

Land and Property Management

Corporate Asset Management Plan

May 2013

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A Foreword

- 1) This is the Nuclear Decommissioning Authority's (NDA's) Land and Property Management Strategy set out in the format recommended for Government bodies.
- 2) The NDA owns some of the most radioactively contaminated land and buildings in Europe coupled with a complex mixed portfolio of other real estate.
- 3) The NDA mission is to deliver safe, sustainable and publicly acceptable solutions to the challenge of nuclear clean-up and waste management.
- 4) The Corporate Asset Management Plan is prepared as a decision making framework in support to the mission: it follows the Office of Government Commerce format advising on Property Asset Management.
- 5) This plan was revised in May 2013 and flows from the NDA Strategy.

B Introduction

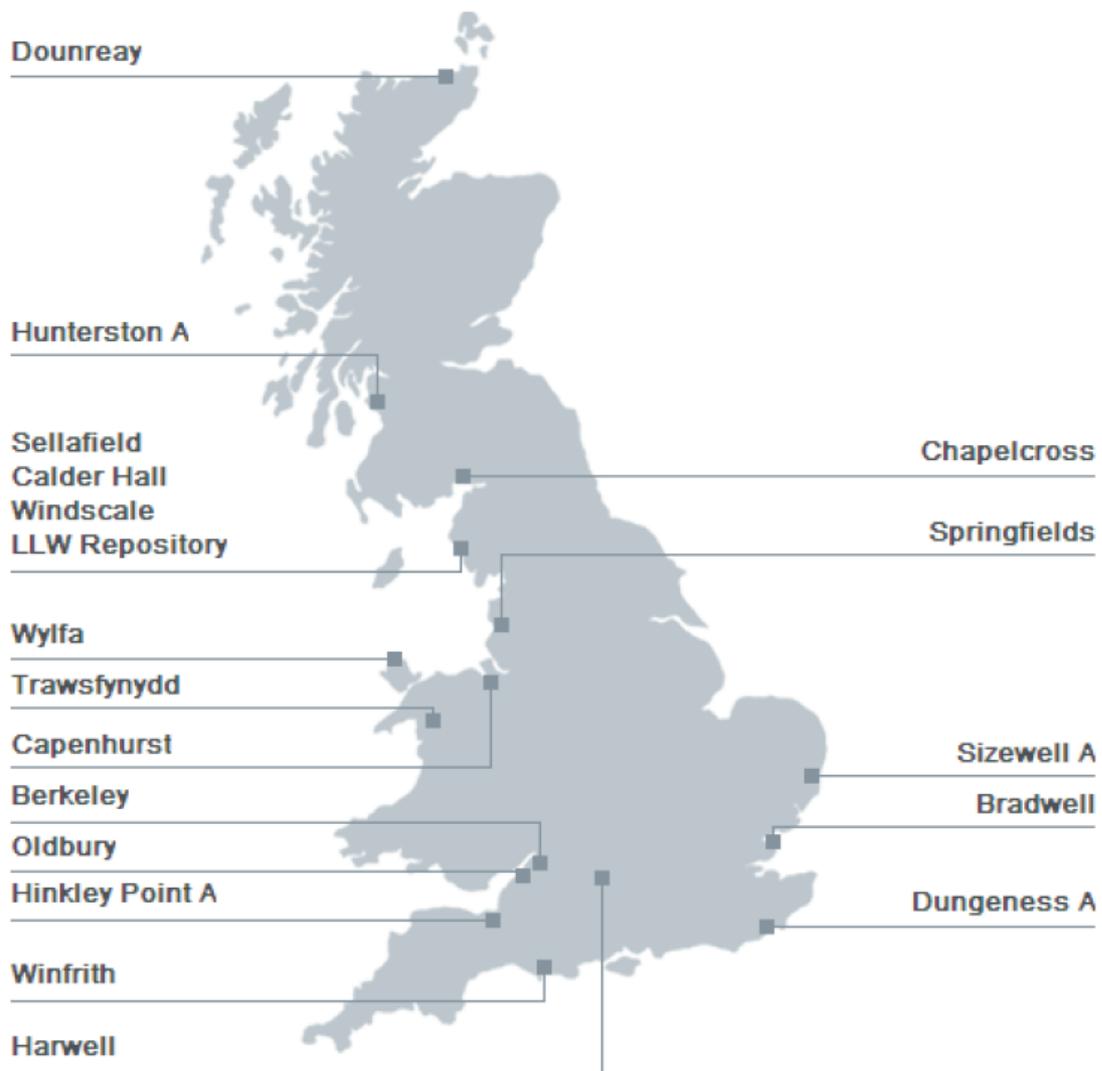
- 1) The NDA is a Non Departmental Public Body set up under the 2004 Energy Act and is part of the Department of Energy and Climate Change (DECC) “family” with governance arrangements reported to Shareholder Executive and Scottish Ministers.
- 2) The NDA’s end goal is to restore its designated sites to a point where they are released for other uses.
- 3) The NDA and its subsidiary property company, NDA Properties Ltd., owns land at 17 nuclear operational locations plus a supporting general real estate portfolio. It covers a 2810 hectare estate separated into nuclear licenced sites of 1047 hectares and 1763 hectares for the remainder. Approximately 60 percent of this is designated to the NDA as nuclear installations under the Energy Act.
- 4) In 2005, the NDA’s Property Strategy aimed to cost and separate the operational nuclear assets from the remainder. NDA itself owns the nuclear operational portfolio and this is then leased to its nuclear site contractors, known as Site Licence Companies (SLCs), in line with Maintenance and Operations (M&O) Contracts. NDA Properties Ltd owns, manages and develops the non-nuclear general portfolio.
- 5) There has been significant divestment with about half of all UK Government property capital receipts realised from NDA’s portfolio alone.
- 6) Ownership remains diverse: ranging from complex operational plant in a highly regulated environment, which will be decommissioned through a Life Time Plan period varying from 1 to 125 years and more in duration, through to pipelines, offices, listed buildings, reservoirs and green open space.
- 7) The primary aims of land and property management are:
 - a. To ensure NDA manage land and property to support the site restoration mission.
 - b. To make land and property available for alternative uses that will optimise commercial, socio-economic and / or environmental benefit.

