

**Minutes of the Board  
24 January 2017  
Redgrave Court, Bootle**

**Present:**

**Members**

Nick Baldwin (Chair)  
John Crackett – Non-Executive Director  
Oona Muirhead – Non-Executive Director  
Bronwyn Hill – Non-Executive Director  
Jonathan Baume – Non-Executive Director  
Penny Boys – Non Executive Director  
Adrienne Kelbie – Chief Executive  
Richard Savage - Chief Nuclear Inspector  
David Senior – Director of Assurance  
Policy and International  
Sarah High – Finance Director (items 3-5)

**Attendees**

Dave Caton - HR Director  
Dan Grice – Director of Communications  
and Insight  
Mark Stanyer – Information and  
Technology Director  
Sarah Atherden – Head of PO  
Helen Beldon – Finance (item 7a)

**Observer**

Dave Curran, Sellafield, DFW

**Secretariat:** Charlotte Cooper, Head of Governance

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

- 1.1 The Chair welcomed everyone to the meeting. There were no apologies for absence.
- 1.2 No declarations of interest were received.

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

- 2.1 The minutes of the meeting held on 29 November 2016 were agreed as a correct record.
- 2.2 It was noted that all items on the action log were either completed or on track.

**3. Draft ONR Corporate Plan 2017/18**

- 3.1 The Director of Finance presented the draft ONR Corporate Plan 2017/18 for Board review and comment, to inform the final version which would be presented to the Board on 14 March 2017.
- 3.2 She commented that the draft reflected early comments from the EMT and RMT and focus to date had been on content including regulatory activity, organisational challenges and reference to the fourth strategic theme. It also included a first cut of our KPIs. She sought early views from the Board and welcomed more detailed comments following the meeting.

3.3 In discussion, the following points were made:

- i. Whilst it was helpful to see all the information in one place, the draft felt too complex and needed to focus on priorities and our effort to deliver on those priorities.
- ii. The plan should link the strategic themes to priorities and activity to ensure a consistent use of language.
- iii. The plan needed to include both resources and costs against each theme.
- iv. ONR is a people organisation and the plan can only be delivered by having the right people in the right place with the right skills.
- v. We should run the KPIs through the NAO maturity measurement and where appropriate include where we are now.
- vi. The strategic risks section needed more work to accurately reflect our efforts in recent months.

3.4 The Board welcomed the progress to date and agreed to send more detailed comments to the Finance Director by 8 February 2017. The Board noted the Corporate Plan would be presented to the 14 March Board for approval.

**ACTION 1** – Any further comments to the Finance Director by 8 February 2017.

#### **4. Draft 2017/18 Budget Proposals**

4.1 The Director of Finance presented the indicative budget proposals for 2017/18 for review and comment prior to the final budget being presented to the Board on 14 March.

4.2 She commented that the budget proposals had been developed along accountability lines, based on bids from each Director, which reflected the regulatory assumptions agreed by the Board. The budget reflects the drive for improved organisational effectiveness and enhanced leadership capability to optimise regulatory outcomes through undertaking appropriate risk mitigation and modernisation activity. Engagement had taken place with the DWP Stewardship Team and meetings are planned with a number of industry Finance Directors.

4.3 The Strategic Plan 2016-20 indicated an increasing requirement over the period to 2020 to deliver against the strategic themes. The growth in the industry means demand for resource in the organisation grows and ONR's cost base will inevitably increase. Early indications suggest the budget required to achieve ONR's strategic objectives is £84.2m (gross), an increase of £13.4m (19%) against the 2016/17 budget, although it is anticipated that this will reduce by £1.5m.

4.4 The Strategic Improvement Projects had been specifically excluded at this stage and are subject to discussion at item 10.

4.5 In discussion the following points were made:

- i. In presenting the final budget this needed to show how resources and planned increases link to corporate plan priorities and themes.
- ii. Efficiency savings are in the 'how' and not the 'what.'
- iii. Clarification was sought on why we needed to include a provision for safeguarding at this stage.
- iv. The increasing volume of regulatory activity would lead to some increase in support activity.
- v. Could we present the increase explicitly in a 'waterfall' diagram to articulate year on year movement.
- vi. It is really important that we are making progress with the research strategy and that we do this well.
- vii. Development of the Efficiency Plan needed to be discussed at the Audit and Risk Assurance Committee (ARAC) prior to coming back to the Board.

