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Wylfa Newydd Readiness and its Impact on Corporate Capacity – **Isle of Anglesey County Council**

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Huw Lloyd Jones, Andy Bruce, Gwilym Bury and Carole Smith under the direction of Huw Rees.

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Summary report

The Council has made good progress as host authority for the Wylfa Newydd project without compromising the delivery of other priorities, but a challenging period lies ahead during which closer collaboration among public sector partners will be vital

- 1 Wylfa Newydd is one of the most complex and costly infrastructure projects to have been considered in Wales. At an estimated cost of £10 billion, Horizon Nuclear Power (Horizon), a private limited company and wholly owned subsidiary of Hitachi Ltd, intends to build a low carbon nuclear power station and other associated infrastructure on Anglesey's northern coast. The land is close to the existing Magnox Wylfa Power Station, built in the 1960s, and which is now being decommissioned. The aim is that Wylfa Newydd will begin to generate electricity in the mid-2020s.
- 2 The Isle of Anglesey County Council (the Council) has been proactive in establishing its 'Anglesey Energy Island Programme', which it describes as 'a collective effort between several stakeholders within the public, private and third sectors working in partnership, putting Anglesey at the forefront of low carbon energy research and development, production and servicing, and bringing with it potentially huge economic rewards'. The Wylfa Newydd project is by far the largest project within the Energy Island Programme.
- 3 The Council is the host authority for the Wylfa Newydd project consenting process, on which the final decision is made by the UK Government's Secretary of State for Business, Energy and Industry Strategy. As such, the Council is one of several consultees within the statutory consultation framework. The Wylfa Newydd project brings with it both direct and indirect risks. Direct risks include, for example, the project's impact on Anglesey's culture and its environment. Indirect risks include the increased demand, especially during the construction phase, that a significant and temporary increase in population may place on the Council's services. The volume of work required to identify and quantify such risks, and to resource the mitigation of their impact, is considerable. This work will present significant challenges for the Council at various stages during the lifetime of the project.
- 4 The demands on the Council are therefore likely to increase, but the demands will also change in nature as the Wylfa Newydd project progresses. These demands, both in the immediate and longer terms, will require resilience on the part of the Council so that it delivers its day-to-day objectives as well as hosting the successful development of Wylfa Newydd.

- 5 The Council must therefore continue to:
- ensure that it has the capacity and skills necessary to work with Horizon and other stakeholders to maximise the benefits to the community arising from the development and operation of Wylfa Newydd;
 - identify and mitigate the risks associated with the development in terms of its impact on the community and its likely effect on the demand for Council services; and
 - deliver services to the population of Anglesey in line with its strategic objectives, and in the context of an increasingly challenging financial environment.
- 6 Welsh Government officials have discussed with the Council the potential for the Welsh Government to provide additional support, given the scale and complexity of the Wylfa Newydd project. Following discussions with both the Council and Welsh Government, we decided to conduct a review focusing on the Council's capacity to achieve its strategic objectives, whilst managing and mitigating the risks associated with the Wylfa Newydd project.
- 7 Our review focused on the Council's capacity and readiness to support the delivery of the Wylfa Newydd project within the context of the Energy Island Programme and the Council's wider strategic objectives. We considered whether the Council has the plans and capacity to maximise the opportunities and mitigate the risks associated with Wylfa Newydd without compromising its ability to deliver all its key priorities and services.
- 8 We found that the Council has made good progress as host authority for the Wylfa Newydd project without compromising the delivery of other priorities, but a challenging period lies ahead during which closer collaboration among public sector partners will be vital.
- 9 We reached this conclusion because:
- planning for Wylfa Newydd has reached a key stage, but many decisions remain before the development is confirmed;
 - Planning Performance Agreements with Horizon have enabled the Council to access specialist capacity to deal with the Council's role as host Planning Authority, and there has been little impact to date on the delivery of other Council services;
 - the Council understands the risks associated with the development of Wylfa Newydd but has, until recently, lacked some key information necessary in order to identify actions to mitigate those risks; and
 - there is scope to co-ordinate more effectively the work of the public sector in order to mitigate the risks and maximise the opportunities offered by the Wylfa Newydd project.

