

**Minutes of the Board
27 March 2018
Hilton Hotel, Reading, RG2 0GQ**

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
Simon Lister – 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 Sellafield, Decommissioning, Fuel and Waste (item 11)

Secretariat: Charlotte Cooper, Head of Governance (Board Secretary)

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

- 1.1 The Chair welcomed Simon Lister to ONR following his appointment as Non-Executive Director and to his first meeting of the Board. There were no apologies for absence. Penny Boys, Oona Muirhead and Mina Golshan joined the meeting by telephone.
- 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 29 January 2018 were agreed as a correct record. The Board asked that the commitment to bring an ONR Succession Plan back to the Board later in the year be included on the Board Forward Plan, referenced in paragraph 7.10 (v).
- 2.2 It was noted that all items on the action log were either completed or on track.

3 Chair's Report

- 3.1 The Chair reported that since the Board meeting on 29 January he had:
- a) Written to the DWP Minister for Disabled People, Health and Work following the postponement of the introductory meeting. The Minister had subsequently replied duly noting and appreciating the brief that had been provided.
 - b) Attended the ALB Chairs' Forum on 7 March and subsequent meeting with Sara Weller, DWP's recently appointed Lead Non-Executive Director.

- c) Participated as Chair in a 'critical friend' review of the UK State System of Accountancy for and Control of Nuclear Material (UK SSAC) led by the Infrastructure and Projects Authority (IPA), an arm of Cabinet Office.

3.2 The Chair passed on his thanks to all those involved in the Board site visit to AWE Aldermaston and Burghfield the previous day. It had been particularly helpful for the Board members to undertake the visit together to enhance joint knowledge and understanding of the significant challenges faced. The Chair would write, on behalf of the Board, to Iain Coucher, Chief Executive, AWE to thank him and his team for hosting the visit.

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.

Overview

4.2 Delivery of corporate and regulatory milestones remains steady. Five of nine milestones were delivered. Slippage is recovered in March for all but two: Data Warehouse and Data Reporting Priorities, both are linked to IT Separation.

4.3 Our KPIs show we did not hit our standard on the milestones in our Summary Regulatory Plan (remaining 4% below target), and on our transport compliance inspections (from 19% to 20% below target). Staff engagement remains unchanged.

4.4 Of our 65 milestones, 43 had been completed. Nine will not be delivered this year which we will attempt to address in 2018/19. All agreed work will roll forward to 2018/19:

Strategic Theme 1 – 27 RD milestones; Basic Safety Standards Directive.

Strategic Theme 2 – Stakeholder Insight Hub; Industry Finance Meeting.

Strategic Theme 3 – Personal Reward Statement; Staff Survey.

Strategic Theme 4 – Selection of new IT provider; Data Warehouse; Data Reporting Priorities.

ST1 – Influencing Improvements in Nuclear Safety and Security

4.5 UK SSAC – Having escalated the issue of funding cover for this work, BEIS has secured an HMT Contingencies Fund Advance of costs in 2017/18, and provided assurance for continued funding up to the Nuclear Safeguards Bill receiving Royal Assent.

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

4.6 NGO Engagement – The NGO Forum was held in March covering Emergency Planning, Waste (on site storage) and Transparency (including stakeholder survey findings). Discussion was constructive and provided a good opportunity to consult on changes we are making.

4.7 Industry Conference – We have agreed a theme of 'Public Safety – Everyone's responsibility' for the forthcoming Industry Conference.

4.8 The Nuclear Safeguards Bill – Advice from BEIS is that the House of Lords defeat is not directly related to our project. We continue to support BEIS to develop Nuclear Safeguards Regulations.

ST 3 - Getting the Best out of our People

4.9 Directors' Away Day – the Directors spent two days off site on 12/13 February reflecting on performance, behaviours, delivery and strategy. This was an extremely positive and beneficial away day and will lead to the Directors joining up more as a team. The Technical Director shared his personal reflections with the Board.

4.10 Pay Deal – it was pleasing to see the Trade Unions (TUS) present at the recent staff sessions to explain the deal to staff. Ballot results will be known by 28 March.

4.11 An external advert for Head of IT has been placed.

ST 4 – Developing a High Performing, Sustainable Organisation

4.12 The Chief Executive made reference to the separate IT briefing provided at item 14 setting out the current position. She commented that the 2018/19 budget is better informed by the application of improved technical, commercial and leadership direction.

