

**Minutes of the Board
25 October 2017
Rose Court, London**

Present:

Members

Nick Baldwin - Chair
John Crackett - Non-Executive Director
Jonathan Baume – Non-Executive Director
Bronwyn Hill - Non-Executive Director
Penny Boys – Non-Executive Director
Adrienne Kelbie - Chief Executive
Richard Savage - Chief Nuclear Inspector
Dave Caton - HR Director
Sarah High - Finance Director

Attendees

Mark Foy - Director, Operating Facilities
Mina Golshan – Director, Sellafield,
Decommissioning, Fuel & Waste

Observer

Vik Winspear-Roberts - Strategic
Improvement Projects SRO

Secretariat: Charlotte Cooper, Head of Governance and Board Secretary

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 Oona Muirhead, Sarika Patel, Anthony Hart, Dan Grice and Sarah Atherden.
- 1.2 No declarations of interest were received.

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

- 2.1 The minutes of the meeting held on 25 July 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:
- (1) July Board, Action 4 - to provide the Chair with positive assurance from the Health and Safety Executive (HSE) on ONR's Enforcement Management Model. An update would be provided following the Technical Director's return from leave.
 - (2) June Board, Action 3 – with the Chair's agreement, ONR's Diversity and Inclusion Action Plan had been moved to the November Board.
- 2.3 The Board agreed the decisions and steer from the 26 September Board Strategy Session. They noted the action at item 3, regarding further investment in the Programme Management Office (PMO). This should be against the Director of Information and Technology and not the Chief Executive.

3. CNI Appointment – Nominations Committee Recommendation

- 3.1 The Nominations Committee Chair recommended to the Board the appointment of Mark Foy as Chief Nuclear Inspector. This followed an open recruitment competition at which Mark was the unanimous choice of the selection panel. No other candidates were deemed appointable by the panel.
- 3.2 The Board agreed to appoint Mark Foy as Chief Nuclear Inspector. The Board appointment requires approval of the Secretary of State in consultation with BEIS Ministers. A Ministerial submission would now be made. Subject to a positive outcome, it is anticipated that an announcement will be made next week.

4. Chair's Report

- 4.1 The Chair reported that since the Board meeting on 25 July he had:
- 4.2 Accompanied by the Chief Executive and Chief Nuclear Inspector, attended an introductory meeting with Richard Harrington MP, BEIS Energy and Industry Minister.
- 4.3 Attended the HSE Board and Strategy Event on 18 and 19 October 2017.
- 4.4 Participated in the interviews to recruit two ONR Non-Executive Directors. The panel's recommendations for two appointments to be made were subsequently approved by the DWP Minister. One announcement has been made and one would be made shortly.
- 4.5 Oona Muirhead, on behalf of the Chair, attended a Public Chairs' Forum on Cyber Security.
- 4.6 Bronwyn Hill, on behalf of the Chair, attended the Public Chairs' Forum Annual Conference. The topic was Brexit and the Chief Executive of the Civil Service was the key note speaker. Bronwyn provided a short debrief from the conference. The key message is that Brexit is top priority, followed by transformation and then business as usual.
- 4.7 Accompanied by the Chief Executive and the Director, Sellafield, Decommissioning Fuel and Waste, attended a meeting with the BEIS Permanent Secretary and BEIS and DWP senior officials. The meeting focused on the impact on ONR of the decision to leave the European Union and Euratom. The Chair provided an update on the discussion, including a potential ONR governance review, concerns that we had not yet separated from HSE's IT system and cyber security issues.
- 4.8 The Chief Executive agreed to speak with DWP, in the first instance, regarding the potential ONR governance review and update the Chair and Board following that discussion.

5. Chief Executive's Report

- 5.1 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.
- 5.2 The Chief Executive commented that in presenting her report she would take the strategic themes (ST) in turn and then Information Technology at the end.

