



Annual Plan – 2013/14

Photograph courtesy of EDF Energy

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Foreword by ONR Chair



Nick Baldwin
ONR chair

Just over a year has passed since ONR published its Strategy, setting out our vision over the medium to long term. The Strategy continues to act as an effective road-map that provides a clear direction for ONR through its three strategic themes: transforming our organisation; focusing on delivery; and influencing nuclear safety and security.

During 2012/13 we made solid progress in relation to our strategic themes. We began the implementation of a delivery focused organisational model with the establishment of Programmes which reflect the nuclear sectors that we regulate. Organisational change will continue through 2013/14 as our new operating model starts to be embedded into the organisation. In addition, we intensified our preparations to become a new independent statutory body, as foreshadowed in the Energy Bill which is now proceeding through Parliament. An important aspect of this preparation will be to establish the basis of our new working relationship with the Health and Safety Executive to maintain the synergy of our regulatory approaches and to maximise opportunities to control our costs associated with overhead services.

We demonstrated our ability to deliver key regulatory activity through the completion of challenging work, on-time and to a high standard. This included the granting of the first new site licence for a UK nuclear power station in 25 years, the publication of reports by the Chief Nuclear Inspector on the lessons learned from the Fukushima nuclear accident, completion of the generic design assessment of the European Pressurised Reactor, and delivery of the design acceptance confirmation for it.

We continued to influence improvements in UK nuclear safety and security standards through the application of the nuclear regulatory regime. In particular, we increased the impact of security regulation and capability to respond to modern threats to nuclear security by introducing “National Objectives, Requirements and Model Standards”, which move civil nuclear security away from prescriptive regulation, towards a goal setting, outcome based approach. In addition, we influenced improvements in international nuclear safety and security by contributing to a range of activities including taking part in International Atomic Energy Agency peer review missions of international regulators.

The priority objectives and key activities set out in our Annual Plan show how we intend to build further on our record for delivery and continue to seek improvements in nuclear safety and security standards in 2013/14, while maintaining the momentum of organisational change within ONR. In the forthcoming year, we view our greatest regulatory challenges to be securing the delivery of reductions in hazards at Sellafield, and to facilitating lasting improvements in the UK’s preparedness to respond to a nuclear emergency. Equally, we will focus attention on our regulatory assurance function to provide our stakeholders with confidence in ONR’s effectiveness as a nuclear regulator.

Our Plan shows how we intend to judge our performance as we recognise it is important to demonstrate our value to stakeholders, and to ensure we are efficient and effective in everything that we do. We therefore place strong emphasis on delivering value for money in nuclear regulation, recognising the importance of our obligations in this respect under H M Treasury's "Managing Public Money", and to ensure transparency in our costs and charges.

I would like to thank the ONR Board and our staff for their support and hard work in the past year. And I take this opportunity to thank our stakeholders who have contributed to the progress that has been made over the course of the last year. I look forward to working with you all in the year ahead – and beyond.

Nick Baldwin

Operating environment

The nuclear sector, both in this country and internationally, is changing rapidly as is the environment in which ONR operates. To help provide a context to ONR's work during 2013/14, this section aims to provide an overview of our operating environment.

Economic and Business Environment

The UK nuclear industry is in a period of change with greater levels of private sector involvement and competition, the increased use of contractors, and the entry of new players into the UK market. In addition, the UK nuclear sector is increasingly affected by a number of global factors that impact on ONR's work, including:

- > the drive from the nuclear sector internationally for greater co-operation between regulators leading to a convergence of regulatory standards for new nuclear facilities;
- > increased international involvement in nuclear safety and security regulation in the wake of the Fukushima nuclear accident, including the development of a new Nuclear Safety Directive by the European Commission;
- > competition with India, China and the Middle East to attract investment in new nuclear reactors and the need to have a regulatory regime that does not act as a disincentive to investment in the UK;
- > an increasingly competitive global nuclear skills market, which can affect ONR's ability to recruit highly qualified and experienced nuclear specialists. This is of particular importance to ONR as a significant proportion of our existing inspectors are approaching retirement age;
- > the technical capability of the nuclear supply chain to provide quality products and components;
- > a range of modern threats to the security of nuclear facilities, including to their personnel and information systems;
- > the economic climate which requires all public sector organisations continually to seek financial efficiencies, and to improve financial control and accountability.