Proposals for improvement

Exhibit 1: proposals for improvement

Proposals for improvement	
	<p>An increasing population as a result of Wylfa Newydd presents a risk that the demand for Council services exceeds the Council's capacity</p>
P1	<p>The Council should continue to monitor its capacity as the Wylfa Newydd project progresses, making full use of the resources available through the development consent process to address any shortfall.</p>
	<p>Failure to ensure effective collaboration across the public sector presents a risk that future costs may fall to the public purse</p>
P2	<p>The Council should continue to work with other public sector consultees, including Welsh Government, to:</p> <ul style="list-style-type: none">• co-ordinate the assessment of risks associated with the Wylfa Newydd project; and• share information to enable a common understanding of risks and how they might be mitigated.
	<p>Failure to develop the supply chain and to address potential labour shortages before the construction of Wylfa Newydd begins present a risk that the North Wales region will not capitalise fully on the project's potential economic benefits</p>
P3	<p>The Council should work with its public sector partners to identify lead responsibilities for developing the supply chain and increasing the training opportunities available across the North Wales region.</p>

Detailed report

Planning for Wylfa Newydd has reached a key stage, but many decisions remain before the development is confirmed

- 10 The developer of Wylfa Newydd, Horizon, must complete a lengthy and complex statutory process to obtain the necessary licences and permissions before it can begin to build the power station. The granting of planning permission is a key element of this statutory process. Wylfa Newydd is a Nationally Significant Infrastructure Project and, in such cases, the decision whether or not to grant planning permission will be made by the UK Government's Secretary of State for Business, Energy and Industrial Strategy.
- 11 The Planning Act 2008 sets out a six-stage process for the consideration of planning applications for Nationally Significant Infrastructure Projects. The first of these stages, the Pre-Application Stage, has included three rounds of public consultation, but most of the statutory process still lies ahead. During the remaining stages, the Planning Inspectorate¹ will consider Horizon's application alongside representations from interested parties, before reaching a decision and making recommendations to the Secretary of State.
- 12 As the host authority, the Council is one of several statutory consultees. The Council has consistently supported the project, but not 'at any cost'; it aims to maximise the benefits to the island in terms of sustainable, high-quality jobs, whilst minimising any adverse impact, particularly during the construction phase. The Council's role at this stage of the project is therefore primarily to work with Horizon and a range of other partners and stakeholders to:
 - realise the economic and other benefits that the Wylfa Newydd project might bring to Anglesey and the wider region of North Wales; and
 - identify and mitigate any adverse impacts that the project may bring.
- 13 At the time of our fieldwork, Horizon intended to apply to the Planning Inspectorate for a Development Consent Order (DCO) by the end of March 2018. The application has since been delayed. However, once the application is submitted, the Pre-application Stage will end. The remaining five stages leading up to the Minister's decision are likely to take over a year to complete. As host authority, the Council has a key role in this process, alongside other public sector parties who may make representations to the Planning Inspectorate.
- 14 Before it submits its DCO application to the Planning Inspectorate, Horizon will agree Statements of Common Ground with the Council and other key public sector stakeholders. These Statements of Common Ground will set out those areas in which the developer has agreed with stakeholders how it will mitigate the range of identified risks. Once the DCO application has been submitted, the Council, as

¹ The Planning Inspectorate is an executive agency, sponsored by the Ministry of Housing, Communities and Local Government and the Welsh Government.

host authority, will submit a Local Impact Report to the Planning Inspectorate for consideration during the Examination. This report will summarise what has been agreed with Horizon and the areas of disagreement. The Examination will consider those matters where there is no agreement and may refer to such matters in its recommendations to the Secretary of State.

- 15 In addition to applying successfully for a DCO, Horizon must also obtain other permissions and licences before the construction of Wylfa Newydd can begin. For example, Horizon submitted its Nuclear Site Licence application for the proposed development to the Office for Nuclear Regulation in spring 2017, with a targeted grant date of late 2018.
- 16 Horizon must also overcome significant financial hurdles before it can make the final investment decision and begin to develop the power station. In particular, it must negotiate with the UK Government to agree a mutually acceptable 'strike price'² for the power that Wylfa Newydd will generate. Horizon must also find investors who will finance the project and pay for the construction.
- 17 The transmission of power from Wylfa Newydd to the mainland and beyond (the North Wales Connection) is the responsibility of National Grid. This project is also classified as a Nationally Significant Infrastructure Project and will therefore be the subject of a separate DCO application which is due to be submitted to the Planning Inspectorate during the second quarter of 2018. Although the DCO applications for Wylfa Newydd and the North Wales Connection are distinct, it is clear that neither project can go ahead without the other. The outcome of the North Wales Connection DCO application therefore represents a further complex decision-making process that must be completed successfully before the development of Wylfa Newydd can be confirmed.

