

# Statement to Parliament: NDA Settlement, Contract Termination, and Inquiry

I would like to inform the House that the Nuclear Decommissioning Authority (NDA) has today announced its decision to terminate its contract with Cavendish Fluor Partnership (CFP) for the management and decommissioning of 12 redundant Magnox sites (including 2 research sites) which, together with the Calder Hall reactor on the Sellafield site, formed the UK's first fleet of nuclear power stations.

The NDA ran a £6.1 billion tender process from April 2012 which resulted in a 14 year contract being awarded in September 2014 to the Cavendish Fluor Partnership – a joint venture between the British firm Cavendish Nuclear, a subsidiary of Babcock International, and the US company Fluor Inc. This decision was approved by the then Department for Energy and Climate Change and HM Treasury.

CFP started work on the Magnox estate on 1 September 2014. There then started a process to ensure that the scope of the contract assumed in the 2012 tender matched the actual status of the decommissioning to be done on each site – a process known as consolidation.

It has become clear to the NDA through this consolidation process that there is a significant mismatch between the work that was specified in the contract as tendered in 2012 and awarded in 2014, and the work that actually needs to be done.

The scale of the additional work is such that the NDA Board considers that it would amount to a material change to the specification on which bidders were invited in 2012 to tender.

In the light of this, the NDA Board, headed by a new Chair and Chief Executive, has concluded that it should exercise its right to terminate the contract on two years' notice. The contract will be terminated in September 2019, after 5 years rather than its full term of 14 years. This termination is made with the agreement of CFP.

Dealing safely with the UK's nuclear legacy is fundamental and non-negotiable. It is important to emphasise that this termination is no reflection on the performance of Cavendish Nuclear or Fluor, and work on decommissioning at all the sites will continue with the management of CFP for a further two and a half years.

During this period, the NDA will establish arrangements for a replacement contracting structure to be put in place when the current contract ends. This work will be led by the NDA's new Chief Executive, David Peattie.

I have every confidence that CFP will continue to deliver to high standards during the remainder of the contract.

Although this decision is one made by the Board of the NDA, it requires the consent of myself, the Chief Secretary to the Treasury and the Accounting Officer of my Department. That consent has been given.

We have a responsibility to ensure that the NDA's decisions reflect its legal obligations, including under procurement law, that further risks to taxpayers' money are contained and that robust arrangements are put in place to deliver this essential decommissioning programme.

In addition I can announce today that the NDA has settled outstanding litigation claims against it by Energy Solutions and Bechtel, in relation to the 2014 Magnox contract award.

The NDA was found by the High Court in its judgment of 29 July 2016 to have wrongly decided the outcome of the procurement process.

As part of the settlements, NDA has withdrawn its appeal against the judgment. While these settlements were made without admission of liability on either side, it is clear that this 2012 tender process, which was for a value of up to £6.1 billion, was flawed. The NDA has agreed settlement payments with Energy Solutions of £76.5m, plus £8.5m of costs, and with Bechtel of \$14.8m, plus costs of around £462,000 – approximately £12.5m in total.

These are very substantial costs and had the potential to rise much further if the case had proceeded to trial.

Taxpayers must be able to be confident that public bodies are operating effectively and securing value for money. Where this has not been achieved such bodies should be subject to rigorous scrutiny.

I am therefore establishing today an independent Inquiry into the conduct of the 2012 procurement process and the reasons why the 2014 contract proved unsustainable. These are separate issues but both need to be examined thoroughly by an authoritative and independent expert.

I have asked Mr Steve Holliday, the former Chief Executive of National Grid to lead the Inquiry. The Inquiry will take a 'cradle to grave' approach beginning with the NDA's procurement and ending with the contract termination.

The Inquiry will also review the conduct of the NDA and of government departments and make any recommendations it sees fit – including what further investigations or proceedings, for example possible disciplinary proceedings, may be required as a result of its findings.

The terms of reference for Mr Holliday's Inquiry have been placed in the libraries of both Houses. Mr Holliday will report jointly to me and to the Cabinet Secretary, and his report will be made available to this House, including to the Business, Energy and Industrial Strategy Select Committee.

This was a defective procurement, with significant financial consequences, and I am determined that the reasons for it should be exposed and understood; that those responsible should properly be held to account; and that it should never happen again.

