

**Minutes of the Board  
14 March 2017  
Rose Court, London**

**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  
Adrienne Kelbie – Chief Executive  
David Senior – Director of Assurance  
Policy and International  
Sarah High – Finance Director

**Attendees**

Dave Caton - HR Director  
Dan Grice – Director of Communications  
and Insight  
Mark Stanyer – Information and Technology  
Director  
Donald Urquhart – Director, Cross ONR Prog  
Sarah Atherden – Head of Private Office  
**Observer**  
Cristiana Emsley, CNI’s Business Manager  
Major General James Swift, Director of  
Strategy, British Army

**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. Apologies for absence were received from Jonathan Baume and Richard Savage.
- 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 24 January 2017 were agreed as a correct record.
- 2.2 It was noted that all items on the action log were either completed or on track, with the exception of action four from 24 January Board. Donald Urquhart advised that whilst a note had been prepared, this was subject to review by the Chief Nuclear Inspector. This action log should therefore be amended to reflect that this action had not yet been completed.

**3. Chair’s Report**

- 3.1 The Chair reported that since the Board meeting on 24 January, he had:
  - i. An introductory meeting with the Chairman and Chief Executive Officer of the UK Atomic Energy Authority, accompanied by the Chief Executive.
  - ii. An introductory meeting with the recently appointed Chair of the Civil Nuclear Police Authority, accompanied by the Chief Executive.

- iii. Had a final catch up meeting with Stephen Henwood, who recently stood down as Chairman of the Nuclear Decommissioning Authority.
  - iv. Attended an Equality and Diversity Workshop with other ONR London based staff and Oona Muirhead, Non-Executive Director.
- 3.2 Bronwyn Hill provided feedback on the Public Chairs' Forum and the launch of the partnerships between Government Departments and Arm's Length Bodies Code of Good Practice.
- 3.3 The Chair concluded by informing the Board that Ministerial Approval had been given to begin the ONR Non Executive Director Recruitment campaign and that the competition would launch on 15 March 2017.

#### **4 Chief Executive's Report**

- 4.1 The Chief Executive presented a paper to enable the Board to satisfy itself that ONR is being properly managed to deliver its strategic intent and to consider corporate risk mitigation.
- 4.2 She commented that it had been an extremely busy period, with consistent regulatory pressure which had seen three members of the Regulatory Management Team (RMT) oversees on regulatory business.
- 4.3 *Staffing Matters*  
Two realignments are coming to an end. The Executive Management Team (EMT) realignment will complete implementation by the end of March. The Cross ONR integration programme, ably led by Donald Urquhart had been delivered to the highest quality and on schedule. Anthony Hart has been appointed to the Technical Director role.
- 4.4 With regard to Competence and Pay Progression, the RMT consultation raised some practical concerns. We will conduct a second pilot in March to inform our planned April roll out.
- 4.5 *Corporate Matters*  
We have concluded consideration of two of our four protected disclosures. One concluded with no specific concerns. The other will inform changes to conventional health and safety regulation. Donald Urquhart advised the Board that the RMT had considered the review findings and accepted all the recommendations set out in the paper. A six monthly update is provided to the Audit and Risk Assurance Committee (ARAC).
- 4.6 Feedback on the all staff event had been extremely positive. The primary focus of the event was the ONR Corporate Plan 2017/18 and to engage all colleagues around a common purpose and future direction for the organisation. Over a hundred of ONR's staff were involved in making the day a success. The Chief Executive commented that she was extremely proud of their contribution and what had been achieved on the day.
- 4.7 An oral update was provided on the current position with IT, specifically with regard to our infrastructure separation from the Health and Safety Executive.

#### 4.8 *Government Relations*

The Chief Nuclear Inspector (CNI) is leading discussions with BEIS regarding the impact of leaving EURATOM. Whilst the recruitment implications are clear, what is less clear is the potential operational policy impact on BEIS or ask of ONR to support negotiations. The Chief Executive informed the Board that DWP had now confirmed that DWP funding for recruitment would not be made available and shared her view on what this would mean in practice. Discussions are ongoing with Government and it is hoped a satisfactory outcome will be reached by 27 March at which point we will be able to reflect the position in the ONR Corporate Plan 2017/18.

