

2 Structure and organisation

Introduction

2.1. In this chapter we first outline the origins and development of AEA up to 1986. We then briefly describe developments between that year and April 1990 when AEA underwent a major restructuring into what is, substantially, its present form. The current organisation is described in some detail together with recent and planned changes. The chapter also describes the arrangements for dealing with AEA's contingent liabilities including decommissioning and radioactive waste management operations. Our conclusions and recommendations are at paragraphs 2.55 to 2.61.

Background

2.2. AEA was formally created by the Atomic Energy Authority Act 1954, at which stage it embraced all aspects of nuclear R&D. Initially it comprised three major groups-Research, Industrial and Weapons-centred on three sites at Harwell, Risley and Aldermaston. By the early 1960s the work of the Industrial Group (nuclear energy for civil purposes) had expanded substantially and AEA occupied 11 sites plus a London headquarters and had over 40,000 staff.

2.3. The Science and Technology Act 1965 contained a section which extended the research functions of AEA and allowed it to carry out non-nuclear R&D under contract for customers.

2.4. Under the Atomic Energy Authority Act 1971, AEA's isotopes production activities were separated to form Radiochemical Centre Ltd (now Amersham International plc). This Act also transferred the whole fuel processing activity, including sites and staff (except the fast reactor fuel fabrication and reprocessing plants at Dounreay), to BNFL. A further Act in 1973 transferred the Weapons Group to the MOD and modified AEA's power to undertake work on explosive nuclear devices. As a result of these changes the number of AEA staff declined to 13,000 located on six main sites.

2.5. From 1973 to 1986 AEA remained substantially unchanged. It was a largely vote-funded organisation working on nuclear power development, but with funding increasingly provided by the Central Electricity Generating Board (CEGB) and BNFL in respect of technical support services. AEA also developed its non-nuclear work, mainly centred at Harwell. Following a reorganisation in 1977 four main management units were created, a Northern Division (with headquarters at Risley and work at Dounreay, Springfields and Windscale), Harwell, Winfrith and Culham. The number of staff increased slowly to reach 13,900 by 1986.

2.6. The Atomic Energy Authority Act 1986 created an important change in the relationships between AEA and the Government and marked the start of a series of events leading to a major review of AEA's strategy. This Act put the finances of AEA on a trading fund basis, with the effect that it was no longer vote-funded but given an initial level of debt which was formally set, as were financial targets in terms of a ROCE and an external financing limit (EFL); it was required to secure its income through commercial agreements with customers. The DEn-funded nuclear programmes were to be carried out under Programme Letters.

2.7. The financial framework for AEA and Programme Letters is considered in detail in Chapters 4 and 14. In terms of organisation AEA initially retained its existing matrix structure with a programmes axis and a

location-based management units axis. A team of Programme Directors, reporting to a Board member, was responsible for managing DEn Programme Letters, defining technical requirements and controlling the flow of money. The management units headed by directors, also reporting to a Board member, were responsible for carrying out the Programme Letter work and for seeking additional work in both nuclear and non-nuclear fields. Technical staff were 'owned' and managed by these location-based units.

2.8. Over the next two years the Government took a series of decisions to reduce funding for AEA's major nuclear programmes. The preparations for privatising the electricity supply industry (ESI) (which until a late stage involved the nuclear generators) influenced the level of funding from two major customers-CEGB and BNFL-while the announcement in 1989 of a moratorium on future nuclear stations until at least post-1994 further substantially reduced work for AEA.

2.9. In the light of these developments, in late 1988 AEA embarked on a major review of its strategy, assisted by consultants. The broad objective of the review was to identify the best way to achieve a secure future for AEA. Phase 1 of the review was completed in May 1989 and identified three options for the size, shape and focus of AEA by the year 2000. These were described as 'Cut to the Core', 'Pushing the Limits' and 'Potential Unlocked'.

2.10. All three options are discussed in more detail in Chapter 3. Having considered the options, and with the support of DEn, AEA took the decision to adopt the 'Pushing the Limits' strategy, whereby it would commercialise its nuclear and non-nuclear capabilities while remaining subject to existing legal constraints. It would need to focus on a small number of businesses in which it could offer distinctive technical solutions and services. The role of the sites (location-based management units) would be adjusted to cover primarily support services meeting the needs of the businesses, thus reducing their costs substantially, while the relationship between DEn and AEA would be restructured on more commercial lines. This resulted in a major reorganisation with the focus on a business-led structure which took effect in April 1990.