Overview

- 5.3 Good progress is being made. All five milestones due had been completed. Three key performance indicators were not met and the reasons for this are set out in the paper. The new Brexit risk is formally recognised in our risk profile.

ST2 – Inspiring a Climate of Stakeholder Respect, Trust and Confidence

- 5.4 A busy and constructive meeting was held with NGOs and there is an appetite to meet again around April 2018.
- 5.5 The stakeholder survey is now live. Stakeholders will be asked for feedback to provide us with a baseline and suggestions for improvements. This should report to Board in January and influence our 2018/19 plan.
- 5.6 We have not yet made significant progress with the pro-active milestones in this theme, where we require to work as a single organisation to draw greater corporate insight and take more opportunities to communicate with the public. It is expected the Engagement and Insight Group will take some time to gear up and focused leadership support will be needed from the Regulatory Management Team (RMT).
- 5.7 We have raised concerns with BEIS officials relating to the Scottish Environmental Protection Agency / Scottish Government proposals for a revised environmental authorisation framework in Scotland.
- 5.8 On the Nuclear Sector Deal, the Chief Executive advised that the Challenge Panel would be held on 26 October 2017.

ST 3 - Getting the Best out of our People

- 5.9 On World Mental Health Day, our Diversity and Inclusion Group hosted our first related event to open a discussion about staff welfare. The event was well attended by some 50 staff and appears to have been positively received.
- 5.10 The next Shaping ONR conference will be held on 2 November with a focus on high performance leadership.
- 5.11 An oral update was provided on EMT capacity.

ST 4 – Developing a High Performing, Sustainable Organisation

- 5.12 An oral update was provided on the Programme Management Office (PMO) capacity and the resignation of two of our Programme Managers recruited earlier in the year. A contingency plan is not yet in place and PMO capacity is

now considered to be a new strategic risk. A business case for PMO resource to support delivery is being finalised. The Director of Information and Technology, with support from the HR Director and Finance Director, is working on a plan for the whole capability piece.

- 5.13 Development of a coherent disaster recovery, crisis management team, and emergency planning arrangements is behind schedule having been de-prioritised for operational reasons within the team. The Executive Management Team is clear on what is required and a new timetable and plan is needed to get back on track.
- 5.14 With regard to the substantial assurance rating for the Service Management Agreement (between ONR and HSE) the Chief Executive advised that whilst we are compliant, she does not regard the SMA to be fit for purpose given the service deficiencies we are experiencing in IT.
- 5.15 The Chief Executive provided a comprehensive update on IT issues, building on the detail set out in this paper and the paper presented for information at item 16. IT modernisation cannot take place until our network is separated from HSE. The Director of Information and Technology expects the network to be built by the end of November and go live in March 2018, however there is no written commitment from HSE to that. His focus is now on agreeing a shared plan to separate the network. The Finance Director is providing support and expertise on the commercial aspects of separation.
- 5.16 In discussion the Board:
- i. Stressed the urgent need to separate from HSE's IT system and the urgent contractual and managerial action needed to fix it. ONR must be centrally involved in any contract renewal and need to reserve the right not to use that provider, particularly for high profile strategic projects. It is important that the Service Management Agreement facilitates that.
 - ii. Agreed a report be presented to the November Board setting out the facts of the matter, the actions being taken to remedy the situation and detail on when ONR can get out of the HSE contract.
 - iii. Asked the Chief Executive to consider attendance by the HSE Chief Technical Officer (CTO) at a future Board meeting.

Action 1: Comprehensive IT Paper to be prepared for the November Board – Information and Technology Director.

Action 2: Consider inviting the HSE CTO to a future Board – Chief Executive

5.17 The Board noted the report.

6. Chief Inspector Report

6.1 The Chief Nuclear Inspector presented his report to provide assurance to the Board that our regulatory activities have been effective across the nuclear sector; holding industry to account on behalf of the public and influencing to enable safety and nuclear security delivery.

