a healthy competitive environment at and around its sites. However, we acknowledge that, particularly in the remotest communities, local suppliers have become heavily dependent on our sites for continued viability. The NDA wishes to maintain as "level playing field" as possible against other, potentially larger, competitors while at the same time encouraging the supply chain to diversify and, over time, become less reliant on the nuclear industry and on a particular site. Our contractors will be required to produce a procurement plan and to have an appropriate make or buy decision-making policy.

Site End-States/Use of Site Assets

It is important to take socio-economic issues into account when considering the future use of sites. We accept local communities should have opportunity to express their views on future uses of our sites once we have completed our work. That process is being taken forward through a project designed to achieve agreement on end states.

Entrepreneurship at Sites

We consider that our contractors have a duty to support their employees through the decommissioning process and to take reasonable efforts to help them gain alternative employment as the nature of site activities changes. This may include providing retraining courses and other support, such as techniques in finding alternative employment.

There are examples of excellent practice at sites with regard to encouraging entrepreneurship among staff and helping them to establish their own businesses in disciplines that can support both the nuclear industry and other sectors.

- ***What are your views on our proposed policy on support through NDA operations?***

Support via Site Contractors

Although the NDA has a responsibility to consider socio-economic issues around its sites, funding for socio-economic initiatives must come from the savings achieved on site programmes. Currently, most of the NDA's available funding for socio-economic support is channelled to local projects through our site contractors. The value of this support is approximately £5 million annually. The allocation of these funds between sites is equivalent to the point at which the NDA began its operations. £3 million of that total is spent in communities around the Sellafield site.

Sites' spend in this area has traditionally focused on good 'corporate citizenship', which is important to local communities but tends to have a limited longer term socio-economic impact. Guidance has been developed by the NDA to encourage sites to move to a more strategic approach to socio-economic support. Sites are required by the NDA to set out and consult on how they intend to support local socio-economic development in an annual socio-economic development plan. Their plans for 2006/7 can be found on the NDA's website **www.nda.gov.uk**. We look forward to working with sites to continue to improve the focus on their socio-economic activities.