#### 4.9 In discussion, the Board:

##### *i. Staffing Matters*

Passed on their thanks to Donald Urquhart for his leadership on the Cross ONR Programme Integration.

- ii. Sought confirmation that we had access to appropriate legal advice. The Chief Executive confirmed that this had been budgeted for and discussions had taken place with the Director of Communications and Insight who would house this capability in his Directorate under the EMT realignment proposals.

##### *iii. Corporate Matters*

With regard to protective disclosure and organisational culture, felt it was positive that people did not feel disadvantaged by raising an issue.

- iv. Questioned whether anything more could be done to mitigate the IT risk which had been RED for a year and remained RED. The Chief Executive made reference to the new arrangement directly with the service provider, which should help but confirmed a full report would be made to the ARAC in April.

##### *v. Government Relations*

Highlighted that reputationally, the impact of leaving EURATOM would be a significant risk to ONR. This is an important policy consideration that will be in the public domain and the subject of close scrutiny. They sought confirmation that (1) this will be treated like a major project and (2) the need for ONR to be appropriately engaged.

- 4.10 The Chief Executive confirmed that EMT would have more focus on the policy considerations moving forward and the Director of Communications and Insight would lead this work for ONR reflecting changes to his role from 1 April. It is hoped that a clearer stance from Government would emerge in the coming weeks and, if that is the case, the issue would be addressed more fully in the Chief Executive's report in April.

- 4.11 The Board noted the paper.

## **5 Chief Nuclear Inspector's (CNI) Report**

- 5.1 Donald Urquhart, Director, Cross ONR Programme, presented the CNI report to provide assurance to the Board that ONR is meeting its statutory regulatory obligations and that our regulatory activities have been effective across the nuclear sector; influencing to enable safety and security delivery and holding industry to account on behalf of the public.

- 5.2 At the top level, and over the reporting period, the CNI considers that the GB nuclear industry has remained safe and secure.
- 5.3 The milestone to export more than 21 skips of fuel from Sellafield's First Generation Magnox Storage Pond had been achieved ahead of the end of March 2017 target date. Following completion of ONR's assessment of the third Periodic Safety Review for Hinkley Point B and Hunterston B, ONR issued permission for continued operation at the end of January 2017.
- 5.4 The Nuclear Energy Agency Multinational Design Evaluation Programme supply chain inspection of Le Creusot Forge in late 2016 led by the French Regulator identified a range of quality concerns. The Inspection report had now been published. A senior level 1 meeting was held in February solely focussed on the supply chain issues and the improvement programmes were presented. ONR will continue oversight and the CNI will be going to Le Creusot Forge later in the year.
- 5.5 A detailed discussion took place on Generic Design Assessment (GDA) and the current position with regard to completion of the ABWR GDA by December 2017 and ONR's current focus on completion of the AP1000 GDA and issue of the Design Acceptance Confirmation by the end of March.
- 5.6 The RMT had reviewed the finalised draft of the Economic Impact of Nuclear Regulation report produced by NERA Economic Consulting. They welcomed the report and found many aspects of it thought provoking and providing a fresh perspective. There are two or three assumptions and assertions within the report that require further examination and discussion with NERA and a substantive paper would be prepared for the Board in June.
- 5.7 The Board received a briefing on Security Assessment Principals (SyAPs) including the difference of professional opinion that had developed. They were informed of the independent review that had taken place of the difference of professional opinion. The Board noted the outcome of the independent review and, subsequently, the CNI's view that the approach currently taken in respect of security regulation, to determine boundaries and proportionality in terms of radiological consequences is correct.
- 5.8 The Board confirmed their delegation of the Syaps Policy to the CNI, given the CNI had taken advice from the ONR Security Committee. The Security Committee Chair noted that some of the concerns had informed the final version, and that the overall engagement process had been sound. The CNI therefore intends to publish as per the plan with a published review period.
- 5.9 In discussion, the Board:
- i. Asked for a substantive paper on GDA at the April Board.
  - ii. On the Economic Impact of Regulation it will be important to ensure that policies and practices of regulation properly weigh in economic impact according to our vires and law. We should attempt to form a body of evidence on our costs, and if possible show safety costs and security costs. The CNI's report implied that RMT were more concerned at finding fault with the NERA

report rather than developing a positive response. This is an important point of guidance for the RMT in drafting their Board paper on this matter. A formal response to Government will also need to be made in due course.