- 8) Commercial Status Maps for each of the NDA sites are available on the NDA website.
- 9) A separate Asset Register is held with detail of tenancies and the like.
- 10) All property transactions and facilities management arrangements are governed by the Cabinet Office Government Property Unit for both the NDA and its Site Licence Companies.
- 11) NDA has agreed with GPU to follow Government Policy, known under the banner of 'One Government Estate', as a policy of consolidation and rationalisation of government ownership in order to reduce costs.
- 12) The summary of ownership is as follows:

	No. of holdings	Type	Area (ha)	Location	Asset Value as at 31.03.12
Nuclear Licensed Sites	17	Nuclear operations and decommissioning sites	1046.98	UK wide	Liability
Land Required for Operational ¹ Purposes	38	Various inc. boreholes, car parking, helipads, training centres, administration facilities, visitor centres, etc	In above	UK wide	£199,935,822
NDA Occupied space	5	Offices	0.9511 ha	Forss, Herdus House, Hinton House, Harwell, London	All office space is leased
NDA Properties Ltd.	91	Farms, residential, office buildings	1762	UK wide	£32,457,417

¹ Operational include decommissioning operations as well as power generation and waste processing.

The locations of NDA's main sites



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C1 Business Aims, Objectives and Property Asset Implications

- 1) NDA's core strategic remit is to restore designated sites and release for other uses. Site restoration includes decommissioning and land remediation and is undertaken at the direction of the NDA by its Site Licence Companies. Once the NDA decommissioning mission is complete, land and property is "handed back" by the Site Licence Companies (SLC) to NDA for onward sale or lease to enable re-use.
- 2) The ultimate strategic goal for the Corporate Asset Management Plan is to divest all land and property for other uses.

Business Aims – Business Optimisation

- 3) The primary aims of land and property management as set out in the NDA Strategy are:
 - a. To ensure we manage our land and property to support our site restoration mission.
 - b. To make our land and property available for alternative uses that will optimise commercial, socio-economic and / or environmental benefit.