The present structure

2.11. The new structure comprised the Authority Board (the Board), with Chairman and members appointed by the Secretary of State, a CHQ and nine businesses (five nuclear and four industrial) operating at seven locations. Of the locations four were grouped in two pairs to give five management units, or sites. This structure was modified early in 1991 to give four nuclear and five industrial businesses. The structure at the start of our inquiry in July 1991 is considered in the following paragraphs.

The Board

2.12. In July 1991 the Board comprised a part-time Chairman, a full-time Chief Executive and five part-time members. There is a full-time Secretary. In November 1991 the Board was strengthened by the addition of three full-time executive directors-the Managing Directors of the Nuclear and Industrial Business Groups and the Managing Director, Sites and Personnel. Board meetings are held monthly and are attended, in addition to the above, by the Executive Director Finance and a minutes secretary. Other senior managers attend meetings as required for particular items.

2.13. The Board is responsible through the Chairman to the Secretary of State for AEA's performance in meeting the objectives set for it from time to time. Those currently applicable, which therefore reflect the adoption of the 'Pushing the Limits' strategy, were set out in a letter from the Secretary of State to the AEA Chairman dated 21 February 1991 (see Appendix 1.3). While it does not have formal terms of reference the Board is required to produce the annual report and accounts and the AEA Corporate Plan. It also approves expenditure on capital or revenue schemes, or components of such schemes, exceeding £2 million in value. Since September 1990 all proposals or contracts with 'new customers' (as defined in the relevant Board paper) exceeding £5 million in value require Board approval before signature.

2.14. At its meetings the Board monitors the financial position on a monthly basis and also receives quarterly and half-yearly financial reports. We noted from the minutes of meetings since mid-1990 that a number of concerns had been expressed about the adequacy of the financial information available (see

Chapter 4). The Board also receives annual reports or reviews on a range of matters, for example safety, corporate research (CR) and the AEA Constabulary. Twice yearly it receives reports on the businesses, the sites and personnel. At most meetings it will consider some matter of particular concern, such as problems with a contract for the construction of a new facility. In recent months the proposed move of CHQ from London to Harwell has featured regularly (see Chapter 6).

2.15. The Board has one main committee, the Audit Committee. This is chaired by a part-time member and comprises three other part-time members and the Executive Director Finance (not a Board member). The Head of Financial Planning acts as secretary to the committee, which normally meets at least three times a year. We consider the role of the Audit Committee in Chapter 4. There is also a Remuneration Committee comprising the Chairman and part-time members which meets once a year to consider the salaries of the executive directors.

CHQ

2.16. A chart showing the current senior management structure at CHQ is at Appendix 2.1. The top management team, known as the Atomic Energy Members (AEM), is chaired by the Chief Executive and comprises the Secretary (also Commercial and Planning Director), the Executive Director Finance, the Managing Directors of the Nuclear and Industrial Business Groups and the Managing Director, Sites and Personnel. Since November 1991 all but the Executive Director Finance and the Secretary have been members of the Board. The minutes secretary to the Board acts as secretary to the AEM. Three other senior managers reporting directly to the Chief Executive are not members of the AEM: they are the Director of Safety, the Director of Corporate Research (DCR)/ Chief Scientist and the Chief Technologist Nuclear.

2.17. The AEM meets weekly to discuss informally issues of particular concern and day-to-day management. It also considers forthcoming business for meetings of the Board. AEA told us that the AEM was seen primarily as an informal working meeting which did not have any terms of reference or financial sanctioning powers, although most members had individual delegated financial sanctioning responsibilities. However, for some matters the AEM provides a forum for executive decision-making below the level of the Board. Such matters include the annual 'listing' paper of capital, revenue and decommissioning schemes which AEM members expect to approve in the coming year and consideration of the restructuring provisions (see Chapter 9). On these occasions the discussions of the AEM are minuted separately to be formally noted at the next Board meeting.