- iii. Requested the CNI prepares a short note to the Board demonstrating that we have effective regulatory processes and procedures in place and making reference to the need for a 'plain english' overview statement of regulatory scope and intent based on learning from the Syaps Independent Review.
- iv. Sought confirmation on the RAG status of GREEN for Sellafield, Decommissioning, Fuel and Waste given the enhanced regulatory attention of one facility and asked that we come back to this in April.

5.10 The Board noted the report.

**ACTION 1** – A substantive paper on GDA to be presented to the April Board – CNI.

**ACTION 2** – A substantive paper on the Economic Impact of Regulation to be presented to the June Board – CNI.

**ACTION 3** – A short note to be prepared on Regulatory approaches and scope – CNI.

## **6 Regulatory Assurance Report – March 2017**

- 6.1 The Director of Assurance Policy and International presented a paper providing independent assurance on how ONR is discharging its regulatory duties. The report summarises assurance activities completed to date against the Regulatory Assurance function plan of work for 2016/17.
- 6.2 The overall assurance rating of ONR Regulatory Assurance activities is judged as moderate based on the bulk of front line regulatory processes being rated as moderate or substantial. Reviews are being delivered to plan and the three remaining reviews planned for this year are on target for completion.
- 6.3 A paper proposing the new ONR integrated Audit and Assurance Framework from April 2017 had been approved by the ARAC and is provided to the Board, for information, at item 12.
- 6.4 The Board noted the paper.

## **7 Finance and Risk Report – Period 10, January 2017**

- 7.1 The Finance Director presented a paper providing an update on ONR's financial performance at the end of January 2017. As at 31 January 2017 the year to date actual outturn was £58.1m against a year to date budget of £58m with a resulting overspend of £0.1m.
- 7.2 Current forecasts indicate a final outturn of £70.9m. Overall, this exceeds the net budget by £2.1m, although the core budget (excluding the efficiency challenge and New Reactors' additional spend) is forecast to be underspend by £0.7m at the year end.

- 7.3 The Finance Director added that, since submitting the report, early indications for period 11 forecast a £70.8m spend.
- 7.4 She drew the Board's attention to the decision to defer the introduction of Fees Regulations from 1 October 2017 to April 2018. This recognised a variety of factors that were contributing to an unreasonable level of risk associated with an October 2017 implementation date. Extending the timetable creates a grant funding pressure for the 2017/18 year. This had been confirmed with DWP who had already logged this as a risk. ONR had reduced its requirement for grant funding for the 2016/17 financial year through the introduction of charging for some aspects of its work. We are in negotiations with DWP to reprofile grant funding in 2017/18 to balance back to the overall SR15 funding allocation and offset the Fees Regulations pressure and the £400k funding pressure for safeguards.
- 7.5 In discussion, the Board:
- i. Commented that they had greater confidence in the financial report. It is clear that robust financial controls and reporting is in place across ONR.
  - ii. Made reference to the formal cash saving efficiency assumption and the decision taken to invest instead in risk mitigation.
  - iii. Welcomed the robust challenge by the Finance Director in DWP Grant Funding discussions.
- 7.6 The Board noted the report.