Objectives

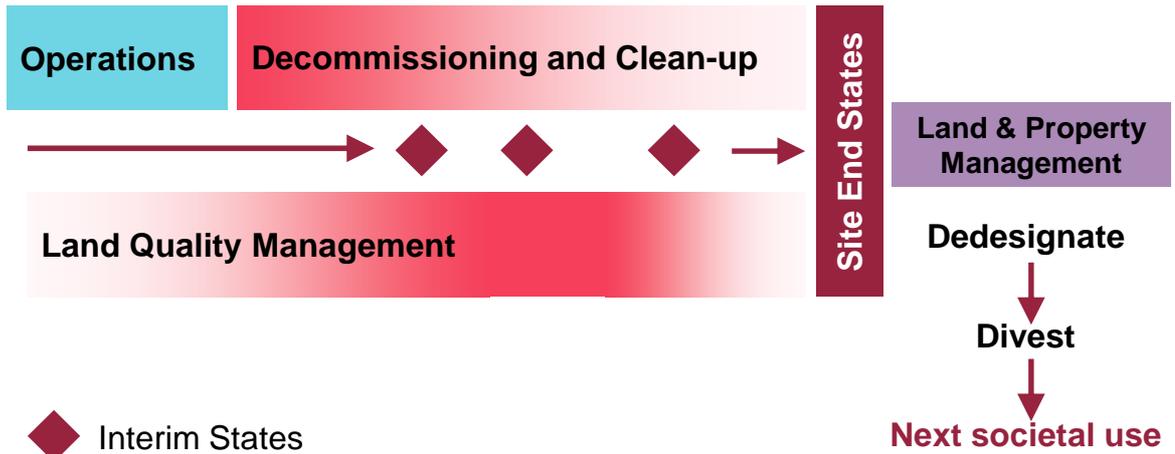
- 4) The primary objectives of land and property management are:
 - a. To retain the minimum land and property assets required to complete site restoration activities.
 - b. To maximise commercial revenue to support site restoration activities.
 - c. To sell land or property which is no longer required providing a commercially viable sale can be achieved or then transferred to appropriate bodies in support to socio-economic policy.
 - d. Where there is not an opportunity to divest, to then manage the land or property safely and effectively.
 - e. To act as a commercial property developer to build and refurbish real estate requirements in support to the NDA mission.

Asset Implications

- 5) The demonstration of success for land and property management strategy once site restoration has taken place is de-designation and then disposal.

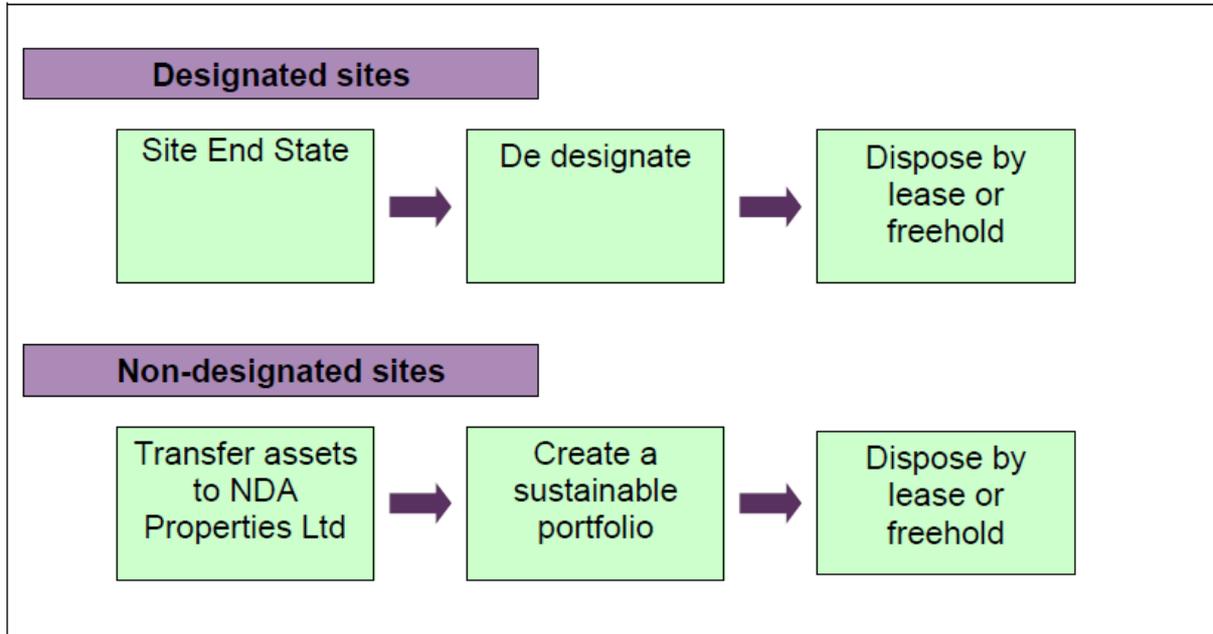
- 6) For designated land and property, Ministerial approval is required to remove the Designating Direction and hence confirm the NDA mission is completed. Following de-designation, the NDA is free to divest the land and property.