Committee structure

2.18. Below the level of the AEM, AEA has a number of committees and review meetings most of which act in an advisory role to top management. They also provide channels of communication, both up and down. The committee structure is shown in chart form at Appendix 2.2. Some have common or overlapping memberships, but meet for different purposes. For example, the Chief Executive's Strategy Group (CESG) has a key role in steering the overall planning process by giving strategic guidance and defining priorities for investment. Its membership consists of the AEM plus the Director of Corporate Business Services, the Chief Scientist and the Head of Strategic Planning, who acts as secretary. The Senior Appointments Board (SAB) advises the Chief Executive on matters relating to appointments, pay and succession at senior levels. It consists of the AEM with the Head of Corporate Personnel Policy acting as secretary.

2.19. More widely based, the Chief Executive's Review Meeting (CERM), held twice a year, includes the AEM, business Chief Executives, Site Directors and key corporate managers. The Managing Directors of the two business groups chair review meetings both collectively and individually with their respective business Chief Executives. Similarly the Managing Director, Sites and Personnel, holds meetings collectively and individually with Site Directors.

Managing Directors, business groups

2.20. AEA's nine businesses are divided into two groups-the Nuclear and Industrial Business Groups-each with a Managing Director. The original structure established in April 1990 was subsequently modified when two of the nuclear businesses were merged to create the present Reactor Services business. At the same time AEA Engineering, previously managed with the sites, became a fifth industrial business. Thus the total number of businesses remained unchanged at nine.

2.21. Each business has a Chief Executive who is responsible to the appropriate Managing Director, and through him to the Board, for business performance. The Managing Directors exercise control and co-ordination of the businesses, both directly and through the system of review meetings described in paragraph 2.19.

2.22. The Managing Director of the Industrial Business Group is also responsible for corporate business services and has the Director of Corporate Business Services reporting to him. The structure and effectiveness of AEA's marketing and sales activity are considered in Chapter 13.

Executive Director Finance

2.23. This post was created in February 1991 with the arrival of the current post-holder. Prior to that date the finance function was grouped with personnel under an Executive Director. Under the existing structure the Executive Director Finance has direct line responsibility for the CHQ Finance Department and functional responsibility for the finance and accounts staff located at sites whose line responsibility is to Site Directors. Four senior managers report directly to the Executive Director Finance, namely the Head of Corporate Finance, the Head of Internal Audit and Consultancy, the Director of Quality and Performance and the Director of Information Technology. The role and function of these managers is considered more fully in Chapters 4 and 5.

Managing Director, Sites and Personnel

2.24. As shown in the chart at Appendix 2.1, the Managing Director, Sites and Personnel, at present has four senior managers based at CHQ reporting to him plus the Site Directors (four Site Directors and one Head of Site (Windscale-see paragraph 2.38)). From April 1992 AEA is introducing a number of changes in the arrangements for providing services at sites. The organisational effects of these changes are described in paragraphs 2.41 to 2.46.

Secretary and Commercial and Planning Director

2.25. The responsibilities of the Secretary are shown in Appendix 2.1. He has reporting to him the Chief Economic Adviser, the Authority Legal Adviser, the Head of Strategic Planning, a technical secretariat and a commercial branch, all of which are conventional corporate functions. Also reporting to him is the Corporate DRAWMOPS Director and the CDD. This is an organisation which is unique to AEA and was set up in April 1991 to manage the work required to meet the AEA waste management and decommissioning liabilities which DEN and other customers had agreed to fund and those which remained the financial responsibility of AEA, and generally to be responsible for providing waste management services at AEA sites. CDD's responsibilities include provision of best value for money for funds provided by DEN and other customers. By far the greater part of the liabilities existed prior to 1986; DEN has accepted financial responsibility for these (see paragraph 2.47).

The businesses

2.26. The nine businesses within AEA are as follows:

Nuclear Business Group

Reactor Services (RS)
Fuel Services (FS)
Fusion (FUS)
Decommissioning and Radwaste (D&R)

Industrial Business Group

Industrial Technology (InTec)
Environment and Energy (E&E)
Safety and Reliability (S&R)
Petroleum Services (APS)
AEA Engineering (AEAE)

Each business offers a range of products or services which have been grouped in relation to the principal markets served, and 'owns' the relevant technical staff and facilities. There is some overlap between the businesses in terms of skills and competencies but in general they complement rather than compete. Appendix 2.3 contains a brief description of each business while Table 2.1 gives an indication of size in terms of revenue and staff numbers.

