

**Minutes of the Board Meeting held at 9.00 14 September 2016
Copeland Suite, Sella Park House Hotel, Calderbridge, Cumbria**

Present:

Members

Nick Baldwin (Chair)
John Crackett – Non-Executive Director
Oona Muirhead – Non-Executive Director
Bronwyn Hill – Non-Executive Director
Penny Boys – Non-Executive Director
Jonathan Baume – Non-Executive Director
Adrienne Kelbie – Chief Executive
Richard Savage - Chief Nuclear Inspector
David Senior – Director of Assurance
Policy & International

Attendees

Sarah High - Finance Director
Dan Grice – Director of Communications
and Insight
Sarah Atherden – Head of Private Office
Charlotte Cooper – Head of Governance

Observers:

Andy Lindley – Programme Director
Mina Golshan – Sellafield,
Decommissioning Fuel & Waste Programme

Secretariat: Pam Morris

1. Welcome, Introductions, Apologies for Absence and Declarations of Interest

- 1.1 The Chair welcomed everyone to the meeting, introducing Andy Lindley and Mina Golshan as observers. Apologies were received from Dave Caton.
- 1.2 No declarations of interest were received.

2. Minutes of the Last Meeting, Matters Arising, Action Log.

- 2.1 The minutes of the last meeting held on 26 July were agreed as a correct record.
- 2.2 The Chair reported that Item 11 on the agenda would be taken above the line and the paper on a Potential, Novel and Contentious Sourcing Issue, tabled by the Chief Nuclear Inspector, would be taken at the end of the meeting.
- 2.3 It was noted that all items on the action log were complete or included on the agenda for the meeting.

3. Chair's Report

- 3.1 The Chair reported that since the Board meeting on 26 July, he had attended, accompanied by the Chief Executive:
 - i) an introductory meeting with Penny Mordaunt MP, ONR's Sponsor Minister.
 - ii) an introductory meeting with Alex Chisholm, Permanent Secretary at the Department for Business, Energy and Industrial Strategy (BEIS).
 - iii) a meeting with Leslie Evans, Permanent Secretary of the Scottish Government.
 - iv) a meeting with Bob Downes and Terry A'Hearn, the Chair and Chief Executive of the Scottish Environment Protection Agency (SEPA).

- v) a Cabinet Office-led Workshop to update participating organisations on progress arising from the Regulatory Futures Review.
- vi) a meeting with Bill Magwood, Director General of OECD Nuclear Energy Agency.
- vii) an introductory meeting with Duncan Hawthorne, the recently appointed Chief Executive of Horizon Nuclear Power.

Action 1: The Chair requested a briefing in advance of his meeting with the consultants (NERA) on 13 October on the work they are doing for ONR to assess the Economic Impact of Nuclear Regulation – Director of Assurance, Policy and International

Action 2: Following publication of the 16th report of the Committee on Standards in Public Life the Director of Human Resources was asked to consider any implications for ONR – Director of Human Resources

Action 3: The Board asked for confirmation of the big UK Universities leading in Nuclear Technology – Director of Assurance, Policy and International

4. Chief Executive Report

- 4.1 The Chief Executive presented her report on performance for August/September and highlighted the following points for interest:
- 4.2 The EMT Strategy Event in Buxton – the group considered external influencing, contexts and trends, internal strengths, problems, opportunities and threats. EMT agreed new industry scenarios and other aspects which would benefit from scenario planning, a new strategic risk register, a corporate plan for 2016/17 and the next three years, and more robust linkages between Directorate Management Teams, EMT and Board Forward Plans. The two days together helped deepen relationships and consider EMT's unique role as senior leaders and what this means individually and collectively.
- 4.3 EMT members provided their own reflections on the Strategy Event including the need to remain focused on the big strategic issues, effective peer challenge and a deepening of relationships.
- 4.4 Staffing – HR is working with named staff groups to produce draft competency models that underpin pay progression with increased contribution and competence.
- 4.5 Capacity and Capability - we remain on target to achieve our forecast growth. The Strategic Workforce Planning Group is considering how best to reflect regulatory capability and depth to inform capacity requirements.
- 4.6 Conventional Health and Safety (CHS) - resourcing is currently stretched, mitigating options have been identified and are being actively managed to address the short and longer term issues. Focus remains on delivering CHS's four priority strategic interventions set out in the CNI Programme Plan and the COP Change Programme.