4.6 With regard to the provision for safeguarding, the Director of Policy, Assurance and International confirmed that this reflected the Board assumption that we may need to be ready to go to the market in March 2019.

4.7 The Board passed on their thanks to those involved in making good progress with the research strategy.

4.8 The Chief Executive confirmed that in presenting the budget to the Board in March, we would show what costs look like this year per licensee; what they look like for 2017/18; and what they look like for 2017/18 when including any Board decisions on the Strategic Improvement Projects.

4.9 The Board noted the report and the work that will continue to validate activity and finalise requirements prior to the final 2017/18 Budget being presented to the Board on 14 March 2017.

## **5. Estates Strategy 2017-2020**

5.1 The Director of Finance presented the Estates Strategy 2017-2020. The strategy has been developed in the context of the ONR 2020 estates related principle that ONR will provide suitably equipped and connected office accommodation that satisfies our regulatory needs and those of the staff who occupy them. It reflects the location principles and London options supported by the Board in November 2016.

5.2 In discussion the following points were made:

- i. Include more rationale on how we reached our conclusions.
- ii. Include an assumption that there are opportunities to do even better.
- iii. Remove table three as this is premature.
- iv. This is more of a plan than a strategy and will underpin our HR and IT Strategies. It needs to strengthen the 'what', lose some of the 'how' and set out a plan for delivery.
- v. Enhance the emphasis on flexibility in our future arrangements and not committing to long-term inflexible deals.

- vi. Be adaptable to future needs as they evolve for example changes in IT and new ways of working.
  - vii. Strengthen the rationale for the three locations including the focus being on the investment in staff we already have.
- 5.3 The Board welcomed the report and positive discussion. The Finance Director was asked to consider the comments made and, importantly, keep flexibility at the heart of change.

**Action 2** – It was agreed the Chief Executive would approve the Estates Strategy.

## **6 Chair's Report**

- 6.1 The Chair opened by making reference to the Ministerial portfolio changes that had taken place in recent weeks.
- 6.2 The Chair reported that since the Board meeting on 29 November, he had:
- i. An introductory meeting with Baroness Neville-Rolfe prior to her move to the Treasury. He had written to Jesse Norman MP, who already had Ministerial responsibility for nuclear energy, and has taken over BEIS interest in ONR from the Baroness, offering an early meeting.
  - ii. Attended a meeting with the Minister of State for Defence and Procurement with senior MOD officials and the CNI to discuss a wide range of topics of mutual interest.
  - iii. Had an introductory meeting with Stephen Speed, BEIS Director, Civil Nuclear and Resilience and Jeremy Pocklington, BEIS Director General, Energy and Security, accompanied by the CNI.
  - iv. Attended a DWP sponsorship team-led Public Appointments Seminar to update on the new Public Appointments Governance Code.
  - v. Attended a meeting with the DWP Public Appointments Team and BEIS officials, accompanied by Charlotte Cooper, to discuss the forthcoming ONR NED recruitment competition.
  - vi. Met Penny Mordaunt MP, Minister for Disabled People, DWP to discuss requirements for the forthcoming ONR NED recruitment competition.

## **7 Standing Reports – Discussion by Exception**

- 7.1 Due to the volume of business it was agreed that the four Standing Reports would be taken by exception.
- 7.2 *Chief Executive's Report*  
The Director of Information and Technology provided an oral update on the HSE IT Modernisation Programme which included an update on Domain Name Ownership.
- 7.3 On Brexit matters there had been very little comment and dialogue in relation to other areas and the Directives. We need to demonstrate compliance and are continuing to engage with the European Commission.