TABLE 2.1 AEA businesses, sales and staff, 1991/92 forecast

	<i>Internal sales</i> <i>£m</i>	<i>External sales</i> <i>£m</i>	<i>Total sales</i> <i>£m</i>	<i>Staff</i>
<i>Nuclear</i>				
RS	15.5	126.1	141.6	1,220
D&R	11.9	80.0	91.9	750
FS	28.0	29.3	57.3	486
FUS	0.7	24.9	25.6	183
<i>Industrial</i>				
InTec	19.7	38.0	57.7	794
E&E	6.5	23.4	29.9	450
S&R	6.6	14.8	21.4	414
APS	3.5	13.8	17.3	170
AEAE	15.1	14.8	29.9	423

Source: AEA.

2.27. As shown in Figure 2.1, apart from the Fusion business, located at Culham, all of the businesses have facilities on two or more sites. RS occupies five sites while D&R, FS and AEAE each have a presence on four sites. The remaining industrial businesses occupy two sites each. All nine businesses have a presence at Culham/Harwell and four have their headquarters located there. Both Risley/Culcheth and Winfrith have five businesses on site including in each case the headquarters of two. The remaining business headquarters is located at Dounreay, which also has three other businesses on site. For completeness, three of the nuclear businesses have a presence at Windscale.

FIGURE 2.1

Distribution of businesses by site

	Harwell/ Culham	Risley/ Culcheth	Winfrith	Dounreay	Windscale
RS	◇	●	◇	◇	◇
D&R	□		●	◇	◇
FUS	●				
FS	◇	◇		●	◇
InTec	●	◇			
APS	◇		●		
S&R	◇	●			
E&E	●		◇		
AEAE	●	□	◇	◇	

Source: AEA.

Note: ◇ = 0-40% of business; □ = 40-100% of business; ● = business HQ.

2.28. Each business has a Chief Executive who reports to the appropriate Managing Director (Nuclear or Industrial) and each has a Business Secretary generally responsible for finance, administration and personnel. The personnel responsibility is primarily a matter of dealing with the Business Personnel Manager or Adviser, who will in future be provided as a corporate service. Although the terminology varies between businesses most have a business development department (broadly marketing and the identification of new opportunities-sales tend to be by the technical staff), a commercial department (contracts and contract administration) and an investment/research manager. The last mentioned is concerned with producing investment strategies and plans, identifying investment opportunities and preparing applications for funds including CR (see Chapter 10). There appears to be a wide variation between businesses in the number of staff engaged on business support activities. D&R, for example, has about 30 while InTec has 70.

2.29. The organisation of the operational staff within each business varies according to the nature of the business. However, most have adopted a system of divisions based on location or product groups and a number of product- or project-related departments within divisions. The structures of InTec and D&R are taken as examples.

2.30. InTec has its headquarters and the bulk of its staff at Culham/Harwell, its remaining staff being based mostly at Risley. It is organised in three divisions: Materials and Manufacturing Technology, Instrumentation, and Aerospace and Process Technology. The first comprises ten departments, of which seven are at Harwell and three at Risley including tribology. As part of the process of change two of the departments at Risley (Materials Manufacturing Technology and Materials Science) are being merged, with some activities being dropped and others transferred to the RS business.

2.31. Instrumentation Division, entirely Harwell-based, is mainly Harwell Instruments (a trading name), but also includes one long-running programme for MOD. The Aerospace and Process Technology Division is mainly Culham/Harwell-based but has 20 staff engaged on power fluidics work at Risley/Springfields.

2.32. Each of the three divisions has a director in charge who reports to the business Chief Executive. All business support costs are treated as a single business overhead; the individual divisions do not have separate overheads.

2.33. The D&R business, with its headquarters at Winfrith, has five divisions, of which three deal mainly with operations and two offer R&D services, although the distinction is not always clear-cut and all divisions contribute to the development of new business for external customers. Their activities are summarised in the following paragraphs.

2.34. Decommissioning Operations Division has five departments, four dealing with DRAWMOPS work on AEA sites (two at Windscale and one each at Harwell and Winfrith) while the fifth, based at Harwell, seeks external decommissioning work. The two units at Windscale are dealing separately with the Windscale advanced gas-cooled reactor and the Piles Complex.

2.35. The Radwaste Operations and Active Handling Division has four departments, one each at Winfrith and Harwell dealing with radioactive wastes, one at Harwell developing remote handling equipment and one at Winfrith for new projects.

2.36. Dounreay Operations and Transport Division has one department undertaking decommissioning and radwaste operations at Dounreay, a Transport Technology Department with responsibility also for radioactive materials transport at Winfrith and Harwell and a Process Technology Department.

2.37. The two Research and Development and Services Divisions are concerned with Radwaste Treatment and Radwaste Disposal. The former has three research departments, one each at Harwell, Winfrith and Windscale, and one department concerned with decontamination operations at Winfrith. Radwaste Disposal Division is entirely Harwell-based, with three departments: experimental studies, assessment studies and theoretical studies.

The sites

2.38. AEA has a total of seven sites of which four are grouped in two pairs and treated as single management units. The sites are:

- Culham/Harwell;
- Risley/Culcheth (including Springfields Laboratory);
- Winfrith;
- Dounreay; and
- Windscale.

Each site except Windscale is the responsibility of a Site Director. Windscale, which is a small site adjacent to, and receiving some services from, the BNFL Sellafield site, has a Head of Site.

2.39. Under the existing structure Site Directors are responsible for a wide range of services. These include estates, safety, finance, personnel, engineering, security, library, public relations and other supporting services. With the introduction of the businesses in April 1990 the sites were seen as providing support for the businesses which would specify the level of support services required. As a result the Site Directors negotiated with the businesses located on their site (from three to nine businesses) the level and cost of services to be provided.

2.40. While this approach resulted in a substantial reduction in site manpower and costs, it also gave rise to a complex internal charging system. The position was further complicated by the different accounting and other systems which had developed at the locations over the years preceding the establishment of the business structure. Under the new business-led structure AEA took the view that the sites organisation was no longer the most effective way of providing supporting services and that this would be better achieved on a corporate basis. Consequently the decision was taken to introduce a new approach from April 1992. The planned changes are summarised in the following paragraphs.

2.41. Under the present arrangements about 350 of AEA's finance and accounts staff are located at sites and report through the Site Directors. Some 200 of the staff concerned will be transferred to the businesses which will be accountable for all the main finance and accounts functions. The rest, apart from four allocated to CDD, will form part of a corporate financial service reporting to the Executive Director Finance. The units outside Harwell will supply local financial and accounting services as required to corporate service managers (see paragraph 2.43). The unit at Winfrith will also supply the main support to the Directors of Safety and Estates. Payroll will, as now, be run at Risley on behalf of all units in AEA.

2.42. The existing CHQ Finance Department will continue to carry out its present functions in support of the AEM, while also being the main source of specialist advice. It will also provide a support accounting service for all the Harwell-based Service Directors (including Corporate Business Services). A separate team will run the local Harwell cash office and any other requirements for the businesses based at Culham/Harwell.

2.43. Two new posts at corporate level will be created, Director of Estates and Director of Personnel, both reporting to the Managing Director, Sites and Personnel, whose title will change to Managing Director, Corporate Services. Responsibility for site safety teams, who currently report to Site Directors, will be transferred to the Director of Safety (see Chapter 15).

2.44. With the abolition of the post of Site Director the senior post on the four main sites will be a Site Manager, who will report to the Director of Estates and will be primarily responsible for the day-to-day management of the estate and for assessing development potential. However, as the senior person with location responsibilities the Site Manager will have some additional responsibilities. He will chair Industrial Relations Committees on a site-wide basis (currently the job of the Site Director or nominee). He will also act as a point of focus for contact with the local community. In this case, however, he is expected to involve the businesses as appropriate.

2.45. The finance, safety, personnel, information systems, security and estates functions will all be corporately managed. Other services on sites will be provided by local delivery teams as required and agreed by the businesses. Some of the existing site engineering staff will be absorbed by the businesses. The number was estimated at 300 in July 1991, but this has yet to be settled. The others will form part of a locally-managed service. Other local services will include catering, transport, graphics and library. Purchasing will be managed as a corporate service reporting to the Director of Estates, with local purchasing teams. For all these local delivery teams the Site Manager will have a general supervisory/managerial responsibility albeit not a functional one.

2.46. AEA told us that the full details of these changes were still being finalised. It was concerned that the role of the new Site Manager should be clearly understood and not seen merely as a downgraded Site Director. Furthermore it was taking steps to ensure that the substantial manpower and other cost savings built into the existing site business plans would not be lost as part of the reorganisation.

Contingent liabilities for decommissioning and waste treatment

2.47. Following the Atomic Energy Authority Act 1986 the Secretary of State confirmed that the Government was prepared to continue to accept responsibility in principle for those costs which AEA incurred in treating and disposing of nuclear wastes and in decommissioning plant. Responsibility was restricted to liabilities arising on work carried out by AEA prior to 1 April 1986 and on Programme Letter work undertaken for DEn after that date; these are recorded as contingent liabilities in AEA's annual report and accounts.

2.48. The current estimate of these costs, based largely on preliminary technical estimates, is of the order of £3 billion to £4 billion. This figure is undiscounted and at present price levels. Over two-thirds of the expenditure is unlikely to arise until well into the next century. AEA told us that the actual costs would remain very uncertain until individual projects were developed and costed in detail. The effort involved in achieving a greater degree of accuracy in overall costs at this stage would be substantial. Furthermore AEA said that it was unlikely that a more detailed engineering design study now would produce figures which were any more reliable because of the long-term nature of the programme. The effect on costs of changes in decommissioning and waste treatment technology and the possible enhancement of safety standards could not be predicted.

2.49. At present the annual rate of CDD expenditure is about £100 million. A small part of CDD's work relates to liabilities other customers have with AEA and to managing operational waste services.

2.50. To assist the Secretary in overseeing the operation of CDD and in reviewing DRAWMOPS activities to ensure that they fully meet safety requirements and give value for money to their customers, a Corporate DRAWMOPS Board of Management has been established. Chaired by the Secretary, membership

of this board comprises the Chief Technologist Nuclear, the Corporate DRAWMOPS Director, the four senior CDD location-based managers and one external representative. The Secretary and the minutes secretary are both members of CDD. Although not a member the Chief Executive of D&R also attends meetings of the board. The full terms of reference for the board are set out in Appendix 2.4.

2.51. Related to, but separate from, DRAWMOPS are two research programmes carried out under DEN Programme Letters and the responsibility of the Chief Technologist Nuclear. The first of these, Decommissioning and Radioactive Waste Management Studies (DRAWMOPS), is a programme of research and conceptual work on radioactive waste management and decommissioning, and also covers overall assessment studies to guide the development of DRAWMOPS strategy. The second, Nuclear Materials Management (NMM), is a programme to develop the advanced handling, viewing and transport techniques required in decommissioning and waste management.

2.52. Under the present arrangements CDD owns all the facilities necessary, such as radioactive waste treatment plant and stores, and assumes ownership of plant to be decommissioned as soon as it is taken out of operation. It then acts as a proxy customer (mainly for DEN) and places contracts for the necessary operations. So far nearly all of the work has been placed internally, mostly with D&R. Some of the work has been subcontracted externally following competitive tender. This has been mainly for the provision of plant or equipment or the construction of facilities. One such external contract let in the period April to October 1991 was for £7.8 million for the construction of a store for radioactive waste. A further £4 million of work was let competitively during the same period.

2.53. As a result of some disquiet about the effectiveness of the DRAWMOPS arrangements and management DEN recently initiated a review. The report completed in June 1991, which is currently under consideration by DEN and subject to detailed discussions with AEA, contained many criticisms and made numerous recommendations for improvement. Of particular concern were weaknesses in investment appraisal and project management and in the method of charging. These are all aspects we consider in more detail in relation to AEA's total activities later in our report (see Chapters 11, 12 and 14).