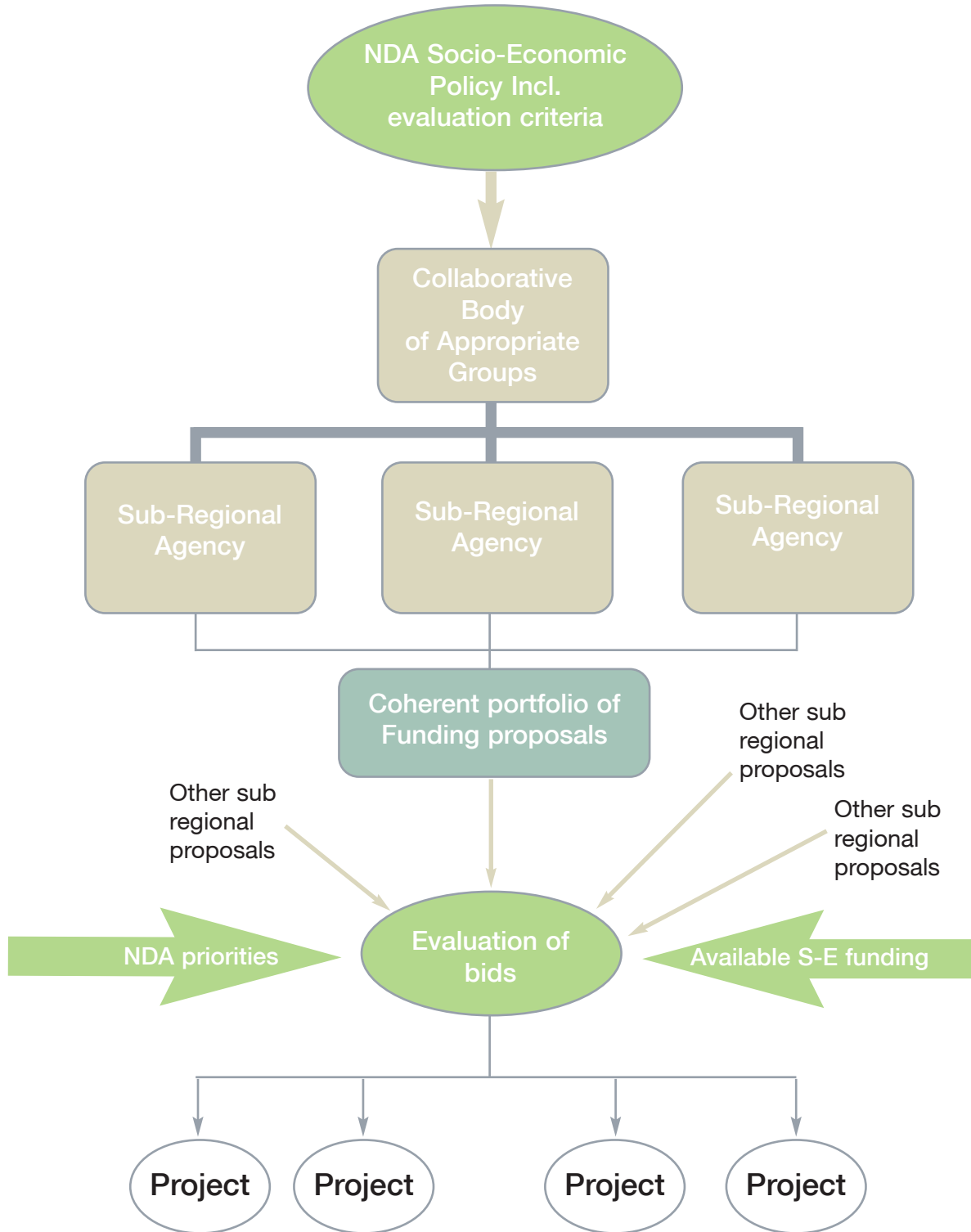
Subject to continuing satisfactory involvement of sites in local socio-economic development, the NDA will continue to channel this funding through sites and will encourage sites to take a more proactive and co-ordinating role with local bodies in developing and submitting proposals to the NDA for project support. Additionally, in future, we expect our site contractors increasingly to invest a proportion of their own funding in local socio-economic support.

We will also actively consider how new NDA contracts, following competition, can bring about further benefits to the communities in which our sites operate.

• ***Do you agree with this approach?***

Appendices

1. Anticipated External Process



2. Suggested Evaluation Criteria

To be further refined during consultation

Criteria	Explanation
Does the proposal address a specific issue of deprivation, local community priority or economic opportunity?	<ul style="list-style-type: none"> Is there evidence of need, e.g. indices of deprivation, health/employment stats or forecasts etc? Referenced in regional or sub-regional strategy/plan?
Is the proposal aligned with NDA's priorities?	<p>Will the proposal address:-</p> <ul style="list-style-type: none"> Employment Education/skills Economic or social infrastructure Economic diversification Local supply chain/procurement support <p>Is it in an NDA priority area. i.e. West Cumbria, Caithness and Sutherland or North Wales?</p>
Is the proposal widely supported by local partners?	<ul style="list-style-type: none"> For example, RDA, local Council, other grant making agencies etc.
Are good governance arrangements in place?	<ul style="list-style-type: none"> Financial, management, reporting, evaluating? Do bidders have appropriate experience?
Have attempts been made to maximise the impact of any potential NDA funding?	<ul style="list-style-type: none"> Match funding? Joined to any other funding streams? Additional private funding, eg from local businesses?
Is there an opportunity for any return on investment?	<ul style="list-style-type: none"> Can any 'profits' be ploughed back into further socio-economic activity? Should NDA acquire a stake or asset in return for funding?
Is the proposal sustainable post-NDA funding?	<ul style="list-style-type: none"> Capital or revenue funding required? Is there an adequate exit strategy for continuation once funding is withdrawn?
Is it an invest-to-save bid?	<ul style="list-style-type: none"> Would the one-off spend create sustainable savings/increased income elsewhere?
Are expected outcomes clear?	<ul style="list-style-type: none"> Does the bid have clear objectives which can be measured and evaluated?



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