SITE RESTORATION



- Site Restoration is the driving strategy that other strategies (inc. Integrated Waste Management) support

7) The process for the divestment of designated and non-designated sites is shown below:



C2 The NDA's current and future operating environment

- 1) The NDA's current and future operating environment is set out on the organisation's website and described by:
 - a. NDA Business Plan for 2013 – 2016
 - b. NDA Strategy effective from April 2011

- 2) The NDA Strategy identifies six strategic themes necessary in order to bring clear focus on the NDA's mission, land and property management being a key component of Business Optimisation.

- 3) The theme of Business Optimisation supports how the NDA maximises commercial income, using assets and capabilities to reduce the net costs of site restoration to the taxpayer.

- 4) The NDA's mission is one of the longest term in Government and its land and property requirement needs to be viewed in this context of at least 125 years, according to the overall operating plans of the business.

C3 Appropriate standards of land holdings

1) The NDA asset base has been delineated into the following categories:

1. OPERATIONAL	2. NON OPERATIONAL	3 NDA OCCUPIED
Designated Nuclear Licenced sites and related assets which directly support nuclear operation.	Property assets not required for operational purposes and mainly occupied by third party tenants (including Site Licence Companies) or with vacant possession.	NDA occupied office accommodation.

2) Operational:

- a. These assets are designated as nuclear installations under the 2004 Energy Act. They are to be decommissioned and the land restored for re-use. They will remain in the ownership of the NDA whilst designated.
- b. Each is occupied under maintenance contracts by the SLCs and leased to them with clear areas setting out responsibility.
- c. This approach has been agreed as best practice with the regulator, the Office for Nuclear Regulation (ONR).
- d. Site End States for each site have been proposed in consultation with stakeholders. Site end states will be reviewed and optimised to ensure the maximum benefit to the environment and society whilst ensuring any disposal will offer best value to the UK taxpayer.

3) Non-operational:

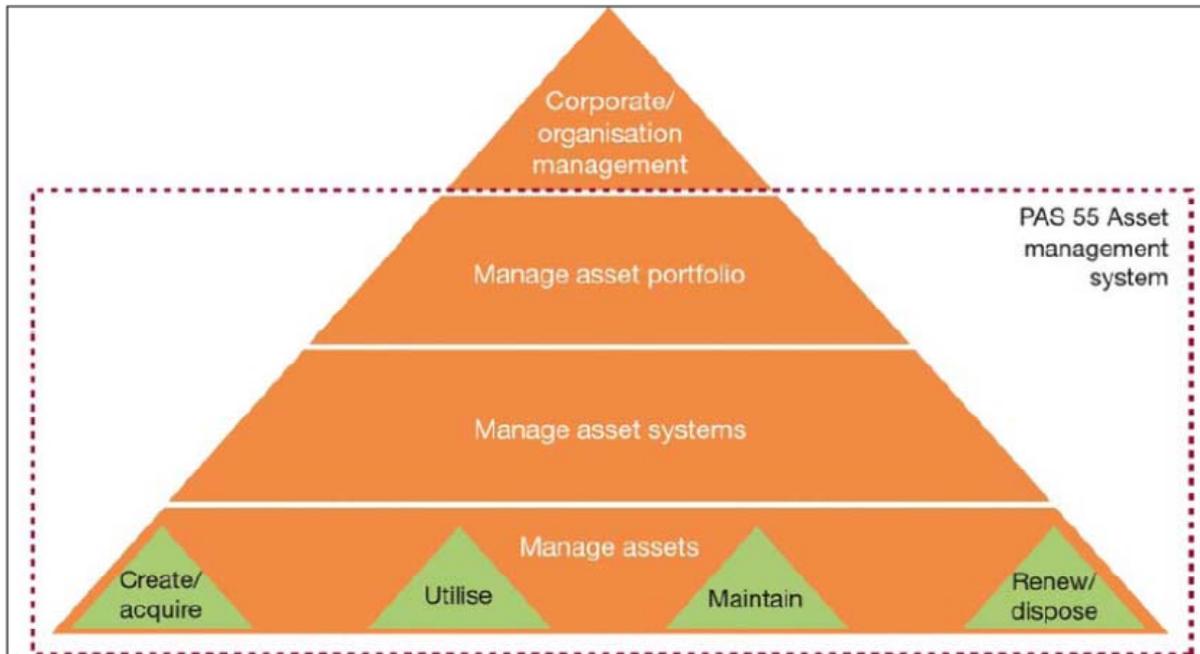
- a. Surplus land is being disposed of in a programme of sales.
- b. Others are support offices and training centres which assist the NDA and Site Licence nuclear contractors.
- c. Finally, land leased to tenants for the purpose of farming or supporting infrastructure (e.g. radio transmitters) surround the nuclear sites – it is considered prudent to retain whilst nuclear operational activity continues.