- 7.4 The HR Director provided an update on progress on Equalities and Diversity which is now part of the formal Executive Governance structures. The Strategy and Action Plan would be presented to the Executive Management Team (EMT) in March.
- 7.5 The Board discussed the handling of the Times coverage over the Christmas period and noted the learning that had been applied to improve internal handling. The CNI provided an oral update on the INES ratings process and how they are reported. Proactive engagement is taking place with a number of NGOs who are not currently part of the formal network and with the press.
- 7.6 *Chief Nuclear Inspector's Report*  
The Security Assessment Principles (SyAPs) had been submitted to BEIS and we are on target for publication at the end of March 2017.
- 7.7 The CNI provided reflections on his visit to Japan 15 to 20 January. The trip had been very successful and added lots of value. Meetings had taken place with the Japanese government, regulator, industry and press.
- 7.8 The CNI referred to a number of issues within the report which are being closely monitored and the right action being taken. The Board reinforced the need for the Director of Communications and Insight to be fully engaged.
- 7.9 *Regulatory Assurance Report*  
A review had been carried out on the production of the Enabling Regulation guide and a paper on the lessons learnt produced.
- 7.10 A paper is being prepared for the ARAC in February on ONR's audit and assurance framework.
- 7.11 *Finance and Risk Report*  
As at 31 December 2016 actual outturn was £52.2m against a budget of £52.5m with a resulting underspend of £0.3m. Current forecasts indicate a final outturn of £71.3m. Overall, this exceeds the net budget by £2.5m.
- 7.12 The latest version of the ONR Strategic Risk Register is subject to a deep dive review by EMT prior to submission to the ARAC in February.
- 7.13 In discussion, the following points were made:
- i. *Chief Executive's Report* - Concern was expressed on the venue for the all staff event. The Communications and Insight Director confirmed that from a value for money perspective the Aintree racecourse venue had been selected and that there was no racing on the day that had been chosen.
  - ii. Non-Executive Directors offered help outside the meeting on the Domain Name Ownership issue.
  - iii. *Chief Nuclear Inspector's Report* – the Board passed on their congratulations to the CNS team for their work on the SyAPs, under challenging circumstances and to tight deadlines.

- iv. The Board recognised the achievements at Sellafield in commencing bulk retrievals of sludge from the Pile Fuel Storage Pond and in commencing demolition activities at the First Generation Magnox Reprocessing stack and passed on their congratulations to the team.
- v. *Regulatory Assurance Report* – the Board noted the strategic review of the ONR research process and the progress that is now being made.
- vi. *Finance and Risk Report* – the Risk Register continues to improve but we must stop redefining the risks and concentrate of delivering the actions.

7.14 The Board noted the four standing reports.

## **8 ONR Communications Strategy 2017-2020**

- 8.1 The Director of Communications and Insight presented the ONR Communications Strategy which provides high-level direction for communications and engagement over the next three years. The Strategy acts as an umbrella document for supportive communications and engagement plans including: stakeholder management; press and media; internal communications; and a branding and identity protocol.
- 8.2 He commented that effectiveness will be monitored and measured through new KPIs which are being developed through the business planning process.
- 8.3 In discussion, the following points were made:
  - i. Strengthen both listening and learning in the introduction and throughout the document.
  - ii. The Economic Impact of Nuclear Regulation study conducted on ONR's behalf by NERA Economic Consulting has two points which would need to be considered further (1) what more can we specifically do to get feedback from licensees, (2) should ONR itself have a public education role to reduce societal concern.
  - iii. We needed to be consistent in our use of language.
- 8.4 Subject to the comments made, the Board agreed the Strategy and noted that this was a big step forward for ONR.

## **9 ONR People Strategy 2017-2020**

- 9.1 The HR Director presented a refreshed ONR People Strategy. The refresh seeks to create an understanding of the organisation we need to be to meet the regulatory challenges and achieve our vision. We recognise that there are increasing regulatory demands and challenges that will require ONR not only to grow but to deliver improvements and be able to build stakeholder confidence in our capability and capacity to meet those demands.
- 9.2 He commented that the People Strategy builds on the Corporate Plan and discussion at the Board Strategy Day.

9.3 In discussion the following points were made:

- i. Appendix B provided the clarity and simplicity that had got lost in the strategy.
- ii. We should include our values at the beginning of the document.
- iii. The burning platform for change doesn't come through strongly enough.
- iv. We are a 'people' organisation and this needs strengthening throughout the strategy.

9.4 The Chief Executive commented that many of the comments made are relevant to the Corporate Plan narrative which should set out our environment, key messages and priorities for the year.

