

# 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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## [Top procuratorate to investigates controversial killing](#)

The Supreme People's Procuratorate (SPP) announced Sunday that it will investigate a case which caught media and public attention over the weekend.

On April 14, 2016, more than 10 people went to Su Yinxia's company in Guanxian County in east China's Shandong Province to collect payment for loan sharks allegedly by means of insulting Su and her son Yu Huan.

Police arrived at the scene but Yu later stabbed four of the debt collectors including Du Zhihao, who died the next morning.

Yu was sentenced to life in prison by the Intermediate People's Court of Liaocheng, Shandong, on Feb. 17.

Investigators will examine and review the evidence to determine whether Yu was acting in self-defence, the SPP said in a statement.

The SPP will also investigate possible dereliction of duty by the police officers concerned.

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## **Press release: First-time buyers relying on parents to get onto housing ladder**

[unable to retrieve full-text content]Research shows a rise in 'bank of mum and dad' helping their children onto the housing ladder.

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## **News story: PM to visit Scotland to set out plan for Britain**

The Prime Minister will visit staff at the East Kilbride base of the UK's Department for International Development on Monday to set out her aim of building a global Britain that fully embraces its role on the world stage.

As the UK prepares to enter into negotiations to leave the EU, the Prime Minister will make clear that the deal we seek will have at its core the aim of making Britain a stronger, fairer, more united and more outward-looking country.

She will also set out that the deal struck must work for all nations of the UK, and the UK as a whole.

This Plan for Britain, she will explain, will be about getting the right deal for Britain abroad and a better deal for ordinary, working people at home.

The work you do here – in conjunction with your colleagues at the Department for International Development in London – says something important about Britain.

It says that we are a kind and generous country. It says that we are a big country that will never let down – or turn our back on – those in need. And it says that we are a country that does – and will always – meet our commitments to the world – and particularly to those who so desperately need our support.

And that is important to remember.

For we stand on the threshold of a significant moment for Britain as we begin the negotiations that will lead us towards a new partnership with Europe.

And I want to make it absolutely clear as we move through this process that this is not – in any sense – the moment that Britain steps back from the world. Indeed, we are going to take this opportunity to forge a more Global Britain. The closest friend and ally with Europe, but also a country that looks beyond Europe to build relationships with old friends and new allies alike.

The work you do will be at the heart of that effort.

Because from this building, work is co-ordinated that saves lives around the world; that builds a safer, healthier, more prosperous world for people in developing countries; and that makes our own country and people safer and better off too.

It's not all about charity of course. You know that better than anyone. So often, the work you do is about empowering people to live better, fuller lives.

For example, your work is leading the world in efforts to end the outrage of violence against women and girls. That is a cause that is particularly close to my heart.

You ensure that the UK is working well with important international institutions like the UN and the Commonwealth.

And researchers here are exploring the potential for new vaccines to prevent the devastation caused by serious illnesses and epidemics. I know, for example, that the work to tackle the awful Zika virus that is a source of such anguish for people across Latin America is being led by researchers at Glasgow University, supported by UK government funds.

But sometimes events happen that simply require an immediate and significant response.

And it is because of the work you do that we have recently been able to announce significant support for the nations facing up to major humanitarian crises this year.

Somalia, where we have pledged £110 million of UK aid to provide up to 1 million people with emergency food assistance, over 600,000 starving children and pregnant and breastfeeding women with nutritional help, over 1 million people with safe drinking water, and more than 1.1 million people with

emergency health services.

And, of course, our commitment to Somalia goes further than money. We look forward to bringing the international community together in London in May for the second London-Somalia conference, where we hope to be able to help that nation secure and build on the progress it has made in recent years.

It is because of the work you do that the UK was one of the first major donors to respond to the UN's appeal for South Sudan. We are leading the way in that desperate nation by making sure millions of people get the food, water and medicine that they so urgently need.

That includes food for over 500,000 people, life-saving nutritional support to more than 27,500 children, safe drinking water for over 300,000 people and emergency health services for over 100,000 more.

And it is because of the work you do that the UK is able to lead the way in helping countries elsewhere in the region – in Uganda and Ethiopia. And in Kenya, where the Hunger Safety Net Programme aims to reduce poverty and hunger in the short-term, and to build economic resilience for the most vulnerable people in the poorest parts of the country. And that is the best way to give them a sustainable, long-term route out of poverty.

Across Africa, vulnerable men, women and children are being helped by initiatives and projects that come with a simple badge of hope: a badge that says UK Aid.

And the same goes for other parts of the world too. Wherever people are in need, that same badge of hope appears.

The UK is at the forefront of the response to the Syria crisis, with life-saving humanitarian support reaching millions of people inside Syria and in neighbouring countries.

In 2016, the UK was the third largest bilateral contributor to the humanitarian response in Syria, and the second largest overall since the start of the response in 2012. We have pledged more than £2.3 billion to support those affected by the conflict, our largest ever response to a single humanitarian crisis.

That is a record of which we can all be proud.

And because we are a country that does not duck our responsibilities, let us remember the amazing work being done in Afghanistan today. One of the legacies of years of conflict in that country is the deadly phenomenon of landmines that still lie strewn across hundreds of acres of that land.

But thanks to UK Aid – and in particular, thanks to the work of organisations such as the Halo Trust that has its headquarters right here in Scotland – almost 100 square kilometres of contaminated land has been cleared. And more than 1 million people have benefited as a result.

We will continue with that work – and continue to support Afghanistan's

security – because that is in the interests of Afghanistan and in the interests of Britain too.

UK Aid is a badge of hope for so many around the world. It appears on the side of buildings, school books, medical supplies and food parcels in some of the toughest environments and most hard-to-reach countries on the planet.

And it says this: that when this great union of nations – England, Scotland, Wales and Northern Ireland – sets its mind on something and works together with determination, we are an unstoppable force.

That is why the Plan for Britain I have set-out – a plan to get the right deal for Britain abroad as well as a better deal for ordinary, working people at home – has as its heart one over-arching goal: to build a more united nation.

Because I believe when we work together, there is no limit to what we can do.

A more united nation means working actively to bring people and communities together by promoting policies which support integration and social cohesion.

In Scotland, Wales and Northern Ireland that means fully respecting, and indeed strengthening, the devolution settlements. But never allowing our Union to become looser and weaker, or our people to drift apart.

So in those policy areas where the UK government holds responsibility, I am determined that we will put the interests of the Union – both the parts and the whole – at the heart of our decision-making.

International development is a prime example of that, and your work here, on behalf of your fellow citizens across the United Kingdom, has a huge impact.

Indeed, the work we do as a United Kingdom on the world stage make an eloquent case for our Union as a whole.

It is about the values we share in our family of nations.

Values of freedom of speech, democracy, respect for human rights, the rule of law.

This proud shared heritage provides the bedrock of our lives together in the UK.

And on that foundation we have built a country where we share the challenges that we face, and bring all the expertise, ingenuity and goodwill we share across this Union to bear to tackle them.

That allows us to do amazing things, like the life-saving work which is led from this building.

So as Britain leaves the European Union, and we forge a new role for ourselves in the world, the strength and stability of our Union will become even more important.

Alongside the visit to DFID, the Prime Minister is also due to meet officers from Police Scotland to discuss counter-terrorism issues.

She will then be joined by First Minister Nicola Sturgeon for a bilateral meeting.