- 6.2 Good progress has been made. Eight Regulatory Directorate (RD) milestones were due for completion in period; five have been delivered, two rescheduled for delivery later this financial year and one has been replaced to reflect our support to the International Atomic Energy Agency Mission to China.
- 6.3 A new risk has been added to the RD Risk Register, relating to the risk to deliver and implement the Basic Safety Standards Directive. BEIS has requested ONR to prepare a Code of Practice (CoP) to underpin the revised Radiation (Emergency Preparedness and Public Information) Regulations 2018 (REPP18), but a lack of specificity on the legal and technical requirements put at risk the timely delivery of the Approved Code of Practice.
- 6.4 Six Improvement Notices are extant and duty holders' progress to address them is satisfactory against compliance requirements.
- 6.5 On the 2017/18 budget, the RD has identified opportunities of £4.27m, which have crystallised in the forecast at period 6. Routine reprioritisation activity has considered whether this could be used elsewhere.

ST 1 – Influencing Improvements in Nuclear Safety and Security

- 6.6 Security Direction from BEIS – The CNI provided an oral update on a direction from the Secretary of State, made in accordance with sections 92(3) and 92(4)(b) of the Energy Act 2013. The requirements in the direction will come into force on 20 November 2017. BEIS will follow up and finalise working arrangements between ONR and BEIS to implement the requirements in the direction, in advance of the in force date. Richard Stoddart is leading this work to ensure ONR's implementation obligations are fulfilled as required. Letters to duty holders have been signed by the Chair and issued.
- 6.7 Stakeholder support for the SyAPs project remains strong. Implementation continues broadly to schedule. The CNI suggested the Board may wish to consider a presentation from EDF's Safety Director in November on the benefits of the SyAPs approach from their perspective.
- 6.8 All Stakeholders have agreed the need for a change in the Materials Consolidation (Exotics) Strategy. ONR supports the revised approach and has advised Sellafield of the need to produce an adequate safety case and security plan to demonstrate that it is capable of safely handling, treating and storing material received so as not to create any additional legacy on site.
- 6.9 NNB Genco took the decision to remove and reconstruct the first nuclear safety concrete at Hinkley Point C (HPC) following an investigation into the quality of substitution concrete of the first technical gallery base. The approach sends a strong positive safety / quality message and sets a strong cultural tone.
- 6.10 The inaugural CNI's themed inspection has commenced to examine the adequacy of EDF Nuclear New Build HPC's Supply Chain Management arrangements. ONR plans to do a proactive media briefing on results of the inspection.

6.11 In September, ONR gave permission for the start of active connections between Evaporator D and the Highly Active Liquor Evaporations and Storage plant (HALES), ahead of Evaporator D's active commissioning which is scheduled for November. This represents a major milestone in supporting hazard and risk reduction and post operational clean out at Sellafied.

6.12 Further assessment of licensee responses to our enquiries after the Grenfell Tower tragedy has been completed. ONR is satisfied that no immediate regulation is required on fire safety matters on nuclear licensed sites.

ST2 – Inspiring a Climate of Stakeholder Respect, Trust and Confidence

6.13 ONR has again authored the UK's national report on compliance with the obligations of the Joint Convention. This was a significant piece of work delivered ahead of schedule.

6.14 In discussion the Board:

- i. Supported the proposal for EDF's Safety Director to attend Board in November.
- ii. Commented on the importance of building strong relationships with the new leads in each organisation to drive forward the Materials Consolidation Project, given all three are new in post.
- iii. Welcomed the plans for proactive media briefing following conclusion of the inaugural CNI's themed inspection.
- iv. Passed on their congratulations to all involved in the permission for the start of active connections between Evaporator D and HALES, Sellafield. This is a significant achievement.
- v. Passed on their congratulations to all those involved in writing and delivering ahead of schedule the UK's national report on compliance with the obligations of the Joint Convention.
- vi. Requested a short briefing paper on the BEIS Security Direction in advance of the next Board.

