

National Audit Office – Managing Risk Reduction at Sellafield.

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Summary and Recommendation:

A report published by the National Audit Office (NAO) on Managing Risk Reduction at Sellafield examines the Nuclear Decommissioning Authorities (NDA) progress since the 2008 report in improving the lifetime plan for Sellafield and the performance of its portfolio of 14 major capital projects, which are key enablers.

Recommendation:

That the contents of this report are noted and that Members consider options for responding.

1. Introduction

1.1 On the 7th November 2012 the NAO published a report into the findings of an assessment undertaken by the NAO to judge the challenges faced in cleaning up Sellafield.

1.2 The report acknowledges the significant milestone achieved by the Nuclear Decommissioning Authority (NDA) when it approved a more robust lifetime plan for the clean-up of Sellafield site by 2120, replacing a previous unrealistic plan. However, significant uncertainties and scheduling risks remain, for example, there is considerable uncertainty over the time required and cost of completing facilities to treat and store highly radioactive material held in deteriorating legacy ponds and silos.

2. Background

2.1 Sellafield Limited manages the site under contract to the NDA. The NDA sets strategic objectives and Sellafield Ltd develops and implements an NDA approved 'lifetime Plan'. The NDA appointed Nuclear Management Partners Limited, a consortium of private sector companies (URS, AMEC and AREVA), as the 'parent body' of Sellafield Limited, to improve performance by bringing in outside expertise.

- 2.2** The report by the NAO specified that £67.5 billion (undiscounted) is the provision for the cost of cleaning, £4.6 billion is the estimated life time cost of the 14 major projects and 2120 is the target year for the cleanup at Sellafield. Sellafield Ltd have developed a site plan which has been approved by the NDA which includes their proposals for risk and hazard reduction.
- 2.3** It also reported that currently 55 buildings have been decommissioned with 1400 buildings remaining at Sellafield. There has been 1.6 billion spent on running and cleaning up Sellafield during 2011 -2012.¹

3. Highlights of the Report findings

- 3.1** Between May 2011 and March 2012, 12 of the NDA's 14 major projects delivered less than planned. Sellafield Limited extended estimated completion dates for seven and increased the total cost estimate by £0.9 billion. They found that between these dates Sellafield Limited:
- Achieved less than planned in 12 of the 14 major projects, with five achieving less than 90 per cent of the planned scope. This could jeopardise target dates for risk reduction.
 - Brought forward the estimated completion date for one of the seven projects in the design phase. Five remained unchanged but their overall cost increased by £0.6 billion to £2.8 billion. The complexity of these projects means that changes during the design stage are inevitable. However, Sellafield Limited did not allow sufficiently for uncertainty in the cost estimates it initially submitted to the NDA for the silos direct encapsulation plant project. It prepared these estimates before it had assessed the full cost implication of the design. The 92 per cent increase in the estimated cost of the project accounted for nearly all of the £0.6 billion increase.
 - Put estimated completion dates back by between 2 and 19 months in six of the seven projects in construction.
- 3.2** The report goes on to state that while delays and increases are partly due to the complexity they also reflect poor project design and delivery by Sellafield Ltd and weakness in the NDA oversight, they identify **five factors** that led to **cost escalation**:
- 3.2.1** The NDA contract requires it to reimburse Sellafield Limited for all allowable costs. This means that Sellafield Limited does not bear risks for delay and cost increases.

¹ Managing Risk reduction at Sellafield
http://www.nao.org.uk/publications/1213/sellafield_risk_reduction.aspx

- 3.2.2** There are gaps in the capacity of subcontractors to undertake the required work.
- 3.2.3** There has been a long-standing problem, which existed before the NDA was created in 2005, of the site operator starting construction before design risks had been sufficiently addressed.
- 3.2.4** Weaknesses in cost and schedule estimation by Sellafield Limited remain significant issues for the NDA.
- 3.2.5** Until mid-2011, the NDA did not collect enough robust and timely information on projects from Sellafield Limited to enable timely intervention

3.3 Reports Conclusion:

“The Authority faces a considerable challenge in decommissioning at Sellafield owing to past neglect. Since 2008, it has made progress by appointing a parent body to the site and agreeing with Sellafield Limited a more robust lifetime plan. The plan, which was agreed in May 2011, still contains uncertainties about delivery schedules and costs in the short and long term. The Authority does not yet have adequate external benchmarks to assure whether the plan is sufficiently challenging. It is too early to judge whether the Authority’s appointment of Nuclear Management Partners Limited as the parent body of Sellafield Limited is value for money. Sellafield Limited has saved £425 million, compared to previous expected costs, and it has reported further savings that the Authority is reviewing. However, the portfolio of 14 major projects at Sellafield has so far not provided good value for money, with significant lifetime cost increases and delays of between 2 and 19 months during 2011-12. The Authority is working with Sellafield Limited and Nuclear Management Partners Limited to understand and address project underperformance. Other activities on the site have improved, notably the increase in the amount of spent nuclear fuel reprocessed each year. Securing value for money will depend on how well the Authority develops its intelligent client capability by benchmarking Sellafield Limited’s proposed performance and strengthening contract levers to incentivise progress towards risk reduction.”²

4. Way Forward

- 4.1** On the 26th November 14 MPs from the Commons – the Public Accounts Committee - will visit the site to take evidence about its performance. The committee will hold its own public inquiry into the NAO’s findings.

² Managing Risk reduction at Sellafield pg46
http://www.nao.org.uk/publications/1213/sellafield_risk_reduction.aspx

- 4.2** The 14 MPS of the cross-party watchdog will visit Sellafield before holding an afternoon hearing known as an “evidence session” which will be held as close to the site as possible.
- 4.3** The public accounts committee will examine all aspects of NAO report and decide whether taxpayers’ money is being spent effectively.
- 4.4** The NDA and Sellafield Ltd have both stated that they welcome the report and state that the report is a useful external check that can help improve performance further.

5. Consultees