Key areas of regulatory focus for ONR include activities to deal with the nuclear industry's desire to accelerate remediation of legacy plants; those necessary to respond to the generating companies' need to guarantee UK energy supplies, and to the defence sector's nuclear requirements; as well as responding to Government's interest in the new generation of nuclear power stations.¹

1 Right Honourable Edward Davey MP's speech to the House of Commons on new nuclear power

Political issues

The Government White Paper “*Meeting the Energy Challenge*”, published in 2008, outlined the importance of new nuclear power stations in the UK’s future energy mix, alongside other low-carbon sources². This set in train a process to review the existing regulatory environment to determine the work needed to deliver the Government’s ambition of making the UK the best place in the world to invest in new nuclear power stations. The passage of the Energy Bill through Parliament marks a key stage of this process and, subject to Parliament’s approval, will result in the creation of ONR as an independent statutory body. This will help to ensure that ONR has the financial and organisational flexibility to meet its business needs on a sustainable and resilient basis.

Lessons learned from the Fukushima nuclear accident highlighted the importance of having a nuclear regulator that sits outside of Government.³ One of the benefits of ONR as a statutory body is that it will further demonstrate to stakeholders an independence from bodies or organisations concerned with the promotion or utilisation of nuclear energy, thereby allowing ONR to be seen to make balanced, evidence-based, decisions and judgements in the discharge of our regulatory functions.

There are challenges for ONR through increased activity from the Ministry of Defence’s nuclear defence weapons and propulsion programmes, as well as the Government’s desire that the nuclear industry deals with the remediation of nuclear legacy plants more quickly.

Additionally, in common with other regulators, ONR’s work is influenced by wider Government policies such as those set out in the Chancellor of the Exchequer’s 2012 Autumn Statement and the set of best-practice principles laid down by the Government for regulators to help them manage their business⁴. These best-practice principles, which include transparency, accountability, proportionality, targeting and consistency, are themes that run through ONR’s Strategy, which directs our activity.

Social issues

The adoption of low carbon energy to respond to concerns about climate change and the need to provide for energy security are considered to be the two greatest energy challenges facing the UK⁵; without a clean, secure and sufficient energy supply the UK would not be able to function as an economy or modern society.

2 Meeting the Energy Challenge – A White Paper on Nuclear Power – January 2008

3 Japanese earthquake and tsunami: Implications for the UK nuclear industry – Sep 2011

4 <http://www.bis.gov.uk/brdo/resources/knowledge/better-regulation-principles>

5 Meeting the Energy Challenge – A White Paper on Nuclear Power – January 2008

The majority of the UK's nuclear power stations are due to close over the next two decades. Over the same period, the UK will become increasingly reliant on imports of oil and gas, at a time of rising global demand and prices, and when energy supplies are becoming more politicised.

However, it is recognised that the public and wider society is concerned about the safety, security, and health impacts of nuclear power, as well as the potential threats from terrorism and radiation risks. This was brought into sharp focus by events at the Fukushima Nuclear Plant in Japan. The public's concerns are reflected in changes in their expectations and interests, particularly in their mistrust of unsubstantiated "expert" opinion; this has created an appetite for much greater openness and transparency – a key strategic goal for ONR. Here, we operate based on a presumption of disclosure.

Technology

The UK is home to a broad range of nuclear facilities, some constructed using technology from the 1950's, including prototypes and designs from the early days of nuclear power development. The active management and decommissioning of these legacy plants, keeping the UK's current fleet of nuclear power reactors running safely and securely, and the Ministry of Defence's nuclear programme (including the substantial investment to replace ageing plant with new facilities built to modern standards) presents technological challenges both to the nuclear industry and to ONR as its regulator.

For potential new nuclear power stations, there is a wide variety of designs already in the market, with several new ones under development. All designs need to be resilient to possible terrorist activities by providing appropriate technical solutions.

Similarly, the drive for greater fuel efficiency, as well as the requirement for new nuclear power stations to provide for extended periods of radioactive waste, and spent fuel storage, are all technical changes that need to be managed effectively. Looking to the longer-term, a new generation of potential reactor designs is being developed internationally (so-called Generation 4 designs) and may feature in proposals for deployment in the UK beyond 2025.