**Terms of Reference: Independent inquiry into the award of the Magnox decommissioning contract by the Nuclear Decommissioning Authority and its subsequent termination**

The Inquiry shall investigate the procurement process from its inception through contract award, the management of the contract by NDA to the point at which the NDA decided to terminate the contract and the litigation that followed the contract award, focusing in particular on:

- a. the course of events that led to the flaws in the contract award identified by the court;
- b. the course of events that led subsequently to the decision to terminate the contract;
- c. the handling of the challenge and subsequent litigation brought against NDA arising out of the procurement and the subsequent resolution of the proceedings;
- d. the actions throughout of the NDA, including its subsidiary organisations, and the actions throughout of government departments associated with the procurement process;
- e. the structure of governance and relationship between the NDA and government departments and whether that contributed in any way to the problems encountered;
- f. the extent to which the various internal and external assurance processes employed during procurement were effective; and
- g. any other matters it considers relevant and important.

The Inquiry shall set out lessons to be learned, including about appropriate structures for governance and assurance of future complex, high-risk procurements, and make any recommendations it sees fit, including as to any disciplinary investigations or proceedings that may, in its view, be appropriate as a result of its findings.

The Inquiry will be led by Steve Holliday. He will draw on others as appropriate, including external advisers he may, by agreement with the Secretary of State, appoint.

The Inquiry shall report to the Secretary of State for Business, Energy and Industrial Strategy and to the Cabinet Secretary.

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## **Notice: DT2 8QR, Mr Jonathan Walsh: environmental permit application advertisement**

The Environment Agency consults the public on certain applications for waste operations, mining waste operations, installations, water discharge and groundwater activities. The arrangements are explained in its [Public Participation Statement](#)

These notices explain:

- what the application is about
- which Environment Agency office you can visit to see the application documents on the public register
- when you need to comment by

The Environment Agency will decide:

- whether to grant or refuse the application

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## **Decision: Dogger Bank Teesside A and B offshore wind farm**

On 24 August 2015, the Secretary of State for Energy and Climate Change granted a development consent order (DCO) for Dogger Bank Teesside A and B Offshore Wind Farm. The pre-application, examination and DCO documents can be found on the Planning Inspectorate's website.

The DCO authorises Forewind Limited to construct and operate up to two offshore wind farms each with an installed capacity of 1.2GW, situated between 125km and 290km off the North East Coast in the North Sea. The development will comprise of:

- up to 400 wind turbine generators (200 in each array);
- up to 8 offshore collector platforms;

- up to 2 convertor stations;
- up to 4 accommodation or helicopter platforms;
- up to 10 metrological stations;
- up to 2 sets of export cables to connect the arrays to a coastal landing point between Redcar and Marske-By-The-Sea, in the borough of Redcar and Cleveland; and
- onshore associated development, including underground cabling and up to 2 convertor stations.

On 9 January 2017 the Marine Management Organisation (MMO) received a request from Royal HaskoningDHV UK Limited, acting on behalf of Forewind Limited, to vary the Deemed Marine Licences (DML's) contained within Schedules 8, 9, 10 and 11 of The Dogger Bank Teesside A and B Offshore Wind Farm Order 2015.

In March 2017, the MMO imposed variations to the Deemed Marine Licence (DML) contained within Schedules 8, 9, 10 and 11 of the Dogger Bank Teesside A and B Offshore Wind Farm, to update existing marine mammal disturbance conditions to align with the defined regulation 39(1)(b) of the Offshore Habitats Regulations.

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## [Press release: Oxford flood alleviation scheme uncovers a piece of the city's history](#)

The findings include ancient road surfaces, culverts, pottery, and other objects which have helped date an ancient crossing point of the River Thames and its tributaries, at what is now known as Old Abingdon Road.

The Oxford flood alleviation scheme project team commissioned the archaeological study as part of the detailed design for the scheme. Part of the proposed scheme is to construct new culverts to carry flood water beneath the road. These investigations have enabled the team to carefully plan where the new culverts will go to minimise impact on the ancient structures lying beneath.

The route of the Old Abingdon Road is thought to be part of a stone or earth causeway known as Grandpont, which also includes Folly Bridge, built by Robert d'Oilly who built Oxford Castle in 1071. Grandpont had over 30 different arches or culverts which crossed the rivers, streams and marshes in the area, with over 7 of these thought to be beneath the Old Abingdon Road. The causeway may have dated from the Saxon period as there is evidence of 2 fords in this area from that time (source: [Historic England](#)).

From past investigations in this area it is believed that there were culverts beneath the road dating from Norman (1066 to 1154) and later medieval (12th

to late 15th century) times. The culverts were designated 'scheduled monuments' in October 2012. Our findings suggest there are more culverts along this road.