4.13 In discussion the Board:

- i. Sought assurance that the new whistleblowing case was being handled strictly in accordance with ONR Policy and process. The HR Director confirmed that was the case.
- ii. Commented on the Scottish Integrated Authorisation Framework proposals and asked to be kept informed of progress, following BEIS escalation to explore an administrative solution with the Scottish Environmental Protection Agency (SEPA) to define roles and responsibilities.
- iii. Commented on the Head of IT vacancy and questioned whether this should be Director level with a more strategic focus, rather than a technical expert. The Chief Executive confirmed she would report back in due course and a full update would be provided to the Audit and Risk Assurance Committee in April.
- iv. Passed on their congratulations to the Finance Director and her team for ensuring ONR had been judged compliant with VAT processes by the HMRC following the recent VAT compliance audit.

Action 1: An update would be provided to the Board, before the new regulations come into force in autumn, on the Scottish Integrated Authorisation Framework and the outcome of BEIS escalation to find an administrative solution with SEPA – Acting Director of Policy and Communications.

Action 2: A comprehensive IT update would be provided to the ARAC in April – Chief Executive

4.14 The Board noted the report.

5 Chief Nuclear Inspector's Report

5.1 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

5.2 In February, seven milestones were due for completion; five have been delivered, two have been missed. Implementation of the enforcement and investigation recommendations resulting from an earlier whistleblowing case has been delayed and should be recovered in year. Consent for construction of the Hinkley Point C Pumping Station is delayed until the new financial year.

5.3 Of the 72 Regulatory Directorate milestones due in 2017/18, 46 are complete, 18 are on track, six have been missed and two remain at risk. Four planned for delivery in 2017/18 have been moved to 2018/19.

ST 1 – Influencing Improvements in Nuclear Safety and Security

5.4 ONR influenced Sellafield to achieve a milestone early as it completed the export of 100 drums of sludge from the Pile Fuel Storage Pond (PFSP) to the Waste Encapsulation Plant, a notable contribution to hazard and risk reduction on site and a good example of enabling regulation.

5.5 The revised Enforcement Management Model (EMM) was accepted by the Regulatory Management Team (RMT) subject to some minor changes. Work is ongoing to complete the Business Impact Target (BIT) aspects to meet the milestone so the EMM can be published in March. A supporting inspectors brief and communications plan is currently being produced, including a CNI letter to licensees and key stakeholders highlighting the revised approach.

5.6 The Dournreay Exotics Consolidation Project remains a focus for ONR. Materials consolidation continues in line with the current programme and ONR had met all required commitments and deliverables to date.

5.7 The CNI provided an oral update on the Geological Disposal Facility; AWE Periodic Reviews of Safety; Close out of two AWE Improvement Notices; Graphite Inspections; and an on-going whistleblowing report.

5.8 The Advanced Nuclear Technology Funding BEIS / ONR Limit of Liability had been signed in the reporting period, which allows ONR to recover its costs for the agreed scope of work.

5.9 In early March, ONR hosted a small team from the IAEA that provide dedicated training on completing the IAEA's self-assessment as a prerequisite to the expected UK's Integrated Regulatory Review Service (IRRS) Mission in October 2019. It is understood the UK government would now formally request the IRRS mission in October 2019, although this is still subject to confirmation from BEIS.

5.10 The CNI Independent Advisory Panel took place on 8 March. We presented on three topics, Enabling Regulation asking how this could evolve further; our considerations around Economic Impact of ONR's Safety Regulation; and our strategy on Advanced Nuclear Technology. Our approaches were largely supported by panel members who asked a range of probing questions which stimulated good debate.

5.11 In discussion the Board:

- i. Noted the position on the oral updates provided, in particular the ONR assessment of the Atomic Weapons Establishment (AWE) B Site Periodic Review of Safety.
- ii. Commented on regulatory milestones and whether we were including milestones that we had no control over. The CNI confirmed that had been the case but lessons had been learnt.
- iii. Asked whether we provide feedback to staff following whistle blowing investigations and make changes when / if required. The HR Director confirmed that was the case.
- iv. Commented that International Assurance was an important part of our assurance regime and sought confirmation that we had closed all the recommendations from the previous IAEA Mission. The CNI confirmed that was the case.
- v. Noted the UK Regulators' Code requires us to have a published set of service standards and asked for these to be circulated in correspondence to enable Board input.

Action 3: Circulate draft service standards in correspondence to enable Board input – CNI.

5.12 The Board noted the report.

6 Finance Report

6.1 The Finance Director presented a paper providing an update on ONR's financial performance, governance and risk management to 28 February.

