



Board Meeting: 31 March 2017

AGENDA ITEM: 1

Title of paper:	Wylfa Newydd High Level Group
Purpose of paper:	To update the Board on Wylfa Newydd critical path and seek immediate agreement to ensure the Welsh Government's ability to service the project going forwards.
Action required by the Board:	The Board is asked to: <ul style="list-style-type: none"> • Note the project update. • Note new governance arrangements. • Mandate immediate and consistent cross government action to identify, agree and secure the resources required to service the Wylfa Newydd Programme.
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Publication	This Paper should be withheld from publication as it relates to the following exemptions under the Freedom of Information Act 2000: <ul style="list-style-type: none"> • Section 28 (relations within the UK) • Section 29 (the economy) • Section 35 (Government policy) • Section 36 (prejudice to the effective conduct of public affairs) • Section 41 (information provided in confidence) • Section 43 (prejudice to commercial interests)
Date submitted to Secretariat:	24 March 2017

Background

1. The First Minister has defined Wylfa Newydd as one of the big issues of focus for this Government. The project is potentially, to date, Wales' largest ever single investment and therefore the priority is to deliver and achieve a legacy for Wales. The First Minister has stated that Wylfa Newydd related activity must be coordinated and sustained in a cross Government manner.

Wylfa Newydd Project Critical Path

2. Horizon Nuclear Power (HNP) has confirmed December 2019 as the deadline for securing a Final Investment Decision (FID). Before FID is secured, all project finance (that is the funding package to be agreed between Hitachi, UK Government and Government of Japan, and Contract for Difference from UK Government) and all project related consents must be in place. FID is driving the HNP work programme. All key decisions pertaining to Wylfa Newydd will be made between now and FID, with the most significant of these decisions being made by the end of August 2017 when HNP intends to submit its Development Consent Order (DCO) application to UK Planning Inspectorate (PINS).
3. The FID and DCO timeline dictates that any Welsh Government effort to leverage influence on the project must be condensed into the period between now and mid 2019, with a clear focus on the period March – August 2017. However, as a Statutory Party to the DCO process, the Welsh Government will also have an opportunity to influence the examination undertaken by PINS in the early part of 2018. It is understood that [REDACTED] has already been invested on the project and a further [REDACTED] will be invested (via annually approved budgets) by HNP ahead of FID.

4. [REDACTED]

5. Set within the context of project finance negotiations, HNP has embarked on an optimisation exercise to bring down project costs. The exercise will materially change the shape and form of the project.
6. In light of the optimisation exercise, HNP will be embarking on a third phase of public consultation (PAC3). The PAC3 consultation is likely to take place between 8 May 2017 and 7 June 2017. As with the second phase consultation (PAC2), there will be a requirement for the Welsh Government to provide a full cross-Government response.
7. Following the Wales Act 2017 receiving Royal Assent on 31 January 2017, HNP intends to include the majority of associated development applications within the one single and main DCO application to be heard

by the UK Secretary of State. This deviates from HNP's original consenting approach as the number of Town and Country Planning Act applications to be considered by Isle of Anglesey County Council will be significantly reduced because they will now be included within the main DCO.

8. Set within the context of securing project finance and consents, there is now an onus on the Welsh Government, working firstly with the UK Government and Isle of Anglesey County Council and then with HNP, to define a Welsh position on community benefits. The current UK policy position on community benefits, was set in 2013. This policy does not account for Wylfa Newydd. UK Government officials have therefore advised that a clear position on Wylfa Newydd community benefits needs to be agreed. To arrive at such a position an assessment will be required as to how the current UK position will be translated to Wales, to secure the best outcome for Wales.
9. The method of securing maximum impact for least cost to the Welsh Government will be to influence the shape and form of this project e.g. where housing, transport and logistics centres are located. This means that within the context of the critical path outlined above, the Welsh Government must seek to exert maximum influence on this project ahead of FID in 2019. The primary stakeholders that will need to be influenced ahead of FID will be Hitachi, HNP, the UK Government and Isle of Anglesey County Council.
10. The ability and imperative to influence this project is therefore time bound and time critical, from now to August 2017 and onwards to December 2019.

Welsh Government Response - Progress

11. An internal review was completed in December 2016, setting out recommendations for mobilising a new cross Government approach.
12. Following the review, a High Level Group, chaired by Des Clifford, with membership including the two Deputy Permanent Secretaries and Director General for Health and Social Services, has been established during Spring 2017 to provide leadership and mobilise a Government wide approach to Wylfa Newydd. The Group will assemble on a quarterly basis and report to Cabinet every 5 to 6 months to reassure the First Minister and his Cabinet that timely and coordinated progress is being made.
13. Following approval by the High Level Group the governance structure for Wylfa Newydd will be as follows:

The Wylfa Newydd effort will be managed as programme that is:

- a) Owned by a Board level SRO with
- b) Overall delivery overseen by a Programme Director and
- c) Delivery via a central Programme Management Office in tandem with resourcing and delivery on a portfolio basis across government.

- d) An external stakeholder group will be established – primarily focused on securing north Wales regional alignment and coordination on the project.
14. The programme will be tasked with delivering against the following overarching aim and objectives that have been approved by Cabinet. It should be noted that the Welsh Government approach to this project must not in any way prejudice the position of Welsh Ministers and any devolved consent or authorisation:

Aim: Wylfa Newydd delivers a lasting legacy for Wales.

Objectives:

1. To exploit the positive impacts of hosting this UK strategically important investment in order to secure a lasting and positive legacy for Ynys Môn and North Wales.
2. To exploit Wylfa Newydd as a catalyst for securing long term benefits for Wales in the context of the wider UK nuclear sector.
3. To mitigate the negative impacts of this UK strategically important project on Wales by seeking to exert the maximum influence possible to:
 - eliminate impacts, and
 - secure the maximum amount of compensation from the developer and/or the UK Government where impacts prevail.
4. To coordinate and sustain a cross Welsh Government response to Wylfa Newydd by integrating Wylfa Newydd related activity across existing policies and programmes and as needed, delivering new packages of activity where this adds value and contributes towards the securing of legacy benefits.

Next Steps – priorities for the next 6 months

15. The Cabinet has mandated that the following key activities be completed within the next 6 months. These activity areas represent areas that are above and beyond “business as usual” where genuine cross Government and cross Cabinet ownership and action will be required, including confirmation of resourcing:
- a) Complete a Legacy Framework and Evidence Base.
 - b) Secure formalised alignment with Isle of Anglesey County Council on legacy and proximity principle.
 - c) Input into DCO and statutory processes.
 - d) Integrate Wylfa Newydd into Welsh Government and UK Government policies.
 - e) Define the Welsh Government position on community benefits, business rates and prudential borrowing.
 - f) Define the Welsh Government approach and negotiating position on funding interventions and execute for priority interventions.

- g) Mobilise and resource the internal Welsh Government Wylfa Newydd Programme.
- h) Define the Welsh Government approach to external (North Wales) stakeholder management and account management, and mobilise.
- i) Heighten Ministerial and officials engagement with the UK Government on the project.
- j) Finalise the Welsh Government communications plan and execute.

3. *Resource implications*

- 3.1 There are no direct resource implications. However, this paper seeks the Board's agreement to mandate immediate action, on a cross Government basis under the leadership of the High Level Group and with the support of the programme director, to identify and assign the resources required to service the Wylfa Newydd Programme. To date, Wylfa Newydd has predominantly been serviced from economy functions within the Welsh Government. The project's critical path, the new governance arrangements and tasks to be completed in the next six months, onward to 2019 and then beyond will require staff resources both across departments, to maintain an effective programme management office, and also to finance as needed specific Wylfa Newydd related interventions (that will be subject to all standard checks and approvals).

Financial Implications

- 3.2 There are no finance implications to this advice at this time.

The High Level Group has requested, by mid April, detailed financial information in respect of four potential priority areas, namely skills; supply chain; strategic infrastructure and housing.

The Cabinet has clearly directed that no new resources will be made available to service Wylfa Newydd related interventions. It is therefore imperative that there are decisions over the coming months on the realignment and reprioritisation of funding. This paper seeks the Board's agreement to instigate this process of realignment and reprioritisation.

In parallel and to support this activity, the Cabinet Secretary for Economy and Infrastructure has confirmed an intention to instigate bilateral discussions with other Cabinet Secretaries to confirm a funding and negotiation approach to priority projects by July 2017.

Implications for staff

- 3.3 There are no specific implications to this advice at this time. However this paper seeks the Board's agreement to instigate the process, under the leadership of the High Level Group and with the support as needed of the programme director, to define and allocate the necessary staff resources to service the Wylfa Newydd Programme. This will require realignment and reprioritisation of existing staff resources – and this could in practice require realignment across functions.

An immediate priority will be to confirm a resourcing plan to mobilising the Programme Management Office. Closely aligned, will be the requirement to ascertain and secure resources across Government departments to service Wylfa related activity.

4. Risks

- 4.1 If the Welsh Government does not allocate sufficient resource to servicing the demands of Wylfa Newydd, there is a risk that we will not deliver against the aim and objectives agreed by Cabinet. That in turn would mean Wales and specifically north Wales losing out on securing legacy benefits and being negatively impacted by hosting a project of this scale.

5. Communication

- 5.1 Cabinet has agreed that a cross Welsh Government communique should be issued informing the organisation that the Wylfa Newydd programme is now live.

6. General Compliance Issues

- 6.1 There are no immediate compliance issues associated with this paper.

7. Recommendations

- 7.1 The Board is asked to:

- note the project update and critical path and implications for the Welsh Government.
- note the new Welsh Government governance arrangements to oversee Wylfa Newydd related action.
- mandate immediate and consistent cross government action to identify, agree and secure the resources required to service the Wylfa Newydd Programme.