4) NDA occupied:

- a. The organisation has a staff complement of over 290 people in its UK devolved office accommodation.
- b. The Government sets the standards of occupation:
 - i. The head office will be in West Cumbria.
 - ii. Small satellite offices will be located as near to workload as possible.
 - iii. Government space will be used according to policy space useage aiming for 8 square metres per person.
 - iv. Benchmarking data summary is attached at Appendix A.

D Review of Current Property Assets

- 1) The NDA has adopted a best practice Asset Management system for the management of all its assets including land and property, as follows:



- 2) Continuous review of the land and property management strategy is undertaken to support the NDA strategy. The original Corporate Asset Management Plan was written in 2006 and adopted in 2007; it has been reviewed in 2011 following the review of NDA Strategy: a further review was considered appropriate in 2013 because of changes in scope, following the significant divestment of assets coupled with the first de-designations undertaken and in line with Government Policy.

E Strategy Options Testing

Operational	Non Operational	NDA Occupied
<p>Issue Devolved duty of care to SLCs.</p>	<p>Issue Duty of care to third parties outside nuclear licensed boundaries.</p>	<p>Issue Direct duty of care to NDA employees.</p>
<p>Current Position SLCs occupy and manage sites under a management and operations contract and a lease. The leases are approved by the Office of Nuclear Regulation (ONR).</p>	<p>Current Position Assets disposal programme for those assets no longer required. Management of third party occupation by lease.</p>	<p>Current Position NDA responsibilities to be accounted for.</p>
<p>Option NDA retains assets but devolved by lease to the nuclear licenced sites and related assets to support the decommissioning programme</p>	<p>Option The NDA retains most assets in NDA Properties Ltd, disposing those no longer required. External estate managers appointed to manage estate. Selective property development when required.</p>	<p>Option NDA to lease its own space or share with SLCs. Government space and shared occupation (collocation) to be used wherever possible.</p>
<p>Forward plan Property delegation formed between NDA and SLCs according to M&O contracts; Transact in line with NDA competition programme; Review all 17 sites to ascertain opportunities for de-designation; Recommend to the Minister to dedesignate sites once the decommissioning mission is complete.</p>	<p>Forward plan Procure new collaborative Estates Management Contract; Establish and manage leases; Develop according to Treasury Green Book Appraisals; Obtain GPU approvals; Market testing and disposal.</p>	<p>Forward Plan Scope duties; Procure collaborative Facilities Management contracts; Establish Cost Savings plans with Site Licence Companies across the NDA estate; Manage contract.</p>

F Property Asset Management Implementation

1. 2005 – Where was the NDA at inception?

•
RESEARCH
•
OPTIONS

- no due diligence on BNFL transfers;
- no in house Chartered Surveying Service;
- no asset register records;
- no estates management contractor;
- no communications system set up;
- no property strategy;
- increase in portfolio with UKAEA.

2. 2008/12 – Where was the NDA?

•
**SELECT
PREFERRED
OPTIONS**
•
APPROVALS
•
IMPLEMENT

- Strategic Authorities Forum Strategy (SAF) agreed;
- basic asset register developed;
- all assets valued;
- increase in portfolio with remaining assets transferred;
- all rated valuations appealed;
- estates provider procured;
- full market engagement to determine strategy;
- property company established as a “holding vehicle”;
- first disposals and commercial leases completed;
- stakeholder leases established;
- Property Company established.

3. 2013/17 – Where will the NDA be?

•
COLLABORATE
•
MONITOR
•
REVIEW
•
DEVELOP

- collaborate with Government peers;
- cost and site transparency / accountability established;
- accurate asset register completed;
- all surplus land sales completed;
- property company established on a footing for proactive development;
- estate rationalised and fixed overheads reduced;
- sites de-designated and divested.