9.5 The Board noted the Strategy and asked the Director of HR to address the comments made by the Board.

**Action 3** – It was agreed the Chief Executive would approve the Strategy.

## **10 Strategic Improvement Projects**

10.1 The Information and Technology Director presented details of the proposed Strategic Improvement Projects outlined at the Board Strategy Day. In recent months ONR had focussed on its organisational capability with introspective forward-looking reviews to consider how best to future-proof the organisation. ONR 2020, the Board Strategy Event, the Shaping ONR event and other focused activity had clarified the issues, developed key design principles, initiated structural realignment modifications and articulated strategic risk mitigation activity.

10.2 He commented that the overwhelming conclusion is that we should focus on four areas in particular to enhance our efficiency and effectiveness and align with our new fourth strategic theme to develop a high performing sustainable organisation. He set out the approach to developing the four business cases set out below:

- 1) ONR Academy
- 2) New Inspector Capability
- 3) Knowledge Management
- 4) End to End Regulatory Process Review

10.3 He added that on the first two projects we were quite mature in our thinking and ready to take this work to the next stage. On projects three and four there is more work to do in agreeing the scope, determining the architecture, scale and what it is we are trying to achieve.

10.4 The HR Director added that the ONR Academy is not proposing any cashable savings and that this was ultimately about reducing the burden on the front line. The drive behind the project was to meet thinning capability. On new Inspector Capability there would be an upfront demand on resource as work would be undertaken with professional leads to help develop and revamp existing courses.

10.5 The Chief Nuclear Inspector fully supported the requirements and approach and added his full support to this work.

10.6 In discussion the following points were made:

- i. Confirmation was sought on the degree of challenge to the costs for delivery as we need to be sure of the order of cost investment.
- ii. Is this the best long term solution and are we certain there will be no unintended consequences.
- iii. This work appeared to be very aligned to the Government's new Industrial Strategy and we should explore any opportunities for funding.

10.7 The Board were supportive of the proposals and approved initiation of two projects, the ONR Academy and New Inspector Capability and the 2017/18 budget bid of up to £1.444m. However, there was a degree of scepticism on the costs set out in the paper and they asked the Executive Team to ensure a rigorous challenge on the costs as the projects move forward.

10.8 The Board noted the work that had taken place to date to inform the development of the Knowledge Management and the End to End Regulatory Process Review projects. The Board were not convinced that we should approach a solutions provider at this stage. They offered candid views and noted that more work was needed by the Executive Team.

## **11 Proposed Agency Agreement between ONR and HSE**

11.1 The Chief Nuclear Inspector presented a paper seeking Board agreement for ONR to enter into a limited, case-specific Agency Agreement, enabling HSE to prosecute for an incident involving a contactor in 2013 on a nuclear licenced site. He provided the background, options that had been considered and the risks to ONR in undertaking this course of action.

11.2 In discussion the following points were made:

- i. The Board sought assurance that our decisions were robust and that there was a clear rationale to the decision to prosecute in this case and the decision taken not to prosecute in another case. The CNI confirmed this was the case and agreed to circulate a short note to the Board following the meeting.

11.3 The Board agreed for ONR, subject to obtaining the relevant Ministerial approval, to enter into an Agency Agreement under Section 95 of the Energy Act 2013 with HSE to transfer the function of taking forward the enforcement action relating to a specific incident at the nuclear licenced site. The Board agreed that the Chair would sign the agreement on behalf of ONR.

**Action 4** – The CNI to provide a short note to the Board on our enforcement policy and the decision taken to prosecute in this case and not to prosecute in the other.

## 12 Any Other Business

12.1 Observer Feedback – Dave Curran, Sellafield, Decommissioning, Fuel and Waste thanked the Board for the opportunity to observe the meeting. He commented that there was disciplined chairing and a wealth of Non Executive and Executive experience round the table. He welcomed the discussion on the Corporate Plan and stressed the importance of this being communicated effectively to staff.

## 13 Papers for information

13.1 The Board noted the four information papers as follows:

- 1) Progress on 2016 Staff Survey
- 2) Board Forward Look
- 3) Audit and Risk Assurance Committee minutes 8 November 2016
- 4) Security Committee minutes 1 December 2016.

Minutes approved by the Board:

Signed



Nick Baldwin, ONR Chair

Date

13 March 2017