

**Minutes of the Board
29 January 2018
Redgrave Court, Bootle, L20 7HS**

Present:

Members

Nick Baldwin - Chair
Jonathan Baume – Non-Executive Director
Oona Muirhead – Non-Executive Director
Bronwyn Hill – Non-Executive Director
Penny Boys – Non-Executive Director
Sarika Patel – Non-Executive Director
Adrienne Kelbie – Chief Executive
Mark Foy – Chief Nuclear Inspector
Dave Caton – HR Director
Sarah High – Finance Director

Attendees

Anthony Hart -Technical Director
Katie Day - Acting Director Policy and Communications
Mina Golshan – Director Sellafeld, Decommissioning, Fuel and Waste (item 5)
Helen Beldon – Head of Budgeting and Mgt Accounting (item 11)
Vik Winspear-Robert -Strategic Improvements Projects SRO (item 14)
Observer
Jo Holmes, CNI’s Technical Advisor

Secretariat: Charlotte Cooper, Head of Governance (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 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 28 November 2017 were agreed as a correct record, subject to an addition at paragraph 5.6 to reflect the Sellafeld Board reservations regarding the potential condition of received packages and inhering further legacy / liability under the revised strategy. This had been recognised, and assessment work / substantiation to address this would be completed before moves of certain material commenced.
- 2.2 It was noted that all items on the action log were either completed or on track. On action 3, the CNI informed the Board that the Independent Advisory Panel is likely to take place on 8 March 2018. The Board asked that two additional points are reflected in the action log, (1) paragraph 6.7 Expenses Policy to be circulated to the Board and (2) paragraph 12.2 change to Committee Terms of Reference to reflect the number of meetings members needed to attend. Both points would be reflected in the log and a status update provided against each.
- 2.3 In relation to paragraph 4.11 (iii), the Chief Executive provided an oral update to confirm that a post implementation review (PIR) of ONR would not take place until 2020 at the earliest. Schedule 1 (10) of the Safeguards Bill amended the 2013 Energy Act to push back the PIR to seven years in order to take account of setting up the new domestic safeguards regime.

3 Chair's Report

- 3.1 The Chair reported that since the Board meeting on 28 November he had:
- a) Accompanied by the Chief Executive and the Chief Nuclear Inspector, attended a meeting with the Minister of State for Defence and Procurement, and senior MOD officials on 12 December to discuss matters of mutual interest.
 - b) Accompanied by the Chief Executive, attended a joint Public Chairs' Forum/Association of Chief Executives seminar of 12 January 2018, where John Manzoni, Chief Executive of the Civil Service and Permanent Secretary for the Cabinet Office, led a discussion on the Cabinet Office's position on Reviews of Public Bodies. Discussion also focused on expectations of the relationship between Arm's Length Bodies and their sponsor Departments.
 - c) Bronwyn Hill, Non-Executive Director, on behalf of the Chair, attended a Public Chairs' Forum private Roundtable event on 1 December 2017 with Sir Jeremy Haywood, Cabinet Secretary and Head of the Civil Service. Discussion focused on the length of time taken for public appointments.
- 3.2 The Chair informed the Board that he and the Chief Executive would be having an introduction meeting on 30 January 2018 with Sarah Newton MP, Minister for Disabled People, Health and Work, DWP. Should the meeting not take place then the Chair would be writing to the Minister.

4 Non-Executive Board Director – Membership on ONR Committees

- 4.1 The Board Secretary presented a paper setting out Non-Executive Board Director membership on ONR Committee's following John Crackett's departure from the ONR Board on 31 December 2017 at the end of his final term.
- 4.2 The Board was invited to confirm the appointment of Penny Boys, with her agreement, to the resultant vacancy on ONR's Nominations Committee. Sarika Patel was appointed by Ministers on 1 October 2017 as John Crackett's successor as Chair of the Audit and Risk Assurance Committee (ARAC) and formally became ARAC Chair from 1 January 2018.
- 4.3 The Board confirmed the appointment of Penny Boys to the Nominations Committee and the overall Non-Executive Board Director membership on the ONR Committees.
- 4.4 The Chair confirmed that ONR would be commissioning external effectiveness reviews on the Remuneration, Nominations and Security Committees in 2018. The Security Committee would be looking at first principles to explore current and alternative models / governance options.

5 UK SSAC Project – Progress Report

5.1 The Director, Sellafeld, Decommissioning, Fuel and Waste and SRO for ONR Euratom Exit Programme presented a paper to report on the progress made with establishing the UK State System of Accountancy and Control of nuclear materials (SSAC), provide an update on supporting BEIS in delivering the required legislation and to highlight the risks and mitigations.