- 4.7 Government Liaison – ONR was represented at an All Party Parliamentary Group on Energy Costs which focused on ‘The Hinkley Point Review’. ONR provided advice on safety, security and regulation.
- 4.8 NGO Forum - the Director of Communications and Insight reported he is engaged in a working group to pilot an approach for more formal engagement in the future around key issues. The pilot will commence in November.
- 4.9 The following points were raised in discussion:
- i) The Board noted the issues regarding Conventional Health & Safety (CHS) and discussion focused on the challenges in dealing with major construction sites rather than with mature licensees. The Board asked for regular updates through the CNI’s Board report.
 - ii) The Board were supportive of the work we intend to do on Branding but were clear that this should incur minimal expenditure.
 - iii) The Board asked for clarification of the ONR Internal Security Incident reported in the balanced scorecard.
 - iv) The Board expressed their thanks to everyone involved in representing ONR so positively, and in particular Anthony Hart, in the recent Panorama Programme.
 - v) The Board asked for a briefing note on ONR’s relationship / interactions with the Health and Safety Laboratory.
 - vi) The Board asked for a briefing note on the NGO pilot.

4.10 The Board noted the report.

Action 4: Regular CHS updates be provided to the Board through the CNI’s report – Chief Nuclear Inspector.

Action 5: Clarification to be provided to the Board on the ONR Internal Security Incident reported in the balanced scorecard – Director of Human Resources.

Action 6: Briefing note to be circulated to Board on ONR’s relationship / interactions with the Health and Safety Laboratory – Director of Assurance, Policy and International.

Action 7: Briefing note be circulated to Board on the NGO pilot - Director of Communications and Insight.

5. Chief Nuclear Inspector Report (CNI)

- 5.1 The CNI presented his report and highlighted the following:
- 5.2 A decision on Hinkley Point C (HPC) is awaited. Work had been carried out to examine the scenarios should HPC not proceed and what this would mean to ONR resources.
- 5.3 Retrievals from the First Generation Magnox Storage Pond at Sellafield are progressing well. Thirteen skips of legacy fuel had now been removed and it

is anticipated that Sellafield's target of 20 will be exceeded by the end of the financial year.

- 5.4 An Improvement Notice has been issued to Sellafield Limited for failure to control and manage risks arising from legionella at the HALES standby cooling tower.
- 5.5 The CNI tabled a draft guide to Enabling Regulation which explains ONR's regulatory approach to influencing and demanding improvements in safety and security across the nuclear industry. He commented that an enabling approach to regulation is a way of working, and one we have been using for many years. It had already influenced significant safety and security improvements to address many of the nuclear sectors' long standing and complex issues.
- 5.6 Work has been initiated to develop our measurement of regulatory effectiveness building on OECD / IAEA and NEA work. The CNI will update the Board on progress at the Regulatory Workshop planned in January 2017.
- 5.7 On Security Assessment Procedures (SyAPS), the S6 key stakeholder meeting has met recently and is progressing well with broad support from industry and government. A draft of the procedures has been distributed to external stakeholders for consultation with responses due back by the end of September. The CNI talked through the timeline which builds in lots of checks and balances.
- 5.8 A comprehensive update was provided on the Licence Condition Review including consideration of the Phase 1 report, the benefits an independent peer review and expert legal review would bring to deliver a fully robust set of proposals for revision of the Licence Conditions. These activities are planned to be undertaken by the end of January 2017. The proposals will be reviewed by ONR at that time and, dependent on the outcome, Board agreement to commence Phase 2 would be sought.
- 5.9 The CNI provided an oral update on the Defence estate.
- 5.10 The following points were raised in discussion:
 - i) The Enabling Regulation guide is an opportunity for consistency across our regulatory activity as we learn from our successes.
 - ii) In presenting the License Conditions Review to the Board, it is important to clearly set out the strategic cost and benefits of any changes as well as the impact of not proceeding with a proposed change.
 - iii) The Board welcomed the work on Regulatory Effectiveness and looked forward to further discussion on this at the Regulatory Workshop in early 2017.
- 5.11 The Board noted the report.

6 Regulatory Assurance Report

- 6.1 The Director of Assurance, Policy and International (API) presented his report for September 2016 highlighting the following:
- 6.2 The current overall assurance rating for regulatory activities from April 2016 to date is moderate and the overall assurance rating for delivery against Advice Notes to moderate.
- 6.3 The new dashboard draws upon assurance findings from the reviews completed and oversight intelligence to present ratings and trends against the core Regulation Assurance themes and topics for ONR. Recognising this was work in progress, a steer was sought from the Board on the dashboard structure and attributes to inform future reporting.
- 6.4 In discussion the following points were raised:
- i) The Board welcomed introduction of a dashboard. Good progress had been made, but more work is required to provide a corporate assurance map. The Analysis should set out more clearly what underpins the ruling, including to ensure internal consistency in the report.
 - ii) The purpose of the dashboard is to demonstrate that regulation is effective not just that the right procedures were followed. To that end, consideration should be given to assurance reviews getting first-hand evidence from the work of inspectors on the ground. Noting the value of drawing on international good practice such as from the IAEA, the ONR dashboard indicators should be designed to reflect our relatively unique enabling regulation approach.
 - iii) The inter-relationship work between regulatory assurance and internal audit must be addressed.
 - iv) The Board noted the evidence from April 2016 but questioned why previous assurance work had not been included.
 - v) The Board sought clarity on where we are demonstrating our regulatory economic impact.
 - vi) The Chair concluded by reminding Board members that the Board had delegated, to the CNI, all regulatory functions and case decisions of the ONR and as such, the Board requires assurance on how ONR is discharging its regulatory duties.
- 6.5 The Board noted the report and asked the Director of API to address the points that had been made.