6.2 Attention had focused on enabling the 2018/19 corporate planning activity, providing support to Directors to finalise their annual budget bids for 2018/19 and negotiating with landlords to finalise lease arrangements for office accommodation in London and Cheltenham. Extensive engagement with DWP had taken place to establish the most appropriate banking and funding arrangements as part of our activity to finalise the drafting of a new Framework Document and agreed the principles and processes for funding a prosecution.

6.3 Of the 58 milestones due by 28 February, 43 were delivered on time and seven have been delivered late. Of the fourteen milestones due to be delivered in January and February, eight had been completed on time, one was completed late, four had slipped and are scheduled to be recovered in year (three relating to London lease and the corporate calendar) and one has slipped to 2018/19 (automated risk, planning and audit system).

- 6.4 At 28 February the full year forecast is £70.4m against a budget of £81.1m. This underspend had arisen due to a variety of factors including the impact of the prior months' year to date underspend of £9.4m. The £10m year to date underspend comprises £5.2m in the Regulatory Directorate and £4.8m in support Directorates. The Finance Director provided detail on the drivers for the underspend, specifically reduced demand, slippage, efficiency or price.
- 6.5 ONR's net grant requirement for 2017/18 is forecast at £1.7m which is closely aligned to the original SR15 cash profile of £1.8m.
- 6.6 The Chief Accountant role has now been extended to dedicated accountancy recruitment agencies. This continues to present a capacity challenge. The Planning Risk Manager had now returned to work and is focused on Business Continuity Planning.
- 6.7 Solicitors for ONR and the St James House (Cheltenham) landlord are currently working together to draft the new lease covering three suites. It is expected that the lease will be ready to sign by 31 March 2018.
- 6.8 The updated DWP / ONR Framework Document is now progressing through the final review stage. The Finance Director thanked Board for their comments. The intention is to lay the Framework Document and the Corporate Plan simultaneously and we have a provisional grid slot on 23 April 2018.
- 6.9 The Finance Director confirmed that the Memorandum of Terms of Occupation, for London accommodation, had been signed by Cabinet Office and is legally binding. We are now progressing the 'fit out' at pace.
- 6.10 We are continuing to work closely with DWP to establish the appropriate arrangements to ensure we have access to either adequate overdraft cover or the option of a loan facility. The Finance Director would keep Board informed of developments.
- 6.11 In discussion the Board:
- i. Passed on their thanks to the Finance Director for her work to update the DWP / ONR Framework document.
 - ii. Given recent concerns relating to social media, sought confirmation that we have a fit for purpose social media policy. The HR Director confirmed that was the case and regular training is provided. The Chief Executive added that we should look at an audit of social media compliance.
 - iii. Detailed discussion on the budget underspend would take place at item 9 – Final Budget Bid 2018/19.

Action 4: Consider requesting an audit of social media compliance – HR Director.

6.12 The Board noted the report.

7 HR Director's Report

- 7.1 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.
- 7.2 Continued progress has been made against HR Directorate milestones. 91 milestones have been delivered. The remaining three milestones remain on track, with the exception of two: Nuclear Degree Apprenticeships development; and Learning Content Management System (part of the Academy). Both will move to 2018/19.
- 7.3 It has continued to be a busy and productive period with significant emphasis on recruitment across key specialisms, including a 2018 graduate intake; inducting and developing new staff; and 2018 Pay Deal engagement. Whilst the pay discussions had been positively received, there has been greater challenge in delivering the behavioural workshops.
- 7.4 At 28 February, we employed 581 FTE, of which 377 FTE were technical specialists. There was an increase of three, including one technical specialist, since 31 January 2018.
- 7.5 Vicki Enston, who has just completed her apprenticeship in business administration, had been nominated by ONR for the National Skills Academy Nuclear best business apprentice of the year and is one of three finalists attending the awards ceremony at the end of March.
- 7.6 There has been a 98% sign up for ONR's Behavioural Framework workshops. This will become a formal element of our performance management process from 1 April to ensure that behaviours are at the core of how we assess, reward and develop staff at all levels.
- 7.7 The HR Director commented that there had been a number of senior personal cases that had required high level support and which had taken significant time to move to resolution. He commented that no specific trend had been identified.
- 7.8 Face to face engagement sessions had taken place across ONR on the proposed 2018 Pay Deal. TUS attended the sessions and have been supportive of the offer, recommending acceptance to their members. Balloting is underway and we expect the confirmed outcome at the end of March.
- 7.9 In discussion the Board:
 - i. Sought further assurance that past and existing behaviours in ONR are consistent with the Standards in Public Life Principles. The HR Director confirmed that all reasonable best steps had been taken to identify if there was an issue with sexual harassment in the organisation and that nothing had emerged.
 - ii. Requested that staff absence rates are included in the dashboard on a quarterly basis.