5.2 The update focused on four key areas: IT system; funding; equipment and communications:

- (1) The development, commissioning and operation of the Safeguards Information Management and Reporting System (SIMRS) for reporting to the IAEA remain the most important element of the project. The Director committed to providing a more detailed IT update to the Board in correspondence.
- (2) Despite assurances by senior BEIS officials and numerous engagement with BEIS at working and senior levels, establishment of a formal funding agreement remains outstanding. BEIS has made a formal submission to Treasury to secure contingency funding drawdown. ONR has highlighted that it will not commit to capital expenditure until this is resolved. The matter is on the project delivery critical path.
- (3) The position and options on the future use and ownership of Safeguards equipment.
- (4) The co-ordinated single point of contact for communications that had been put in place.

5.3 In discussion the Board:

- i. Welcomed a more detailed update on SIMRS in correspondence.
- ii. Noted the position on BEIS funding of ONR and sought clarity on whether BEIS would be able to adopt a twin-tracked approach whilst a decision is made by Treasury.
- iii. Asked the Director to explore other options regarding ownership and future use of Safeguarding equipment to address Board concerns regarding independence and funding.
- iv. Noted the communications single point of contact.

5.4 The Director was grateful for Board comment / steers and would take these on board in developing this work, in particular comments on BEIS funding and the ownership and future use of safeguards equipment.

Action 1: A more detailed IT update to be circulated to the Board in correspondence – SRO

5.5 The Board noted the report.

6 Chief Executive's Report

- 6.1 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.

Overview

- 6.2 The corporate milestone 'plan on a page' reflects continuing positive delivery, with some slippage in response to external environment changes and resource challenges. In December, two of four milestones were completed as planned. The two slipped milestones for December relate to (1) Implement Business Implementation Target (BIT) requirements (to recover in year) and (2) Complete ONR activities to support implementation of the Basic Safety Standards Directive (previously reported as red and slipping to 2018/19 due to BEIS dependencies).

- 6.3 Our KPIs show we did not hit our standard on the milestones in our Summary Regulatory Plan (4% below target), and on our transport compliance inspections (19% below target). Staff engagement is forecast at 10% below target, following a benchmarking exercise which resulted in a revised target. With regard to our transport compliance inspections there is a need to track some of the assumptions of third parties which can impact on delivery.

- 6.4 Of our 65 milestones, 39 had been completed. Four milestones have been previously reported to move to 2018/19: BSSD implementation; Staff Survey; Stakeholder Insight Hub and Industry Finance meeting. Delivery of our data warehouse for business intelligence is at risk of slipping.

ST 2 – Impacting a climate of stakeholder respect, trust and confidence

- 6.5 The Stakeholder Survey would be considered at item 12. We have updated our Crisis Management Team protocols and are tendering for call-off crisis communications support to provide resilience in the event of an emergency. Our Enabling Regulation Guide will be published this month to support industry and includes a series of practical case studies.
- 6.6 BEIS and DWP have agreed our updated Regulatory Planning Assumptions for 2018/19.
- 6.7 Slower progress has been made on a new directive regarding Environmental Impact Assessments which was scheduled to be implemented in UK law by May 2017. ONR cannot yet deliver our elements due to third party dependencies.
- 6.8 Due to a legislative drafting error, projects to decommission nuclear power stations / reactors are (mistakenly) to be treated as a development and require planning permission. We have worked hard with BEIS and DCLG to find a temporary solution until a legislative remedy is found.

ST 3 - Getting the Best out of our People

- 6.9 We have begun briefing staff on our new security policies. Feedback suggests that some policy refinement will be necessary.

- 6.10 A detailed update on EMT capacity and Head of Service absences was included in the report. An oral update was provided on Business Continuity Planning.
- 6.11 The Programme Management Office (PMO) is building capacity and capability and, using a risk based model, has a grip on all the projects being taken forward. The Chief Executive suggested the Board may wish to receive a presentation on the PMO in the coming months.