Planning Performance Agreements with Horizon have enabled the Council to access specialist capacity to deal with the Council's role as host Planning Authority, and there has been little impact to date on the delivery of other Council services

- 18 The process of responding to three rounds of statutory consultation placed a significant burden on the Council over and above its role of delivering services to the people of Anglesey. Since then, the work of identifying and analysing risks associated with Wylfa Newydd has required detailed analysis and complex

² The 'strike price' is the sum that the UK Government will agree with Horizon that it will pay per unit of electricity generated by Wylfa Newydd

negotiation in order to seek agreement with Horizon as to how such risks might be mitigated.

- 19 However, the Council has entered into Planning Performance Agreements with Horizon. These agreements, worth about £2 million per annum, have enabled the Council to increase its capacity and capability by appointing suitably qualified and experienced consultants and advisors to undertake some of the additional work generated by the Wylfa Newydd project. These include strategic and legal support with significant experience of similar projects elsewhere in the UK. The Council has also recently appointed an officer to support the DCO application hearing that lies ahead.
- 20 The Wylfa Newydd project is acknowledged as a risk across Council departments, but the bulk of the workload to date has been shouldered by the Energy Island Programme team, supported by the additional capacity available through the Planning Performance Agreements, and by senior corporate management.
- 21 Although the workload on elected members, senior managers and heads of service is heavy, we found that they are generally coping well. Where necessary, services such as Housing, on which the construction phase of Wylfa Newydd may impact directly, have recognised the challenge and have restructured internally in order to provide additional strategic capacity. At the time of our fieldwork in late 2017, the Council faced a short-term capacity problem in developing its impact assessments into costed plans prior to the submission of the DCO application to the Planning Inspectorate. However, the Council is addressing this capacity problem by securing expertise in specific topic areas to act as a critical friend and to identify and fill gaps in evidence and analysis.
- 22 The Council has sound performance and risk management processes in place and is generally self-aware. It acknowledges that there are services in which performance is less strong than it should be, but the weaknesses cannot be attributed to the Wylfa workload. The Council continues to make good progress in a number of key strategic priorities such as school modernisation.

The Council understands the risks associated with the development of Wylfa but has, until recently, lacked some key information necessary in order to identify actions to mitigate those risks

- 23 The Council's role as host authority has required it to consider in depth the risks associated with the proposed development of Wylfa Newydd. The Council has a clear understanding, in general terms, of the risks associated with the construction phase of Wylfa Newydd. The Council has a number of workstreams in place to consider, for example, the likely impact on:
 - the island's housing stock;

- the tourist industry;
 - the Welsh language; and
 - the labour market.
- 24 During the spring of 2017, Horizon conducted a third round of pre-application consultation (PAC3). The developer's proposals at this stage included significant changes to the earlier proposals. In particular, the proposal to house about 4,000 construction staff (rising to 8,500 at peak periods during the construction) in temporary accommodation close to the construction site introduced risks that the Council had not previously considered.
- 25 In order to fully assess the risks associated with the new proposals, and to able to develop costed plans to mitigate those risks, the Council required detailed information. However, the Council commented in response to PAC3 that the information provided was insufficient to enable it to finalise its impact assessments, and to translate them into costed plans. Such plans form the basis for discussions with Horizon about how the company might contribute to the mitigation of risk. Areas of agreement will be reflected in the Council's Statement of Common Ground with Horizon, with areas of disagreement being considered by the Planning Inspectorate when it considers Horizon's DCO application.
- 26 At the end of 2017, Horizon provided the Council with more detail. However, it is likely that there will remain areas of uncertainty about, for example, the precise number of construction workers likely to be required at each stage of the construction process. In the absence of firm data, it may be necessary for the Council to model a range of plausible scenarios to arrive at costed plans.