Joanna Larmour, Project Director, said:

Our archaeologists found that as the ground was quite compacted beneath the various road surfaces, they had to use hand digging tools to complete their investigations.

We found some great pieces, including pottery shards from a medieval jug, a horseshoe from the late 17th Century to 18th century and most importantly for us, evidence of ancient culverts. These all help us understand just how long this has been a river crossing and a route into Oxford.

The investigation found a total of 6 pottery shards, 4 pieces of clay tobacco pipe, 2 pieces of ceramic building material, 6 iron finds including nails, a horseshoe, a connecting piece from a harness, 7 pieces of glass from a post-medieval bottle or flask, and a window pane.

These were all hidden amongst a series of medieval and post-medieval road surfaces which the team had to break through to get to the oldest features underneath.

In addition, the investigations found some structural features including stone kerb, a roadside ditch likely to be from the 12th Century, and a culvert, now demolished, which is likely to be Norman or Medieval similar to the known, scheduled culverts.

From these finds and using existing historical knowledge, we can build up quite a picture of life in this area.

The type of soils and gravels in this area suggest that it had firmer soil deposits than the rest of the floodplain, and indicate why it was chosen as a suitable crossing point of the River Thames. The medieval causeway was probably cambered, with drainage ditches either side carrying run off into the streams of the Thames that ran beneath the causeway in a stone culvert. The other culverts in this area have a raised roof, and if this culvert had the same, the causeway would have had a hump-back at this point. From the artefacts found, we know that the route has been used as a crossing from medieval times, up to the present day.

In the late 17th to 18th centuries, the route underwent a major rebuild, which we can tell from the deposits and material that we found. It is possible that this is when our culvert was demolished. The surfaces from this time lie within a series of kerb stones.

The Oxford flood alleviation scheme project team have shared these finds with Oxford City and County Archaeologists as well as Historic England (due to their responsibility for scheduled ancient monuments). They will follow this work up with more archaeological investigations in different locations in the

scheme area, which will be completed over the coming months.

Catherine Grindey, Senior Archaeologist for the Environment Agency, said:

From our perspective, the archaeological evaluation was a great success. We have had many questions answered and have better information on which to base our plans.

This knowledge means that the team can finalise the scheme design in the Old Abingdon Road area, and ensure it has minimal impact on the history beneath the road.

The detailed design of the scheme will be shared at a public consultation from 5 May to 6 June 2017, which will be run both online and at a series of 4 events in the scheme area:

- 2pm to 8pm, Thursday 11 May 2017 at West Oxford Community Centre, OX2 0BT
- 2pm to 8pm, Friday 12 May 2017 at South Oxford Community Centre, OX1 4RP
- 2pm to 8pm, Monday 15 May 2017 at Oxford Deaf and Hard of Hearing Centre, OX1 1RL
- 2pm to 8pm, Thursday 18 May 2017 at St Luke's Church, OX1 4XB

The consultation will also give local communities the opportunity to give feedback about some of the scheme features they have told us they are most interested in, such as the new bridges we will be installing, footpath furniture and signage.

Keep up-to-date with the scheme via the [Oxford flood scheme webpage](#), via our [Facebook page](#), on [Twitter](#) and via our scheme newsletter. If you would like to sign up for our newsletter, please email [oxfordscheme@environment-agency.gov.uk](mailto:oxfordscheme@environment-agency.gov.uk).

## Notes to editors

The Oxford flood alleviation scheme is a partnership project involving the Environment Agency, Oxfordshire County Council, Oxford City Council, Vale of White Horse Council, Oxford Flood Alliance, The Oxfordshire Local Enterprise Partnership, University of Oxford, Thames Water and Thames Regional Flood and Coastal Committee.

The scheme will involve lowering parts of the floodplain and widening some of the rivers and streams that run through it, to create more space for floodwater, and reduce flood risk to the city. It is currently estimated to cost £120 million.

For media enquiries Mon-Friday 9am to 5pm please call 03708 506 506. After this time, please call the Duty Communications Officer on 0800 141 2743.

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## **Notice: HU12 00S, Robert Forman and Sue Forman (Trading as RN and SE Forman): environmental permit issued**

The Environment Agency publish surrenders that they issue under the Industrial Emissions Directive (IED).

This decision includes the surrender letter, decision document and site condition report evaluation template for:

- Operator name: Robert Forman and Sue Forman (Trading as RN and SE Forman)
- Installation name: Newlands Farm Pig Unit
- Permit number: EPR/KP3037MD/S002