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PERFORMANCE

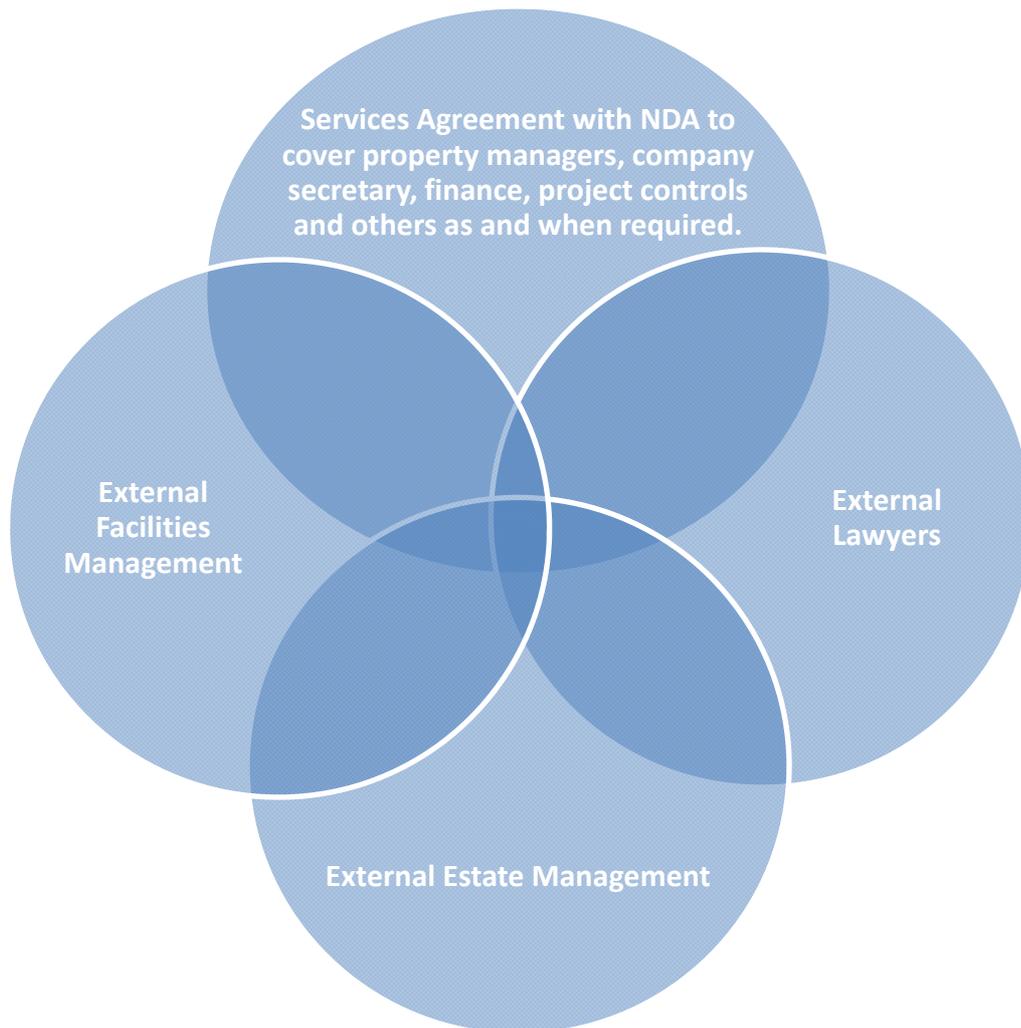
- £500M + capital receipts;
- 20% of estate divested;
- fixed overheads reduced by 10%;
- 80 hectares of nuclear site de-designated.

G Roles and Responsibility

- 1) NDA Management Statement and Finance Memorandum outlines the NDA delegation from Government sponsors. In relation to land and property matters it states:
 - a. The NDA will retain capital receipts from the sale of assets provided that Government and Treasury are content with this.
 - b. The NDA as a Non Departmental Government Body is free to agree and transact to commercial terms on property assets subject to the Management Statement and Financial Memorandum agreed with Government Sponsors.
 - c. NDA shall obtain the approval from the sponsoring Department following Cabinet Office National Property Control guidelines before incurring expenditure which might be considered novel, contentious or repercussive.
 - d. NDA shall seek to maximise receipts from non exchequer sources.
 - e. All property disposals, rent review, lease renewals and acquisition must be carried out in consultation with OGC and by using best practice.
- 2) The management structure for the NDA Property team, acting as intelligent client, is as follows:



- 3) NDA Properties Limited is organised as a wholly owned subsidiary of the NDA with its own Board of Directors, governance and assurance processes, Business Plan and programme of work. It is to be audited in 2013 to ascertain fitness for purpose as its role as a development company and potential Government Property Vehicle are envisaged.
- 4) To support the NDA Property team and NDA Properties Ltd, resources are drawn from the following areas:



H Challenges and Review

Challenges

- 1) Nuclear contractors to offer cost based property contracts to reduce costs on a collaborative basis across the estate.
- 2) Explore collaboration across the wider Government estate and benchmark where appropriate.
- 3) To further develop the method used by SLCs to identify land that is no longer required.
- 4) To continue to dispose of surplus land in the prevailing market conditions.
- 5) To work with local planning authorities to develop strategies for land with and without a commercial value.
- 6) To develop site-specific strategies for the disposal of 'grouped' land to ensure the optimal disposal of land.
- 7) Use the commercially focussed services of NDA Properties Ltd to drive down costs for development and management of land and property assets that would otherwise be undertaken by the nuclear site contractors.

Review

- 8) Continuous assessment of land and property management in line with NDA strategy undertaken to support the NDA mission.

Risk Management

- 1) The NDA Risk Management process is used. Significant projects have their own Risk Registers. A HSG 65 (HSSE recommended Health and Safety) system is used with third party assurance for the management of the estate. Construction and Design Management (CDM) regulations are adhered to. The NDA has appointed a Government Soft Landing approach to design of its buildings for future proofing.
- 2) Risks include:
 - a) Financial risk that the parent company could request repayment which could not be repaid without the Property Company selling some or all of its major assets.
 - b) Company unable to obtain funding to facilitate major projects
 - c) Cost overrun of construction cost finances
 - d) NDA Properties Limited needs to maintain its assets in order to continue operations.
 - e) Failure to maintain its facilities and/or fulfil its statutory requirements. This could result in its failure to continue operations and/or injury or loss of life.
 - f) Unable to achieve capital receipts because of property market uncertainty.

Appendix A



Performance model

DECC - NUCLEAR DECOMMISSIONING AUTHORITY OPERATIONAL 2011-2012
12 December 2012

This model presents the aggregated performance results for those office buildings nominated for inclusion in the GPU Property Benchmarking Service by the constituent agencies of the DECC - NUCLEAR DECOMMISSIONING AUTHORITY OPERATIONAL 2011-2012.

- Number of benchmarked offices 4 - Total occupied office net internal area 5,740 m²
- Total office based FTE staff 350 - Total annual property cost £1,546,904

The occupied office space under review reports a cost per person which is higher than the private sector benchmark average, environmental sustainability which is better than benchmark performance and a measure of building effectiveness which is ahead of benchmark.

		KPI	Score ¹
Cost per FTE £4,420 82	Cost per m ² £269 128	Rent / m ²	£139 119
		Rates / m ²	£39 131
		Other costs / m ²	£91 137
	m ² / FTE 16.4 m ² 36	m ² / workstation	13.6 m ² 58
		Workstations / FTE	1.2 87
Effectiveness² 107	Workplace productivity 91	Functional suitability	83 83
		Workplace environment	81 81
		Facilities	109 109
	Condition, Compliance, Flexibility 132	Condition & Flexibility	39 154
		Compliance	5 98
Environmental sustainability 143	Environmental impact 146	CO ₂ / FTE	2.07 t 121
		△ m ³ water / FTE	5.9 m ³ 145
		△ Non recycled waste / FTE	0.05 t 171
	Management practices 132	Management practices	13 132

¹ The scoring system (each KPI is assigned a score value between 0 and 200) provides an "at a glance" view of how each KPI sits in the context of private sector benchmark data and agreed standards for performance. Simply, the higher the score is above 100 the better the respective KPI is in the context of private sector average performances. Conversely, a lower score (below 100) indicates performance which is below average.

A warning symbol (△) is used to highlight any results which are based on a building level data availability of lower than 75%. Results highlighted using the symbol (△) should be viewed with caution and may not be wholly representative.

² The 2012 Property Benchmarking Service does not require provision of Building User Surveys. The effectiveness part of the model, and associated metrics, have been retained to illustrate scope for further insight.