7 Finance Report

- 7.1 The Finance Director presented her report for July (Period 4), highlighting the following:
- 7.2 At the end of July the year to date (YTD) actual outturn was £22.7m against a YTD budget of £23.3m, resulting in a YTD underspend of £0.6m, none of which was attributed to efficiencies. Forecasts indicate a final outturn of £72.2m, exceeding the budget by £3.4m at the year end. She commented that subsequent to writing the report, £1m had been identified as underspend and advised the Board that a paper would be presented to them, in

November, to confirm the year end forecast and appraise them of any planned mitigations.

- 7.3 She highlighted the good progress being made with activity to strengthen financial management and control and to deliver new and improved management information.
- 7.4 Financial Awareness Training Sessions are being rolled out to all staff to raise awareness of, and enhance, the financial governance and control in ONR.
- 7.5 Two fully qualified accountants had been recruited to enhance capability.
- 7.6 In discussion the following points were raised:
 - i) The Board expressed concern around the emerging forecast overspend position, failure to identify any material contributions towards the £2m efficiency target and any lack of plans to mitigate the forecast overspend.
 - ii) The Chief Executive commented on the difficulty in running an operational budget based on historic corporate systems and controls, and no efficiency plan for the latest financial year. An accurate and clearer position would be provided in November.
- 7.7 The Board noted the report.

8 ONR 2020 Progress Update

- 8.1 The Chief Executive presented an update paper on the ONR 2020 Project and sought a steer about ONR's vision and strategic themes, in preparation for the Board Strategy session in October.
- 8.2 The Human Resources Director is hosting staff events in all locations to explain the purpose and benefits of the project and respond to any questions and concerns. These events appear to be improving support for the project and reducing concern and scepticism.
- 8.3 The Board were clear that any change to the vision would need to work for the Chief Executive and the Senior Team. The Board's only role was to agree that any change is not wrong. The Board were content with the addition of a fourth strategic theme to more clearly signal a commitment to efficiency, effectiveness and value for money.
- 8.4 The Board noted the paper.

9 Corporate Planning

- 9.1 The Finance Director presented a report to update on progress on the corporate planning activity underway, a key element of which is the development of an overarching plan on a page. It also focuses on the benefits of embedding effective Corporate Planning across the wider ONR community and provides an overview of the approach we are taking and when we plan to finalise the respective products, including definition and sign off of key items.

9.2 The Board welcomed the work to date and noted they would have an opportunity to provide further input at the Board Strategy Event in October.

10 Stakeholder Engagement

10.1 The Director of Communications and Insight presented a paper setting out ONR's vision and approach for stakeholder engagement.

10.2 Following Board discussion and steer, a stakeholder plan will be developed alongside the Communications Strategy. The Communications Strategy will be presented to the Board for approval in January 2016.

10.3 In discussion the following issues were raised:

- i) It was acknowledged that benchmarking is key to understand our stakeholders' perception in order that we can measure, articulate and prove our own success.
- ii) We should look to sharpen up the timescale to meet expectations and look to deliver earlier if we can.

10.4 The Board welcomed the work underway and agreed the work was sound and comprehensive. The Board endorsed the approach.

11 UK Exit from the European Union

11.1 In response to a previous request from the Board, the Director of Assurance, Policy and International presented a paper providing ONR's analysis on the impact of the UK leaving the European Union and the current status of interactions with Government on this matter.

11.2 The Board noted the paper and agreed we should continue to proactively engage across Government to influence and ensure that our voice is heard.

[REDACTED]

[REDACTED]

13 Any Other Business

13.1 There was no other business raised.

13.2 Observer Feedback - Mina Golshan reported on the excellent teamwork and a focus on strategic issues.

13.3 The Chair closed the meeting by referring to Andy Lindley's forthcoming retirement and by recognising his sterling work and significant contribution in delivering the Sellafield Strategy which had driven the visible improvements and dramatic culture change at Sellafield. The Board wished Andy well for the future.

Meeting closed at 12.30.

Minutes approved by the Board:	
Signed	 Nick Baldwin, ONR Chair
Date	<u>1 December 2016</u>