Our vision for our future

ONR's strategic vision is "To be universally respected for securing confidence in nuclear safety and security". We want all of our stakeholders to value, trust and have confidence in our work, specifically:

- > for everyone, regardless of their views on nuclear power, to feel that we regulate the nuclear industry appropriately and in proportion to the known hazards it presents;
- > to be a trusted source of objective information and advice about the risks and potential consequences of nuclear activities.

We will achieve this by:

- > recognising that people want to feel safe and secure from the hazards of the nuclear sector;
- > having an open, transparent and honest dialogue with stakeholders;
- > completing the change of legal status to a new statutory body to enhance the independence we need to operate effectively and efficiently in the light of the changing backdrop for our work;
- > recruiting and retaining a talented team with the right skills, experience, knowledge and behaviours.

What we want to achieve

In the context of our strategic vision, ONR's mission is "Securing the protection of people and society from the hazards of the nuclear industry". Our aim is to regulate the nuclear sector in a way that commands public confidence and trust. To that end, we aspire to have a nuclear sector that:

- > controls its hazards safely, securely and effectively;
- > has a culture of continuous improvement and sustained excellence in operations;
- > whenever possible, shares information about their activities with the public.

ONR will contribute to achieving these outcomes by:

- > influencing improvements to create a strong health, safety and security culture amongst the operators;
- > ensuring compliance through proportionate, consistent and independent regulation of the nuclear sector;
- > making balanced judgements through the application of consistent, transparent and evidence-based decision making processes in individual regulatory decisions;
- > having a policy of presumption of disclosure which sets an example of openness and transparency.

Focusing on delivery

Setting objectives

The outcomes ONR is seeking to secure set the strategic direction for our annual plan, and influence our priority objectives and the investment we put into them. The actions to deliver these objectives are captured in our underpinning operating plan and feed into individual team members' personal annual Performance Agreements. This ensures that everything everybody does will contribute towards achieving our desired outcomes and, hence, ONR's Strategy.

In delivering its objectives and performing its functions, ONR places high priority on providing value for money for its stakeholders and being fully accountable for this.

Monitoring progress

Progress is monitored through our internal governance arrangements at Executive, Programme, Leadership Team, and Board levels.

Reporting to our stakeholders

Progress towards delivering our objectives and achieving our outcomes will be reported in our Quarterly Reports and in the Chief Nuclear Inspector's Annual Assurance Report, which will be presented to the Secretary of State and Ministers, and be available on our website.

Delivering outcomes

The following sections set out the outcomes on which we will concentrate in 2013/14.

Outcome: A nuclear industry that controls its hazards safely, securely and effectively

Priority objectives that will contribute to achieving this outcome in 2013/14 are:

- > The reduction of risk and hazard in Legacy Ponds and Silos at Sellafield.
- > To ensure civil nuclear licensees, duty holders and potential licensees comply with the legislation relevant to their activities.
- > To begin the generic design assessment of Hitachi GE's Advanced Boiling Water Reactor design.
- > To approve National Objectives, Requirements and Model Standards (NORMS) compliant Nuclear Site Security Plans (NSSPs) including improvement schedules within agreed timescales.
- > Assess submissions for permissioning transport activities requiring Competent Authority approval and issue permissioning documents as appropriate.

The key activities to deliver these objectives are:

- > Recognising Sellafield improvement as a national priority, proactively support the delivery by Sellafield Ltd of its high hazard and risk remediation programmes within its Legacy Ponds and Silos facilities: (a) full use of the guidance on regulation of intolerable facilities adopted across the Sellafield Programme by June 2013; (b) ONR Regulatory Strategy Group endorses focused regulation (see notes) within Decommissioning Sub-programme by May 2013; (c) focused regulation implemented across the Decommissioning Sub-programme by March 2014.
- > Complete compliance inspections across all ONR Programmes in accordance with the relevant sub-programme intervention plans – at least 95% of planned inspections to be completed by 31 March 2014, with the aim of exceeding this target.
- > Core Team mobilised, and scope defined and approved through the Assessment Review Group, in order to commence assessment of Hitachi GE's Advanced Boiling Water Reactor Design by July 2013.
- > Assess NSSPs that detail how NORMS will be implemented at sites, including improvement schedules, and Temporary Security Plans submitted between 1 April and 31 March 2014, within agreed timescales, to ensure duty holders comply with Nuclear Industries Security Regulations 2003, as a range of measures to improve security culture in the civil nuclear industry.
- > 50 authorisations of transport activities to be delivered in 2013/2014, 20 in first six months, to provide permission for the use of transport packages requiring Competent Authority approval.

