

**Text of a letter from the Secretary of State to the
AEA Chairman, 21 February 1991**

OBJECTIVES FOR UK ATOMIC ENERGY AUTHORITY (AEA) CHAIRMAN

INTRODUCTION

Peter Walker wrote to your predecessor, John Collier, on 25 February 1987, setting out the objectives which the Government wished him to pursue as Chairman of the AEA. I am writing to update those objectives, taking account of developments both of policy and in the regulatory field, and in the light of the progress made by the AEA to fulfil the main aims of the Government in establishing the Trading Fund in 1986. The objectives represent the general direction in which the Government wishes you to take the AEA. Specific targets, which are referred to in this letter, will be set from time to time by the Government, after consultation with you. Nothing in these objectives over-rides your responsibilities as an Accounting Officer.

Statutory Framework

The AEA's activities are undertaken within the framework of the Atomic Energy Authority Act 1954, the Science and Technology Act 1965, the Atomic Energy Authority Act 1986, and other relevant legislation.

Safety

From October 1990, the AEA has been subject to the safety requirements imposed on licensed operators by the Health and Safety Executive under the Nuclear Installations Act 1965 (Repeal and Modifications) Regulations 1990. You should ensure that the AEA continues to have arrangements which secure at all times the highest standards in safety that are reasonably practicable, in its day-to-day activities, in its decommissioning activities and in the management of radioactive waste.

Decommissioning and Radioactive Waste Management

Decommissioning and radioactive waste management activities are growing in importance within the AEA's total sphere of operations. You should accordingly ensure that, with the funds made available for this purpose, the AEA carries out in the most cost effective way its decommissioning and radioactive waste management responsibilities, consistent with safety and other requirements of the regulatory authorities.

AEA TECHNOLOGY

Aims

Supported by Government, John Collier began, and you are carrying forward, a major restructuring of the AEA, which is aimed at increasing competitiveness, cutting costs, providing better value for money for its customers and increasing profitability. Since 1989, the AEA has been trading as AEA Technology.

Strategy

The AEA is operating in an increasingly competitive market, both for the work which it undertakes for the Government and for other customers. Within the above framework, your prime objective is to ensure that the AEA competes effectively in these markets, develops its business to meet the needs of its customers and, in doing so, earns an acceptable return on its assets. To this end, you should ensure that the AEA has a structure and cost levels that secure these objectives. The Government, whilst continuing to support the AEA in restructuring its operations, looks to the AEA to achieve returns that enable it to fund the costs of restructuring and make a return for the Exchequer.

Defined customer-contractor relations should apply to all work carried out by the AEA. As far as funding by the Department of Energy is concerned, this work will be specified in Programme Letters agreed with the Department and carried out in accordance with the terms and conditions contained in the Letters. Subject to its statutory constraints the AEA should undertake work for customers, whether nuclear or non-nuclear, on the basis of an acceptable return after taking into account any waste management and decommissioning costs to which the work gives rise and appropriate contributions to overheads (including the corporate research and applications development programme). The AEA should have regard to the nature of the work involved in seeking such contributions.

Within the framework of legislation and Government policy, you should ensure that the AEA explores all options for exploiting its technology, including collaborating with other organisations where this is commercially justified or where I indicate that there is a national interest in doing so. You should ensure the AEA informs the Department, at an early stage, of its plans for such collaboration.

You should ensure that the AEA prepares annually a Corporate Plan covering the Public Expenditure Survey period consistent with the business strategy outlined in this letter and taking account of the likely development of each of the main business areas. This should be provided to the Department and contain Business Plans for each main business area. In particular, the Plan should identify those areas where increased resources (money, manpower, research and applications development) are justified by prospects of future profitable business and those where effort should be reduced. The Plan should include a Capital Investment Memorandum setting out the AEA's capital expenditure proposals. The Plan should include contingency planning showing how the AEA could respond to different market out-turns to those assumed in the Plan. I expect to review each year's Plan with you.

PERFORMANCE TARGETS

You should propose suitable performance targets consistent with and complementary to the financial target (see below) for approval by the Department.

FINANCIAL

I expect you to ensure that the AEA stays within its External Financing Limit (EFL) as agreed from year to year.

I expect you to ensure that the financial target, as set by me from time to time after discussion with the AEA, is achieved. I also expect to require you to surrender distributions of agreed sums from time to time to the Consolidated Fund.

CONCLUSION

This letter sets out the main strategic objectives for the term of your current appointment. I expect to discuss each annual Corporate Plan with you, to review the AEA's achievements against the specific targets which have been set, and if necessary to set new targets in the light of this discussion and review. The objectives in this letter will be reviewed not later than the Summer of 1993.

JOHN WAKEHAM