## **8 Draft ONR Corporate Plan 2017/18**

- 8.1 The Finance Director provided a copy of the ONR Corporate Plan 2017/18 for review and approval. She advised the Board that the Corporate Plan had been substantially updated since the early draft version presented to the Board in January.
- 8.2 She commented that the Corporate Plan had been the primary focus of the All Staff Event on 7 March 2017, with the objective of engaging all colleagues around a common purpose and reinforcing the future direction of the organisation. Copies of the Plan had also been shared with our Sponsoring Department and BEIS for any substantive comments they may have specifically relating to points of accuracy and key messaging.
- 8.3 She highlighted a number of material comments relating to:
- a. More careful use of language in parts as current drafting looked like we had anticipated regulatory outcomes, which clearly is not the case.
  - b. The limited coverage of three of ONR core purposes (transport, fire safety and conventional health and safety).
  - c. The need to revisit the comparisons made in the foreword.
  - d. The need to ensure a consistent use of language.

- 8.4 Work is ongoing to address the comments set out, and the Plan will now be updated to reflect Board comments together with those of DWP, BEIS and from the all Staff event.
- 8.5 A draft copy of the KPIs was circulated to the Board. Those marked Board / External will be published in the ONR Corporate Plan and will be reported to the Board and externally. These 12 are being shared with DWP and BEIS for comment.
- 8.6 In discussion, the following points were made:
- i. The plan is a vast improvement on the earlier draft considered by the Board in January, it looks better, is much more joined up and easier to read.
  - ii. Could we revisit the use of 'fit for purpose' in paragraph 7.4 in the context of discussions the CNI has had on this previously.
- 8.7 The Board agreed to delegate approval of the final document to the Chair and Chief Executive to allow submission of the Corporate Plan 2017/18 to the Secretary of State before 31 March 2017.
- 8.8 The Board passed on their thanks to all those involved.

## **9 ONR Budget 2017/18**

- 9.1 The Director of Finance presented a paper setting out the final budget proposals for 2017/18. She highlighted that following early presentation of budget requirements to the Board, in January, further refinement, challenge and re-profiling of recruitment needs and plans had resulted in a material reduction to the final budget bid. The budget required to deliver ONR's plans for 2017/18 had been revised to £81.1m (gross), a reduction of £3.1m against the original proposed.
- 9.2 She commented that £7m related to demand led activity. No formal cash saving efficiency assumption had been made for 2017/18 on the basis that ONR intends to invest in risk mitigation and modernisation activities including through the Strategic Improvement Projects to develop the environment and provide opportunities for generating future sustained efficiencies during the period to 2020.
- 9.3 In discussion, the Board:
- i. Sought confirmation that demand led activity was driven by industry demand and that the final budget proposals included two of the four strategic improvement projects relating to the ONR Academy and Inspector Capability.
  - ii. Confirmed their understanding that the focus of efficiencies would be around processes and systems.
- 9.4 The Finance Director confirmed this was the case.

9.5 Following careful consideration and detailed discussion, the Board approved the budget of £81.1m for 2017/18 and noted that ONR would now engage with DWP to confirm the 2017/18 Budget requirement.

## 10 Impact of Leaving Euratom

10.1 A paper was tabled, for information, on the implications of the UK leaving Euratom and the impact and current risks to ONR. There was no further discussion as this had been addressed at item 4.

## 11 Any Other Business

11.1 Observer Feedback – Cristiana Emsley, the CNI's Business Manager thanked the Board for the opportunity to observe how decisions are being considered strategically and with long term impact. She commented that this had been helpful in her current role to understand priorities and keep the CNI well informed and ahead of events.

11.2 On behalf of the Board, the Chair thanked the Director of Assurance, Policy and International for his contribution to ONR, including his work in setting up ONR as a Statutory Corporation and for his attendance at the Board. In response the Director of Assurance, Policy and International commented that after 21 years he would be leaving ONR with a huge sense of pride and passed on his best wishes for the future.

## 12 Papers for Information

12.1 The Board noted the three information papers as follows:

1. ONR's Integrated Audit and Assurance Framework
2. ONR Security Committee minutes – 14 February 2017
3. Board Forward Look

Minutes approved by the Board:	
Signed	 ..... Nick Baldwin, ONR Chair
Date	25 April 2017.....