'Focused regulation' refers to those steps that could be introduced to deliver accelerated remediation. It requires a review of the activities to be undertaken and the role of ONR to see whether a more effective approach would remove the constraints and expedite programme delivery

Outcome: A nuclear industry that has a culture of continuous improvement and sustained excellence in operations

Priority objectives that will contribute to achieving this outcome in 2013/14 are:

- > To facilitate visible, lasting improvements in the UK's emergency preparedness and response organisation taking into account international good practice and the lessons learnt from the Fukushima nuclear accident.
- > Permission the staged construction of a number of major projects, e.g., "MENSA", on the Aldermaston and Burghfield sites, including the construction, process installation and commissioning of these facilities.
- > Continue regulatory activity in relation to the Materials Consolidation Project to secure the protection of people and society from the hazards arising from the transfer of nuclear materials from former UKAEA sites to Sellafield.
- > Participate in international peer review and regulatory support missions, including the International Atomic Energy Agency Integrated Regulatory Review Service missions (IRRS), and provide support to overseas countries developing regulatory systems for new nuclear power programmes, e.g. through the Regulatory Cooperation Forum.
- > Assist the civil nuclear industry to improve its security by facilitating the exchange of security information, development of security competencies and security culture.

The key activities to deliver these objectives are:

- > Revise ONR's approach for the determination of detailed emergency planning zones (DEPZ) around nuclear sites to ensure they continue to have a sound basis, and to enable discussion with stakeholders, by June 2013.
- > From 1 April 2013, enhance the effectiveness of both on-site of off-site regulation of emergency preparedness and response. This includes implementing the use of annual reviews of capability maps to inform priorities, developing more challenging emergency exercise scenarios and providing guidance to duty-holders on "extendibility" to improve resilience to severe nuclear emergencies.
- > Launch a structured training programme to enhance ONR's capacity and capability to respond to nuclear emergencies by September 2013
- > Assess AWE's safety submission related to the "MENSA" project Pre-Construction Safety Report Stage 3, and provide formal ONR permissioning decision to the licensee installing building services important to safety, in the newly constructed facility by October 2013.
- > Assess Dounreay Site Restoration Ltd's safety submission related to construction of the Un-irradiated Fuels Characterisation Facility (UFCF) and to provide formal ONR permissioning decision to the licensee to commence construction of the new nuclear facility by December 2013.
- > Prepare for the IAEA International Regulatory Review Service international peer review process of ONR in October 2013 (to identify best practice and areas for improvements in ONR's regulatory processes and procedures) to promote a strong showing for ONR from the review.
- > Ensure appropriate security performance indicators are in use at sites by 31 December 2013
- > Produce a security competency framework for consultation with the civil nuclear industry by 31 March 2014

Outcome: All of our stakeholders value our work

Priority objectives that will contribute to achieving this outcome in 2013/14 are:

- > Produce clear and consistent accounts of all our regulatory activities and publish as much of this work as possible in accordance with our commitment to a policy of a presumption of disclosure.
- > Prepare to implement the Government's intention to change ONR's legal status from an agency of HSE to a new statutory public body (supporting the Department of Work and Pensions (DWP) and the Department of Energy and Climate Change (DECC), as relevant).
- > Produce a new communications strategy for 2013/14 and beyond, engaging our stakeholders as appropriate, that promotes openness and transparency in ONR's work and supports our internal programme of change to improve what we do.
- > Deliver a financial strategy that secures value for money throughout ONR's operations and ensures full transparency in the costs of nuclear regulation (see next section).

The key activities to deliver these objectives are:

- > Implement a robust Regulatory Assurance function to provide confidence in the effectiveness of ONR's regulatory operations and that a positive difference is being realised in nuclear safety and security standards
- > Provide regular assessments of progress with the delivery of improvements in the UK's emergency preparedness and response organisation identified as lessons learned from the Fukushima nuclear accident.
- > Begin shadow working on 1 April 2013 in preparation for ONR's change of status to a new statutory body. This includes operating the governance arrangements, systems and processes that will be necessary as a statutory regulator; and continuing implementation of the new Operating Model and further embedding of programme working.
- > Support DWP and DECC as required with specialist advice throughout 2013/14 as the draft Energy Bill (that will create ONR as a new statutory nuclear regulator) progresses through Parliament.
- > Complete in October 2013 a preliminary assessment of readiness to vest as a new statutory body.
- > Complete in January 2014 the final assessment of ONR's readiness to vest as a new statutory body.
- > Continue to improve our engagement with stakeholders by delivering a range of events, including two Community Forums for Civil Nuclear Reactor Programme sites, two conferences for non-governmental organisations, a nuclear industry chiefs' conference and two senior manager security briefing events, by the end of March 2014.
- > Keep local stakeholders informed of important nuclear safety matters and associated site performance issues through the quarterly publication of Local Liaison Committees and Site Stakeholder Group Reports.
- > Reports of interventions, project assessments, and incidents statements published on the ONR website in accordance with relevant timescales to improve the openness and transparency of ONR's regulatory activities.
- > Implement an engagement programme with the Finance Directors of organisations which are charged for ONR's work to build understanding of those charges and confidence in their value for money.

Our people

The collective talent, skills and knowledge of all of our staff - nuclear specialists, non-nuclear experts and business support teams - are ONR's most important asset. Our continued success will depend upon how we recruit, develop and retain all of our people. Specifically, we will need to achieve this within an environment of an increasingly competitive global market for scarce nuclear specialist skills, an existing workforce that will see shortly a significant proportion of knowledgeable and experienced specialist staff reaching retirement age, and an economic climate that requires all public sector organisations to seek efficiencies and better value for money.

We will meet this challenge through:

- > investment in all of our people through a new ONR People Strategy that will provide a vision for the modern and flexible employer ONR;
- > development of workforce plans and effective resourcing and total reward strategies for our future status as a new statutory nuclear regulator that will enable us to recruit, develop, reward and retain the staff and skills we need to deliver our business objectives;
- > focus on developing effective leadership at all levels to give the necessary vision, direction, inspiration and excellent people management. In doing this, we aim to create an inclusive, transparent, fair and consistent culture that encourages openness, staff engagement and values new ideas;
- > innovation in how we recruit and identify new avenues to bring in specialists at all levels to meet the level of unprecedented growth required. We will create new specialist roles that meet changing operational needs and release inspector resource for regulatory work. We will also develop strategic links with the nuclear industry and elsewhere to support our additional resource needs as required;
- > attention to “growing our own” specialists by identifying those with potential and providing targeted development and career opportunities for specialists at all levels. We will recruit direct-entry graduates and continue to provide placements for industry specialists. To underpin this with effective knowledge transfer and succession planning arrangements to build the organisational resilience to meet the future challenges.
- > attention to enriching the roles of, and providing development opportunities for, our business support team, recognising the vital part they too play in ONR's success.

Our resources, performance and key risks

ONR currently recovers approximately 95% of its costs from charges to the nuclear industry. The remainder is funded from Grant-in-Aid from DWP via HSE.

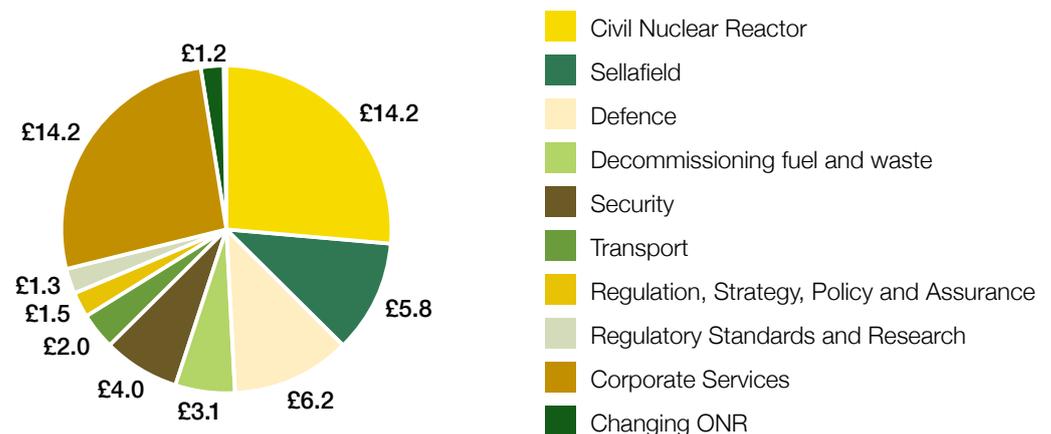
ONR's financial strategy includes:

- > Securing income to cover our costs from charges to the nuclear industry but in new ways that ensure full transparency and predictability in those charges.
- > Benchmarking ONR against Chartered Institute of Public Finance and Accountancy, and National Audit Office financial management and financial maturity models to ensure value for money in all of our operations and with the aim of reducing our costs on a like for like basis by an average of 5% per year over three years.
- > Maximising programme working in our new operating model to reduce rigidities and “silo working”, thereby making more efficient use of our resources.
- > Exploiting technology to allow staff to work more effectively outside the office, improving productivity and flexibility, and reducing costs.
- > Redesigning our central functions so that they can be reduced to “steady state” upon ONR vesting as a new statutory regulator.
- > Maximising all available opportunities for ONR to “buy in” professional services, thereby reducing duplication of effort by ONR staff.

Budget

ONR's budget to deliver this Plan is £53.5m, which is expected to be broadly in line with our forecast spend for 2012/13 and £1.5m lower than the outturn spend for 2011/12. The graph below shows the budget by ONR Programme.

ONR budget by programme – in £Ms



This table provides further details of ONR's budget by Programme and expenditure type

Programme	Payroll	Other Costs	<i>In £Ms</i>
			Total
Civil Nuclear Reactor	11.2	3.0	14.2
Sellafield	5.3	0.5	5.8
Defence	5.6	0.6	6.2
Decommissioning Fuel & Waste	2.5	0.6	3.1
Security	2.5	1.5	4.0
Transport	1.8	0.2	2.0
Regulation Strategy, Policy & Assurance	1.1	0.4	1.5
Regulatory Standards & Research	0.4	0.9	1.3
Corporate Services	5.0	9.2	14.2
Changing ONR	1.1	0.1	1.2
Total Expenditure	36.5	17.0	53.5
Income (charges to the nuclear industry)			- 50.4
Grant-in-aid (funding from DWP via HSE)			3.1

Performance

We are committed to achieving our outcomes, gaining maximum impact from our work and providing more evidence of our achievements. ONR's current key performance indicators are:

KPI	Purpose	Target
Reports completed to deadline	To demonstrate timely production of key documents used to gather operational intelligence and/or provide information to stakeholders	This KPI reports on the production of several report types each with its own production target
Inspections achieved compared to plan	To demonstrate timely delivery of regulatory activity	At least 95% of planned inspections to be completed in 2013/14 with the aim of exceeding this target, and increasing it in later years, as ONR further improves its planning and scheduling of inspection programmes.
Financial performance	To demonstrate financial control	Outturns to be within +/- 3% of approved budget Costs reduced by 5%

KPI	Purpose	Target
Completion of planned milestones	To demonstrate timely delivery of regulatory activity	This KPI reports on a wide range of regulatory interventions each with its own target
Completion of stage gate reviews of the statutory ONR project	To demonstrate readiness to become a new statutory body	Successful completion of stages 2 to 4

Key performance indicators to be introduced in 2013/14.

KPI	Purpose	Target
Regulatory effectiveness	To demonstrate the effectiveness of ONR as a regulator	To be developed
Recruitment and retention	To provide of view of ONR's success in recruiting and retaining talented people	To be developed
Level of staff engagement	To provide a view of the ONR's success in creating an organisation that is great place to work, with rewarding careers for all employees	To be developed
Delivery utilisation	To provide a view of how ONR has utilised its resources against its plan	To be developed as part of the implementation of the Operating Model

Key risks

During 2012/13, ONR introduced a new corporate risk register, including control and mitigation measures. Our headline corporate risks are as follows:

- > ONR is insufficiently prepared to vest as a statutory nuclear regulator because measures essential to this are not in place in time.
- > Lack of clarity over ONR's strategic direction and purpose gives rise to regulatory failure.
- > ONR's regulatory decision making is insufficiently robust.
- > Failure of ONR's internal controls and systems result in wider reputational damage.
- > ONR is unable to secure adequate resources to deliver its objectives.

The ONR Audit Committee will continue periodically to review the risk register and the actions taken by the Executive to manage risks, as relevant. The ONR Board also reviews risk management quarterly.

Office for Nuclear Regulation

Redgrave Court, Merton Road, Bootle, Merseyside L20 7HS

ONRenquiries@hse.gsi.gov.uk

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