2.54. The DEN report also stressed the need for DEN to become a more informed customer and for the more widespread use of competitive tendering. In its initial response AEA, while taking issue with a number of conclusions, accepted these points. As a first step DEN has been invited to appoint a representative to the Corporate DRAWMOPS Board of Management. CDD has also considered the scope for opening up to competition a wider range of work in the DRAWMOPS area, particularly decommissioning. The Corporate DRAWMOPS Director held an initial meeting with some 50 potential contractors in mid-November 1991 to explain what would be required and to invite them to pre-qualify. AEA estimated that work valued at £20 million a year could be added to the present level of business put out to tender.

Conclusions and recommendations

2.55. The Board was strengthened in November 1991 by the addition of three full-time executive directors. Thus all members of the top management team are now members of the Board except the Executive Director Finance and the Secretary and Commercial and Planning Director. The effectiveness of the Board in managing AEA during the change to a business-led organisation with nine separate businesses has been hampered by inadequate financial and other information systems (see Chapter 5). A new FIS is to be implemented with effect from April 1992 and other information systems are being developed or improved. We conclude that the steps now being taken by AEA will enhance the effectiveness of the Board in managing the new business-led organisation but that further improvements in MIS are necessary.

2.56. From the spring of 1992, coincident with the move to Harwell (see Chapter 6), the CHQ structure will be slimmed down to comprise the top management team and other senior managers reporting directly to the Chief Executive, plus necessary support staff. Top managers will continue to be supported and advised by a system of formal committees and review meetings. We welcome the proposed changes in the CHQ structure.

2.57. In April 1992 the existing sites structure will be abolished and replaced by corporately-provided services as required and paid for by the businesses. Estates management will be the responsibility of local Site Managers reporting to a corporate Director of Estates, while other services will be provided by local delivery teams. Site Managers will have some location-based responsibilities apart from estates, including industrial relations and public relations. Existing site business plans include substantial manpower and other cost savings and AEA told us that it had taken steps to ensure that these savings would be realised. We conclude that the existing sites structure is no longer appropriate to the needs of the new business-led organisation and welcome its abolition.

2.58. To deal with DRAWMOPS work AEA has established a separate Board of Management, chaired by the Secretary, and CDD. CDD's responsibilities include provision of best value for money for funds provided by DEn and other customers. Hitherto most DRAWMOPS work has been placed with AEA businesses. Following a review undertaken by DEn, AEA has invited DEn to appoint a representative to the Corporate DRAWMOPS Board of Management and has agreed to examine the scope for putting more work out to competitive tender. We conclude that every effort should be made to ensure that DRAWMOPS projects are open to competitive tender from non-AEA businesses, and welcome the steps now being taken by CDD in that direction.

2.59. AEA's annual report and accounts record contingent liabilities in respect of costs to be incurred in the treatment and disposal of nuclear wastes and in decommissioning plant related to work undertaken on behalf of DEn and other Government and public sector organisations, generally prior to 1 April 1986. Although these organisations have agreed in principle to meet these costs, currently estimated at £3 billion to £4 billion, the fact that most of the liabilities are associated with AEA sites limits AEA's freedom of action to develop such sites in the most commercially effective way. Moreover, the existence of such long-term liabilities extending to the next century blocks any moves towards an independent status for AEA and restricts its organisational options.

2.60. The major reorganisation implemented by AEA in April 1990 resulted in a fundamental change to a business-led structure. Subsequent changes, including the creation of CDD in April 1991 and the abolition of the sites organisation with effect from April 1992, have been designed to reinforce the new approach. We conclude that a period of less than two years is too short to assess the effectiveness of the new structure and that it would be premature to make any major changes. The new structure should be given a further three years or so to prove its worth.

2.61. We recommend that in three years or so, after completion of the review of nuclear power which the Government has announced it intends to carry out in 1994, AEA should initiate a further strategic review to assess the position and future development. At that stage, depending on the prevailing circumstances, consideration should be given to a range of possibilities including:

- separation of AEA into two businesses, nuclear and non-nuclear;
- separation of some of the existing businesses;
- creating a separate organisation to take over the nuclear-related plant, buildings and locations no longer required for AEA's continuing activities together with the associated decommissioning and radioactive waste treatment and disposal programme; and
- continuing as at present for a further period.