Action 3: Invite EDF's Safety Director to November Board – CNI / Board Secretary

Action 4: Short briefing paper to be prepared on the BEIS Security Direction and issued in advance of the next Board – CNI / Policy.

6.15 The Board noted the report.

7. Finance Report

7.1 The Finance Director presented a paper providing an update on ONR's financial performance, governance and risk management to 30 September 2017.

7.2 Attention has focused on enabling the 2018/19 corporate planning activity, providing support to Directors with their annual planning activity and issuing the 2018/19 budget commission.

- 7.3 Of the 41 milestones due by 30 September 2017, 27 were delivered on time, one had been completed late and a further nine are delayed but are recoverable within the year. A further four relating to the Fees Regulations project are on hold.
- 7.4 At 30 September 2017 the full year forecast is £74.1m against a budget of £81.1m. The Finance Director provided indicative summaries of the drivers for the underspend, specifically reduced demand, slippage, efficiency or price. She commented that this had been unavoidable given the volatility and nature of the business, in particular with regard to new build, but that there were lessons to be learnt in the budget process.
- 7.5 ONR's net grant requirement for 2017/18 is forecast at £1.8m which aligns with the original SR15 cash profile. This is as a result of focused activity to drive out costs relating to grant funding and incorporates the impact of delaying the implementation of Fees Regulations.
- 7.6 The £2.1m requirement for Brexit related Safeguards resource has increased significantly from last month. The full year resource requirement has been confirmed by the UK State System of Accountancy and of Control of Nuclear Material (SSAC) Programme, including the recruitment of additional specialists in the forecast. BEIS has confirmed they will fund these additional costs and a charging agreement with BEIS will be established to clarify terms.
- 7.7 The Finance Director informed the Board that DWP has confirmed Ministerial support for ONR's request to pause Fees Regulations.
- 7.8 In discussion the Board:
- i. Passed on their thanks to all involved in securing a sensible outcome on Fees Regulations.
 - ii. Noted the impact of the budget underspend on licensees and the efforts of the Finance Director in ensuring quality planning forecasts, communication and engagement with industry.
 - iii. Welcomed the inclusion of consultancy spend in the report.
- 7.9 The Board noted the report.

8. HR Director's Report

- 8.1 The HR Director presented a paper to enable the Board to assure itself that people issues are being managed appropriately and that ONR is getting the best out of its people.
- 8.2 Continued progress has been made against HR Directorate milestones. 57 have been delivered and 39 remain on track. Four milestones are currently red and have been rescheduled, through change control, for delivery in year.

- 8.3 At 30 September 2017, overall staff numbers reflect a headcount net gain of two technical specialists and three corporate support staff. We have a further 13 technical specialists who have accepted offers and are now going through pre-employment checks.
- 8.4 The HR Director highlighted 46% of staff had been successful in receiving a competence uplift as part of the Competence based pay progression in line with expectations for the first year. We are working with a new provider to refresh and deliver our core skills training programme.
- 8.5 The next staff survey has been deferred to October 2018 to enable more time to address the longer term cultural change issues. The decision, taken by the Executive Management Team (EMT), follows a request from staff.
- 8.6 The National Equality Standard (NES) assessment work is underway as part of NES assessment of the structures and culture in ONR. We expect a report by the end of November together with a road map of priorities to achieve accreditation by September 2018.
- 8.7 The Leadership and Management Behavioural Framework will be launched in April 2018 and will be used as the centrepiece for the ONR Shaping event on 2 November 2017.
- 8.8 In discussion the Board:
- i. Noted the publication of ONR's gender pay report. The Board passed on congratulations to the team in publishing the report, which had received external praise. Although the gender pay gap reported was anticipated we are not complacent and ONR is committed to improve our diversity at all levels.
 - ii. Sought further information on the lone worker policies and guidance in place. The HR Director confirmed that we are currently revamping our guidance and a series of lone working workshops aimed at providing advice and support to staff and managers would begin in November.
- 8.9 The Board noted the report.

9. UK State System of Accountancy and Control (SSAC) of Nuclear Material – Project Structure

- 9.1 The Director Sellafield, Decommissioning, Fuel and Waste presented a paper to inform the Board of the UK SSAC project structure, to build confidence that the project is being managed in line with ONR processes and ONR are interacting with stakeholders appropriately.
- 9.2 The objective of the SSAC project is to implement a UK SSAC to meet Government expectations and the UK's international obligations. This objective will be achieved in two phases; the first step is to implement a safeguards regime which meets international obligations by March 2019, and is subsequently developed to achieve a regime equivalent to that of Euratom as a second step.

- 9.3 The Director informed the Board of a change that had occurred following the dispatch of Board papers. This related to a BEIS statement confirming direct replication of EU regulation based on a prescriptive approach to regulation.
- 9.4 She highlighted the governance structure, key roles and responsibilities and the resources and support needed to deliver the project. Key roles in the project delivery team have changed. The project is now led by an experienced team with a good track record in delivering regulatory change projects and we anticipate initial delays can be recovered.
- 9.5 A risk register is in place. One of the risks identified was no longer a risk as a result of the BEIS statement on direct replication of EU regulation. The two remaining risks on developing the Safeguards Information Management and Reporting System (SIMS); and the recruitment of resources in a timely manner to build capacity and capability had now been escalated.
- 9.6 Reports would be provided to each Board meeting for the foreseeable future.
- 9.7 In discussion the Board:
- i. Supported the need to ensure consistency of message in terms of repeating the day one product, to implement a safeguards regime which meets international obligations by March 2019.
 - ii. Agreed that we should keep all options open in developing the SIMS, whether this was provided internally or through an external provider. What we must be is an intelligent customer. The Chief Executive informed the Board that we are not ready to make any decision on a provider until we are clear on our requirements.
 - iii. Welcomed the paper and plan for regular Board updates on this important work.
- 9.8 The Board noted the report.

10. ONR Pay Deal 2018/19

- 10.1 The HR Director presented a paper seeking Board approval for the development and implementation of a new pay deal from April 2018.
- 10.2 He made reference to the independent benchmarking in August 2017 which shows ONR has maintained a strong pay position and is likely to remain competitive without the need for significant pay increases in the immediate future. Formal policy remains that public bodies are expected to continue to maintain a 1% pay cap, with options for some underpinning payments to support lower paid staff.
- 10.3 He updated the Board on informal discussions with the Trade Unions and advised that he had shared the proposal informally with DWP who were supportive.

10.4 With regard to potential pay deal options, EMT had discussed a number of options based on benchmarking and success in recruitment and retention and concluded that there was no robust case to exceed the 1% cap. They supported an approach of 1% consolidated pay award for all staff to maintain the current relative pay position but with an underpinning minimum payment to support lower paid staff.

10.5 In discussion the Board:

- i. Commented that the paper was well thought through and well judged.
- ii. Understood the need to agree a one year deal given current uncertainties in the external environment.

10.6 The Board agreed:

- 1) Pay option 3 – an increase of 1% for all staff, with an option of an additional non-consolidated retention payment for those ineligible for Competence Pay Progression (CPP).
- 2) The implementation of harmonisation proposals for Conventional Health and Safety and Safeguarding staff as part of the overall deal.

11. Accommodation – Lease Options

11.1 The Finance Director presented a paper updating the Board on the latest position and progress to secure future accommodation for our staff based in London and Cheltenham on expiry of the current leases.