ST 4 – Developing a High Performing, Sustainable Organisation

- 6.12 The Chief Executive provided an oral update on the position regarding ONR's IT separation planning. She had authorised a single tender action for £36k to get a Technical Solution Architect, IBM, to commence work with immediate effect as this risk is considered to be intolerable. The Chief Executive assured the Board that, although the contract lead was known to her through work in a previous role, there is no conflict of interest.
- 6.13 In parallel, we would be using G-Cloud to procure a Separation Delivery Manager with a commercial / contracts / technical background to lead this project, and support good governance. A February start is expected.
- 6.14 On IT modernisation preparation, the high level network separation design has been sent to the National Cyber Security Centre and we await their response.
- 6.15 In discussion the Board:
- i. Passed on their congratulations to the Finance Director and her team for their effort and exemplary staff engagement on office leases, in particular the London relocation which had proved particularly challenging.
 - ii. Supported the Chief Executive's actions on IT separation and agreed that this was the right way forward for ONR, on both the single tender action and the Separation Delivery Manager.
 - iii. Stressed the need to build into the IT modernisation timeline sufficient time to trial and test the system given the level of security features included in the high level network separation design.

Action 2: An update would be provided to the Board in approximately four to six weeks on IT separation planning, including assurance on our milestones and on system performance given Board comments on the need to trial and test – Chief Executive.

7 Chief Nuclear Inspector's Report

- 7.1 The Chief Nuclear Inspector (CNI) 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.

Overview

- 7.2 In December, nine milestones were due for completion; six have been delivered, two delayed but it is expected they will be delivered in year. Milestones relating to the implementation of the Basic Safety Standards Directive (BSSD) have been delayed until 2018. BEIS has recently shared its plans for implementation of the BSSD with the European Commission which run into 2019. Delivery dates will be confirmed when the 2018/19 plans are finalised and the BSSD risk register will be updated accordingly. This is a continually changing landscape.
- 7.3 Of the 72 Regulatory Directorate milestones, 32 are complete, 35 are on track, two have been missed and will not be delivered in year, three are at risk and one has been removed.
- 7.4 The significant amount of work required to support BEIS implementation of the BSSD and the need to divert specialist resource to this, has resulted in Local Authority Inspections being delayed until the next financial year and transport inspections prioritised based on their nuclear safety significance.

Forward Look

- 7.5 The Licence Condition Review Corporate milestone falling in December to hold discussions with the Safety Directors' Forum was achieved. The strong industry view was that this is not the right time to be implementing changes of this nature. A further workshop was held last week which saw a significant and noticeable shift with industry being generally supportive of the changes. The entire cost to industry is estimated to be between £5m to £10m but longer term gains would outweigh the short term cost.

Other

- 7.6 The CNI updated the Board on his recent meetings with MOD's Director General Nuclear and the Head of the Defence Safety authority to apprise key stakeholders of ONR's regulatory position on a number of strategic defence matters. Recognition and an understanding of the ONR position was unanimous.
- 7.7 The CNI provided an oral update on the ONR assessment of the Atomic Weapons Establishment (AWE) B Site Periodic Review of Safety.

ST 1 – Influencing Improvements in Nuclear Safety and Security

- 7.8 In December, BEIS confirmed that Government is providing up to £7m to regulators to build the capability and capacity needed to assess and licence new Advanced Nuclear Technologies (ANT). This funding is intended to allow regulators to support new technology developers with pre-licensing dialogue as industry develops new reactors. We have signed a Limit of Liability (LoL) with BEIS on 27 December to allow us to recover costs for the agreed scope of work in this area. ONR has subsequently requested an amendment to the LoL so it adequately reflects ONR charging methodology.
- 7.9 A report would be published in the coming weeks on the CNI's themed inspection reviewing the effectiveness of NNB GenCo's supply chain oversight and assurance arrangements.

7.10 In discussion the Board:

- i. Noted the position on the ONR assessment of the Atomic Weapons Establishment (AWE) B Site Periodic Review of Safety. This would be an important regulatory decision and a potential reputational risk for ONR.
- ii. Passed on their thanks to the Director, New Reactors and the team in producing the Enabling Regulation Guide. This strikes the right balance between enabling regulation and holding to account.
- iii. Passed on their congratulations to the CNI on his election as a Fellow of the Institute of Nuclear Engineers.
- iv. Noted the KPI to be developed and adopted in 2018/19 on Inspector Professional Status.
- v. Noted the position on conventional health and safety inspectors and the commitment to bring back to the Board an ONR Succession Plan later in the year. This would be included on the Board Forward Look.
- vi. Following on from the BEIS Regulatory Scope Review discussion, supported the development of a BEIS prioritisation letter to specify the detailed asks of ONR and handling of requests, especially when there are competing resource priorities.