There is scope to co-ordinate more effectively the work of the public sector in order to mitigate the risks and maximise the opportunities offered by the Wylfa Newydd project

- 27 The Wylfa Newydd project is expected to have a long-term beneficial impact on the economy of Anglesey and the wider North Wales region. It is important, therefore, that the risks of failing to capitalise on such benefits are considered alongside the risk of adverse impacts that Wylfa Newydd may bring. In order to maximise the economic benefits, during both the construction and operational phases, there is a need for investment in education and skills, for example, to enable people across the region to benefit from the jobs created. There is also a need to support local businesses to develop their ability to compete successfully for supply chain contracts.
- 28 The impact of many of the risks that the Council has identified will be experienced most severely in the parts of the island close to Wylfa Newydd. Such risks include, for example, the likely impact on the tourist industry and the strain placed on local

transport systems and amenities as a result of the worker accommodation planned on the Wylfa Newydd site. The Council has recognised in its 'Proximity Principle' that impact will reduce as the distance from the Wylfa site increases and intends that resources available from Horizon to mitigate risks associated with Wylfa should be targeted to those parts of the island located closest to the development.

- 29 However, Wylfa's potential impact on, for example, the housing market may well extend throughout Anglesey and beyond to neighbouring authorities. Although most construction workers may live in the temporary on-site accommodation provided by Horizon, others may choose to rent properties within commuting distance of Wylfa Newydd. Increased demand for private rented property is likely to increase rents and may force some existing tenants to seek cheaper alternatives, perhaps creating pressure within the social housing sector.
- 30 Different public sector partners are better placed than others in terms of assessing the various project risks and leading the planning of how best those risks might be mitigated. For example, the Council as host authority is in a strong position to lead on those aspects such as tourism, where impact will be confined predominantly to the island. Partners, on the other hand, may be better placed to lead the development of plans and strategic interventions to deal with aspects requiring a regional approach such as the labour market and supply chain developments.
- 31 Further training across the region is necessary to ensure that local people benefit fully from the high number of jobs that are likely to be available, particularly during the construction phase. The employment opportunities available during the construction phase are likely to attract applicants from across North Wales and beyond. The development of Wylfa Newydd will require a wide range of ancillary staff in addition to those involved directly in the construction work. The opportunities available at Wylfa Newydd may attract applicants from other sectors such as tourism, where work is often seasonal and rates of pay are low, thereby creating labour shortages.
- 32 Irrespective of the extent to which Horizon contributes to the mitigation of risk, some of the work required to maximise the benefits and to minimise adverse impacts needs to happen before the construction of Wylfa Newydd begins. Examples of such work include:
- the training of local businesses to improve their skills in bidding for contracts;
 - ensuring that sufficient training opportunities exist to enable local people to take advantage of the employment opportunities offered; and
 - identifying and addressing potential housing shortages.
- 33 Some steps have already been taken. For example, Horizon has begun to support the development of the future generation of workers at Wylfa Newydd by investing in a Technical Apprenticeship Scheme based at Coleg Menai, the local Further Education College, and at Horizon offices outside North Wales. Welsh Government is also considering bringing forward plans to finance the building of additional social housing in Anglesey. However, there is an understandable reluctance on the part of the Welsh public sector to invest in such initiatives while there remains a

degree of uncertainty about whether or not Horizon will overcome the remaining hurdles in order to build Wylfa Newydd.

- 34 It is important that public sector consultees, including key partnerships in which the Council is involved, co-ordinate their work, sharing information and ensuring that they are clear about respective responsibilities. It is in the interests of the public sector in Wales to ensure that it works together to provide a comprehensive and consistent assessment of how best to maximise the opportunities offered by the Wylfa development and how to resource the mitigation of risks.
- 35 Inconsistencies between partners are likely to be exposed during the Planning Inspectorate's hearing of the DCO application, undermining the strength of the case supporting the need for Horizon to mitigate the risks in question. Under these circumstances, the costs of undesired and unforeseen adverse impacts may fall to the public purse. Equally, the public purse will bear the opportunity costs of any failure to maximise the potential benefits accruing from the Wylfa Newydd development.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru