

**Minutes of the Board
25 April 2017
Holiday Inn, Plymouth**

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
Dave Caton - HR Director
Sarah High - Finance Director

Attendees

Dan Grice – Director of Policy and
Communications
Mark Stanyer – Information and Technology
Director
Anthony Hart - Technical Director
Mike Finnerty – Director, New Reactors

Observer

Mark Foy – Director, Operating Facilities

Secretariat: Sarah Atherden, Head of Private Office

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 Charlotte Cooper.
- 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 14 March 2017 were agreed as a correct record.
- 2.2 It was noted that all items on the action log were completed or on track, with the exception of Action 3 from the January Board. It was agreed that the HR Director would provide an update against this action as part of the HR Report agenda item.
- 2.3 Oona Muirhead sought clarification in relation to Action 3 from the March Board and agreed to discuss this separately with the Technical Director.

3. Chair's Report

- 3.1 The Chair reported that since the Board meeting on 14 March:
 - i. Oona Muirhead had been reappointed as ONR's Security Non-Executive Director for a further three year term.

- ii. End of Year appraisals had been completed for all Non-Executive Directors. DWP is Head of ALB Partnership Division, had completed the Chair's appraisal on 23 March.
 - iii. He had attended the joint Public Chairs' Forum/Association of Chief Executives event "*Being in the eye of the media storm*" on 28 March. It was particularly helpful to be reminded of the benefits of having an external professional to assist in handling unexpected events and the Executive Management Team (EMT) may wish to consider a similar approach for the future.
 - iv. He had a helpful discussion with the Director, Civil Nuclear and Resilience, BEIS about the potential implications of Article 50 having been triggered.
 - v. In addition to attending the Health and Safety Executive (HSE) Board on 16 March, he participated in a briefing on policy development and stakeholder events in relation to Science and 'Helping Great Britain Work Well'.
- 3.2 The Chair advised that following the announcement of a General Election, Cabinet Office had advised that the closing date for the ONR Non-Executive Director recruitment would be extended until 11 June. At this stage, the Chair is hopeful that we will remain on schedule.
- 3.3 The Chair concluded by informing the Board that he would be away from 4-22 May and 29 May to 4 June. He will be delegating Chair responsibilities during his absence to John Crackett.

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 it had been an extremely busy period as significant senior management time had been diverted to addressing three staffing issues which arose in the period and emerging issues in relation to the new build market. Development of Directorate and Divisional plans had also proved challenging.

General Election

- 4.3 The Chief Executive advised that due to the timing of her report, any impact as a result of the General Election had not been included and she updated the Board accordingly.
- 4.4 The 2017/18 Corporate Plan would not be published on 28 April as originally planned and the proposal is to submit it to Ministers at the end of June alongside the Annual Report and Accounts 2016/17. The Chair and Chief Executive have agreed that no further changes are required to the Corporate Plan and, as a result, EMT is considering staff and stakeholder engagement against the draft document.
- 4.5 The stakeholder consultation on Fees Regulations, due to start in May, will be delayed and implementation will move to October 2018, in accordance with

Better Regulation requirements for common commencement dates. It is intended to discuss the impact of this with DWP, BEIS and HMT.

4.6 *Corporate Governance*

Following a request from the Board for clarification around our Executive governance, an overview of the primary governance put in place last year has been included within the report. As we implement new Executive governance arrangements, future reports will more directly address performance against plan, KPIs and risks.

4.7 *Strategic and Emerging Risks*

The Chief Executive provided a briefing on the staffing issues raised in her report.

- i. The Departmental Security Officer has been asked to consider our vetting arrangements and provide appropriate recommendations. An update will be provided to Board in June.
- ii. The capacity and capability of the HR Directorate poses a risk to delivery of key activity outlined in the Corporate Plan. It was agreed that this would be covered under the HR Director Report agenda item.

Senior Staffing Matters

- 4.8 Anthony Hart, the new Technical Director was welcomed as additional support to the CNI and Regulatory Management Team (RMT) in leading important functions, including the Professional Leads, and by directly supporting the CNI with technical advice.

Information and Technology

- 4.9 We intend to consult Board on an IT Strategy in July. EMT recognise a need for additional focus on information governance and cyber security risks and our approach will be addressed within this, with updates provided in future reports.

4.10 In discussion the Board:

i. *Strategic and Emerging Risks*

Sought confirmation that concerns regarding staff security arrangements can be resolved. The Chief Executive confirmed that the process followed is standard practice but believes it may leave ONR exposed to unnecessary risks.

- ii. With regard to protective disclosure and HR processes, there may be opportunities to be more proactive to address any behavioural issues. It was noted that legal advice, taken in a particular case, had fully endorsed the Executive approach.

- iii. Suggested that any lessons learnt from a review of vetting arrangements could feed into recruitment processes.

iv. *Senior Staffing Matters*

A factual clarification was made to paragraph 5.4 of the report that should read 'August' rather than 'May', in respect of the retirement of the Director, Civil Nuclear Security.

- v. Questioned whether anything more could be undertaken to mitigate the IT risk, which has been RED for a year and remained RED. The Board noted that funding will not resolve issues as we are fundamentally reliant on third party suppliers, alongside ensuring that we have adequate staffing, management systems, processes and policies in place. This work is in progress but is long term. There is no short term resolution.
- vi. The IT Director advised that Steria had completed a HSE IT Health Check report on 21 April. This will be considered by EMT shortly, but initial indications are that there are a number of critical and high priority issues requiring resolution for both HSE and ONR. It was agreed that a more detailed update would be provided at the June Board.
- vii. Highlighted that we should be thinking strategically about outcomes required. Assurance was provided that the IT Strategy being brought to the Board in July addresses this.
- viii. Sought an update on the Single Operating Platform (SOP) and associated impact to cash flow. The Finance Director advised that she has diverted resources to ensure invoices are sent to industry accurately and on time. Lessons learnt from a recent implementation of SOP within the Ministry of Justice had also been gathered.
- ix. Commended the work completed on the Business Impact Target assessments and asked that thanks be passed on to the staff that developed them.

4.11 The Board noted the paper.

ACTION 1 – An update to be provided to the Board in relation to proposals for improvements to staff security clearance arrangements – Chief Executive.

ACTION 2 – Discussion on potential enhancements to processes to be arranged with Oona Muirhead in advance of June Board – HR Director/Head of Private Office.

ACTION 3 – Clarity on the high level information governance and IT risks to be addressed in the IT Strategy being provided to the Board in July – Director of IT.

5. Chief Nuclear Inspector's (CNI) Report

5.1 The CNI presented his report to provide assurance to the Board that ONR is meeting its statutory regulatory obligations and that our regulatory activities had 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 The CNI was pleased to report that 29 of 31 milestones within his Summary

Programme Plan had been met for the reporting year.

- 5.3 The Chair congratulated the CNI and his team on the recent and successful delivery of Security Assessment Principles (SyAPs) and completion of the Westinghouse Generic Design Assessment (GDA).
- 5.4 The CNI updated the Board on delivery of the first concrete monolith at Sellafield that, due to timing of his report, had not been recorded as an achievement. This was noted and acknowledged by the Board as another major milestone.
- 5.5 The CNI provided an update in relation to Materials Consolidation and advised he was considering, in consultation with BEIS and the Nuclear Decommissioning Authority (NDA), proposals on timeframes. The Board asked to be kept informed through future CNI reports.
- 5.6 Two Divisions are rated as AMBER. The first, in relation to New Reactors, is due to the external uncertainty in relation to new build, which impacts on our resource and planning assumptions. The CNI confirmed there will be no decision in relation to Small Modular Reactors (SMRs) until after the Purdah period. Work had paused until requirements are clearly defined by BEIS.
- 5.7 Civil Nuclear Security is reported as AMBER as a result of current resource pressures and the remaining uncertainty around safeguards post-Brexit. It was agreed that future CNI reports should provide clarity on why ratings had changed, aligned to the corporate RAG ratings for consistency.

ACTION 4 – Future CNI reports to explain changes to RAG ratings – CNI.

- 5.8 The CNI provided an update against Euratom and informed the Board of a letter he had received from BEIS, confirming formal approval for ONR to commence scoping work on establishing a domestic safeguards regime to meet the UK's international safeguards and non-proliferation obligations. BEIS has also provisionally agreed to fund the delivery of a domestic State System of Accountability and Control (SSAC) capability, which was welcomed.
- 5.9 We intend to establish a formal project shortly and clarify the critical governance arrangements with BEIS. Due to Purdah restrictions, any potential procurement for an IT system to support a SSAC capability will need to wait until after this period, but we believe engagement with international colleagues will help inform the technical requirement. The timetable, ability to secure specialist resource in safeguards, and funding all remain challenging. A further meeting will be held with BEIS on 27 April.
- 5.10 In discussion, the Board:
 - i. Requested clarity on the governance for safeguards and wider implications around Euratom, including accountabilities within BEIS and ONR and confirmation that this will be treated as a major project. It was agreed that a note would be provided to Board in relation to the governance arrangements for safeguards in due course, following further discussion with BEIS.

ACTION 5 – A briefing note to be provided to Board on governance arrangements around Euratom and safeguards – CNI.

- ii. Sought an update on progress with the RMT response to the NERA report. The Board were provided with assurance that the RMT is treating this with due concern and consideration. There are a number of fundamental inaccuracies that had not been highlighted during the first review that require clarification with the author before completion of the management response.
- iii. An apology was made that the previous paper to Board in 2016 may not have reflected an accurate scope for the subsequent work required.

5.11 The CNI assured the Board that RMT were on track for July and noted the comments raised. He confirmed handling of our response will be considered. A formal response will need to be made to Government in due course.

5.12 The Director, Operating Facilities, provided a verbal update on the Atomic Weapons Establishment (AWE).

5.13 The Board noted the paper and verbal update.

6. Finance Report - Period 12, March 2017

6.1 The Finance Director presented a paper providing an update on ONR's financial performance at the end of March 2017. As at 31 March 2017, the end of year outturn was £70.8m against an adjusted net budget of £70.1m.

6.2 She drew the Board's attention to two bad debt cases and that she is actively pursuing matters where cost effective to do so, whilst developing more robust processes to avoid similar matters arising in the future.

6.3 ONR's grant requirement for 2017/18 is forecast to be £2.247m, which includes the impact of delaying Fees Regulations until April 2018. As a result of the further delay until October 2018, there will be an additional pressure to be agreed with DWP.

6.4 The Board in discussion:

- i. Questioned whether we were managing all of our targets so that payments were accurate to industry. The Finance Director provided assurance that the focus of our mitigation is on establishing an accurate unit cost, to ensure sufficient income to cover our costs, while recognising the seasonality of the income profile that may adversely impact ONR's cash flow. There is an improved structured approach within RMT to move resource around.
- ii. Congratulated the Finance Director and Directors on the substantial assurance for Financial Delegation.

6.5 The Board noted the paper.

7. HR Director Report to Board: Overview of 2016/17

- 7.1 The HR Director presented his first report to enable Board to satisfy itself that staff issues are being managed appropriately and that ONR is getting the best out of its staff. As this is the first report, it was acknowledged by Board that this report provided an overview of 2016-17 performance and progress.
- 7.2 Significant success has been achieved in meeting challenging recruitment targets, maintaining low turnover, delivery of operational and transactional support and provision of effective learning and development for all staff. Our 10% growth target had been met. This year's target was confirmed as 5%.
- 7.3 There had been some slippage in delivery of projects relating to implementation of competency pay and the 2017 Staff Survey. The staff survey launched on 24 April and initial headlines would be provided to Board in June, with further analysis provided later. Competency Pay will also launch in April for administrative staff with regulatory staff following later, following conclusion of a pilot considered by the RMT in May.
- 7.4 Delivery had been slower than expected with the Cross Directorate Groups, but further engagement with staff will help address issues and progress activity.
- 7.5 Flexibility of deployment is key and this work will be progressed by the Technical Division, which will have regulatory oversight of inspectors in the field. Each division has an understanding of competence and resource that can be used across the organisation.
- 7.6 There is an emerging strategic risk in relation to the capability and capacity of the HR Directorate that poses increasing risk to the delivery of key activity outlined in the Corporate Plan, including strengthened governance and leadership of the cross directorate groups and the two agreed Strategic Improvement Projects.
- 7.7 The Board were advised that this is as a result of capability gaps, and experienced external resource is being sought to help deliver key change projects on both a temporary and permanent basis. The People Strategy and Directorate Plan will demonstrate how the changes will be delivered.
- 7.8 The People Strategy will be submitted to the Chief Executive by 28 April for approval.
- 7.9 The Board in discussion:
 - i. Asked the HR Director to summarise his key concerns for 2017/18. He advised that 360 feedback had highlighted issues relating to management behaviours and culture within the organisation. This is a recognised challenge and development of a leadership framework will help. Continuing focus on reducing our regulatory thinning capability and effective knowledge transfer is also important.

- ii. Supported the development of the HR Scorecard, noting this was still work in progress and highlighting trends would be important.
- iii. Noted it would be helpful to set out how many professional memberships we pay for and the associated benefits and aligning senior manager personal objectives to include leadership on staff survey actions.

7.10 The Board noted the paper.

8. New Reactors Regulation

8.1 The Director, New Reactors presented a paper to provide a high level overview of ONR's regulation of new build given current uncertainty and the associated challenges in securing investment. The Board were asked to comment on three future options set out within the paper for the future Generic Design Assessment (GDA) process.

8.2 The Board, in discussion:

- i. Agreed that it was not possible to make a decision based on the options presented and provided guidance on proposals for further discussion. Although it was useful to have early discussions, given the complexity and potential impact of such a major change in our regulation of new reactor designs, it was noted this required more detail and discussion.
- ii. Agreed that this should be the focus of further discussion at the Board Strategy event in September.
- iii. The CNI thanked the Board for their support and will consider their feedback.

8.3 The Board noted the paper.

ACTION 6 – GDA to be discussed at the Board Strategy event in September.

9. Remuneration Committee – Outcome of Effectiveness Review and Changes to Terms of Reference

9.1 Bronwyn Hill presented the report and raised one change that was required within paragraph 12 of the revised Terms of Reference. The paragraph should read '*Approving periodic reviews of Executive Board Directors remuneration and annual bonus awards*'.

9.2 The Board agreed the changes to the Terms of Reference.

10. Any Other Business

10.1 Observer Feedback – The Director, Operating Facilities, thanked the Board for the opportunity to observe how decisions are being considered strategically and valued the comments and challenge provided on regulatory aspects including SyAPs and GDA. He commented that there was significant information in the discussion to help EMT and RMT consider issues further.

11. Papers for Information

11.1 The Board noted the three information papers as follows:

- i. Board Effectiveness Review – Management Response Update
- ii. Audit and Risk Assurance Committee minutes – 21 February 2017
- iii. Board Forward Look

Minutes approved by the Board:	
Signed	 Nick Baldwin, ONR Chair
Date	