7.11 The Board noted the report.

8 Finance Report

- 8.1 The Finance Director presented a paper providing an update on ONR's financial performance, governance and risk management to 31 December.
- 8.2 Attention has continued to focus on enabling the 2018/19 corporate planning activity, providing support to Directors with their annual budget bids for 2018/19 and working with government colleagues to secure suitable office accommodation in London and Cheltenham.
- 8.3 Of the 48 milestones due by 31 December 2017, 35 were delivered on time, six have been completed late (Annual Report and Accounts, Risk Appetite, London options, travel reviews), one has been transferred to the Regulatory Directorate, five have slipped and are scheduled to be recovered in year and one has slipped to 2018/19 (Redgrave Court flexible desking).
- 8.4 At 31 December 2017 the full year forecast is £72.5m against a budget of £81.1m. This underspend has arisen due to a variety of factors including the impact of the prior months' year to date underspend of £7.5m. The Finance Director provided detail on the drivers for the under-spend, specifically reduced demand, slippage, efficiency or price.
- 8.5 ONR's net grant requirement for 2017/18 is forecast at £1.6m which is broadly aligned to the original SR15 cash profile of £1.8m.

- 8.6 The cash flow set out the projected bank balance during January and February 2018. Cash balances are forecast to fluctuate throughout the period with a projected low of £1.3m around mid February. She highlighted the factors impacting on ONR's working capital: BEIS invoices for small modular reactors outstanding pending charging agreement; BEIS charges for Euratom not invoiced pending charging agreement; BEIS charges for BSSD related activity pending charging agreement sign off; and capital expenditure profiled March to April 2018.
- 8.7 Activity to inform the 2018/19 budget suggests ONR may require c£1m capital expenditure.
- 8.8 The HMRC Employer Compliance and Tax Audit would commence on 14 February, following which a written note will be circulated to the Audit and Risk Assurance Committee (ARAC).
- 8.9 In discussion the Board:
- i. Expressed concerns on the ONR cash flow position and noted the actions being taken by the Finance Director. They reinforced the need for regular conversations to take place with DWP.
 - ii. Noted the ONR decision on a Thin Client IT solution and the on-going discussions with HSE to reimburse ONR for the payment that had been made to HSE for Thin Client roll out in February.
 - iii. Sought an explanation on the reason for the budget underspend on UK security vetting costs. The Finance Director confirmed that vetting costs were expected to rise however this had not materialised, in parallel the numbers expected were also slightly lower than expected.
- 8.10 The Board noted the report.

9 HR Director's Report

- 9.1 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.
- 9.2 Continued progress has been made against HR Directorate milestones. 87 milestones have been delivered; others remain on track except for ten milestones that will be subject to change control: five relate to deferral of the 2018 staff survey and HR process reviews; two due to a change in the annual reporting schedule; and three are due to external provider delays.
- 9.3 At 31 December 2017, overall staff numbers reflect a headcount net gain of six technical specialists and 18 corporate specialists. We remain on track to meet our 2017/18 target of a 5% net growth in specialist resource.

- 9.4 ONR's new Confidential Advisor Network (CAN) formally launched on 18 January. 30 volunteer staff had received bespoke training, supported by ACAS. The CAN will be reviewed during 2018 at which point consideration would be given to a Board champion and how the CAN fits with the Whistleblowing process.
- 9.5 ONR's Behavioural Framework will be implemented within our Performance Management process from April 2018. Mandatory training and workshops would be delivered to all staff in February and March.
- 9.6 In discussion the Board:
- i. Asked for more information on the loss of seven technical specialists in this period. The HR Director provided an oral update on the reasons for the departures which alleviated any concerns.
 - ii. Passed on congratulations to the HR Director and the team for achieving accreditation to Disability Confident Employer level 2 status.
- 9.7 The Board noted the report.

10 2018 Pay Deal Negotiations Update

- 10.1 The HR Director presented a paper detailing on-going 2018 Pay Deal negotiations with the Trade Unions (TUs). He provided an update on the TU position on the existing offer, confirming that the TU would recommend rejection of any offer based on a consolidated 1% increase.
- 10.2 He set out an alternative option to revise the final offer by increasing the consolidated element to 1.5% and partially offsetting this by reducing the proposed 1% non-consolidated retention top up to 0.5%. Subject to Board views, this would be presented as best and final offer. It is expected that the TUs would recommend this offer to staff.
- 10.3 He provided appropriate benchmarking information and confirmed he had held informal discussions with DWP, although it wasn't appropriate for this to be presented formally at this stage.
- 10.4 He acknowledged the Board, in October, felt that the overall package was generous but wanted to provide them with the opportunity to consider the alternative option, recognising the TU position.
- 10.5 In discussion the Board:
- i. Were keen to understand those who would benefit and those who would not from the two proposals which the HR Director explained.
 - ii. Acknowledged that this was a one year deal while we work on a more flexible reward package.
 - iii. Agreed that there were benefits in presenting the revised offer as a final offer, not only in the Trade Union position, but also on staff morale and in the current climate.