London

11.2 She updated the Board on engagement with the Government Property Unit (GPU) to identify and secure suitable office space central within Zone 1. This included recent public estate developments and associated risks. She set out the current position with regard to ONR's Lease Moratorium Exception requests (LMER) to Cabinet Office to seek exemption from sourcing premises within the civil estate on the grounds of value for money, security business continuity and maintaining organisational and operational efficiency. The update also included alternative recent commercial market developments and costs for both options.

11.3 Pending GPU's decision on the public sector estate option, ONR has continued to explore further opportunities to optimise our contingency option in the commercial market.

Cheltenham

11.4 The Finance Director updated the Board on progress to secure accommodation for our Cheltenham based staff following expiry of the leases for our current occupation in St James House. She discussed our proposed approach to renegotiate the lease for extended accommodations in St James House.

11.5 In discussion the Board:

London

- i. Commented that we needed to keep both options open until we secure the right option for ONR and continue to pursue the LMER which we may need to escalate. It will be important to highlight how reasonable we are being in our discussions.
- ii. Sought confirmation on whether the Safeguards team added weight to the need for a London location and asked that we include this as an emerging risk on the risk register.
- iii. Expressed their concerns about the issues and understand and appreciated the difficulties the Finance Director is facing. This was now about changing tactics whilst keeping both options open.

Cheltenham

- iv. Confirmed that the proposal aligned with our future growth and supported the option to stay at St James House and pursue an option to secure additional space.

11.6 The Board noted the report and asked the Finance Director to progress this work following the clear steer provided by the Board.

12. ONR Risk Appetite Statement

12.1 The Finance Director presented a paper responding to the Board's desire to disaggregate our existing Risk Appetite statement into a suite of statements. Following detailed discussion at the Board Strategy Session on 26 September 2017, the proposed statement has been amended to address the comments made.

12.2 In discussion the Board:

- i. Were content that their previous comments had been comprehensively addressed.
- ii. Asked that in publishing the 18/19 Risk Appetite Statement we include the classification table shown in the paper.

12.3 The Board agreed the disaggregated risk appetite statement shown at appendix A.

13. Strategic Improvement Projects Progress Report

13.1 The Strategic Improvement Projects SRO presented a paper to update the Board on the progress of the Strategic Improvement Projects. The paper covered performance to date; challenges and how these are being addressed; and intended positioning for the Knowledge Management and End to End Process Review project.

13.2 She commented that the ONR Academy is progressing well and the milestone on the Academy at Redgrave Court is on track. Further momentum is needed on Knowledge Management and End to End Process Review. We are currently working on the vision and phasing and may need external help to develop the business case early in 2018. EMT is supportive of the work and progress to date.

13.3 In discussion, the Board:

- i. Commented on Knowledge Management, what they had seen before is a small sub-set of the whole and they were reassured that focus was not solely on people leaving the organisation.
- ii. Highlighted that resources are really important and that we must keep a focus on priorities. Early engagement is needed with the Regulatory Directorate on requirements.
- iii. Confirmed Board support for the projects.

13.4 The Board noted the report.

14 Information Papers

14.1 The Board noted the following information papers:

- 1) Board Effectiveness Review 2017
- 2) IT Modernisation Update
- 3) Board Forward Look
- 4) Security Committee minutes 19 September 2017

15. Any Other Business

15.1 *Observer Feedback*

Vik Winspear Roberts, Strategic Improvements Projects SRO thanked the Board for the opportunity to observe and present at the Board. She commented on the varied agenda and Board's experience and expertise to provide best advice. Although the agenda was full, the meeting was well chaired and never felt rushed. Questions were good and focus was firmly on key issues.

15.2 The Chair passed on his thanks, on behalf of the Board, to Richard Savage, CNI for his sterling service to the Board and ONR. He made reference to Richard's promotion of the enabling approach to regulation and delivery of SyAPs. Richard's significant achievements would continue to positively impact on ONR long after his departure. He wished Richard well for the future.

15.3 There was no other business raised.

Minutes approved by the Board:

Signed 
Nick Baldwin, ONR Chair

Date 28 November 2017