- iv. Noted the HR Director would now present the alternative option to increase the consolidated element to 1.5% and partially offsetting this by reducing the proposed 1% non-consolidated retention top up to 0.5% as the best and final offer.

10.6 The Board noted the paper.

11 Preliminary 2018/19 Budget Proposals

11.1 The Finance Director presented a paper setting out preliminary budget proposals for 2018/19 for review and Board comments to inform the final budget proposal to be presented in March 2018.

11.2 The preliminary proposals have been developed along accountability lines based on bids from each Director which reflects the Regulatory Assumptions agreed by the Board, the respective draft Directorate Business Plans 2018/19 and achievement of our corporate objectives and strategic intent as set out in ONR' Strategic Plan 2016-20.

11.3 She commented that there is likely to be a further requirement to support the strategic improvement projects and IT separation plan.

11.4 2018/19 will see the 'green shoots' of our transformational activity; it will be a landmark year for ONR as we start to crystallise modernisation opportunities and establish new, more efficient and effective ways of working.

11.5 This year's approach has recognised the challenges experienced during 2017/18 that has led to a material underspend against the budget. The majority of bids reflect demand led growth although for the Regulatory Directorate we have introduced a number of scenarios to recognise the volatility in activity and range of options that might manifest.

11.6 Early indications suggest the budget required to achieve ONR's strategic objectives is £84.3m (gross). Work is on-going to finalise the budget and it is anticipated the outcome of the further refinement work may result in a net reduction to the final budget bid in the order of £1m - £2m.

11.7 In discussion the Board:

- i. Thanked the Finance Director and her team for such a comprehensive paper and welcomed the inclusion of the budgeting scenarios for the New Reactors Division.
- ii. Questioned whether there should be a fourth scenario for New Reactors, somewhere between reduced scope and minimum scope.
- iii. Provided their detailed comments on the paper which focused on: looking at a contingency we can release through a control process; being more explicit on our efficiency savings; the need to revisit the capital expenditure bid; the need to resolve the DWP grant and a number of presentational / language issues.

11.8 The Board noted the report and agreed to provide any further comments to the Finance Director outside of the meeting.

12 External Stakeholder Survey Update

12.1 The Acting Director of Policy and Communications presented a paper providing the headline findings of ONR's first ever stakeholder survey. She highlighted that key findings overall had been largely positive, but that there are also areas for improvement. The information gathered from the survey has identified areas of group practice and areas for improvement amongst our various stakeholder groups and would inform the action plan.

12.2 In discussion the Board:

- i. Commented on the need for ONR to continue to listen and learn.
- ii. Recognised the action plan would need to be proportionate, setting out areas of focus as well as being clear on what we do not intend to do.
- iii. Noted we would 'anchor' actions into corporate and directorate plans.
- iv. Noted it would be two to three years before we carry out the next survey.
- v. Passed on their thanks to the team in delivering ONR's first stakeholder survey.

12.3 The Board noted the paper.

13 ONR Academy – Project Update Presentation

13.1 The Strategic Improvements Projects SRO gave a presentation on the ONR Academy project work-streams, engagement and project milestones. She gave her reflections of progress since early discussions on the ONR Academy with the Board at their Strategy Session in September and the October 2017 Board.

13.2 The Board thanked the SRO for her presentation and noted the pleasing progress that has been made.

14 Information Papers:

14.1 The Board noted the following information papers:

- 1) Mitigating IT Modernisation Related Risks
- 2) Board Forward Look
- 3) Security Committee – 12 December 2017 minutes.

15 Any Other Business

15.1 Jo Holmes, the CNI's Technical Advisor thanked the Board for the opportunity to attend the Board as an observer. She commented that the Board had provided valuable constructive advice and challenge on a number of topics. She noted the keen interest the Board had in the planned visit to one of the defence sites (AWE), which would enable them to gain a better understanding of some of the regulatory issues we face and the challenging regulatory

decisions we have to make. Overall, she gained a broader understanding of the role and focus of the Board and some of the issues discussed at corporate level and would recommend other inspectors take the opportunity to attend where possible.

15.2 There was no other business raised.

Minutes approved by the Board:

Signed Nick Baldwin
Nick Baldwin, ONR Chair

Date 27 March 2018 .