Action 5: Staff absence rates to be included in the HR dashboard on a quarterly basis – HR Director.

7.10 The Board noted the report.

8 Corporate Plan 2018/19

- 8.1 The Finance Director provided the Board with an updated copy of the Corporate Plan 2018/19 (version 0.4) inviting them to review and provide any final comments verbally or by correspondence.
- 8.2 This year's corporate planning activity has focused on a bottom-up approach whereby Directors have engaged with their respective teams to develop their Divisional and Directorate plans. These have provided substantial material for inclusion in ONR's Corporate Plan 2018/19 and draft corporate milestone plan.
- 8.3 The draft Corporate Plan (version 0.3) has been shared with DWP and BEIS and their comments are reflected in the latest version. There are a small number of drafting notes outstanding, however these are not material to how the plan reads and will be cleared in the coming days.
- 8.4 To accommodate parliamentary recess (29 March 2018 to 16 April 2018), expected laying and publication date is scheduled to take place during late April 2018 (provisionally 23 April).
- 8.5 The Board were content that their comments on previous drafts had been addressed.
- 8.6 The Board approved the Corporate Plan 2018/19 and delegated accountability for final changes to the Chief Executive.

9 Final Budget Bid 2018/19

- 9.1 The Finance Director presented a paper providing Board with the final budget proposals for 2018/19.
- 9.2 The budget 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's Strategic Plan 2016-20.
- 9.3 The budget bid also reflects the drive for improved organisational effectiveness and enhanced leadership capability to optimise regulatory outcomes through undertaking appropriate risk mitigation and modernisation activity.
- 9.4 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.

- 9.5 The four year Strategic Plan 2016-20 indicates an increasing requirement over the period to 2020 to deliver against the strategic themes. The continued growth in the industry means net demand for resource in the organisation grows and ONR's cost base will continue to increase.
- 9.6 Since the preliminary budget numbers were presented in January 2018, further refinement of the numbers and underlying assumptions has been undertaken by Directors, supported by Finance colleagues. The budget required to deliver ONR's strategic objectives is £83.9m (gross). The Finance Director highlighted the key drivers for the increase focusing on (1) business as usual, (2) additional activity and (3) investment.
- 9.7 A separate business case was presented to the Board on Business Process Review and Knowledge Management to inform Board consideration of the Final Budget Bid 2018/19. The project name for the BPR / KM project is WIRed, Well Informed Regulatory Decisions.
- 9.8 The Board was also asked to approve a budget drawdown facility whereby the Chief Executive has delegated authority to approve additional funding up to £2m in the event of a change in the fundamental assumptions underpinning the New Build and IT budgets.
- 9.9 In discussion the Board:
- i. Acknowledged the increase budget required to deliver ONR's strategic objectives and expressed concern regarding the 2017/18 material underspend against budget.
 - ii. Reinforced the importance of rigorous monitoring in 2018/19 and the need to re-examine scenarios in-year. The Finance Director confirmed that her Board report would now provide a checklist on New Build and IT scenarios.
 - iii. Noted the information in the WIRed business case and is supportive of the project.
- 9.10 With regard to 9.9i, clarification on the key drivers for the increase was provided: £3.9m due to price increases outside of ONR's control; £3.8m related to the growth in regulatory demand (excluding UK SSAC); demand from BEIS to undertake Government policy led work that is chargeable direct to Government. The delivery of UK SSAC places an additional cost burden on ONR during 2018/19. The Finance Director was asked to ensure this is highlighted in the end of year presentation to DWP by bringing forward the waterfall chart in the appendix into categories previously stated.
- 9.11 Following careful consideration and detailed discussion, the Board approved the budget of £83.9m for 2018/19 and noted that ONR would now engage with DWP to confirm the Budget requirement.
- 9.12 In approving the Budget, the Board approved the budget drawdown facility of up to £2m and asked the Finance Director to ensure a formal delegation process was presented to the Audit and Risk Assurance Committee in April, setting out how the draw down facility would be managed.

Action 6: On the budget drawdown facility of up to £2m, ensure a formal delegation process is presented to the Audit and Risk Assurance Committee in April, setting out how the draw down facility would be managed – Finance Director.

Action 7: Ensure Board comments on presentation are addressed in the end of year submission to DWP – Finance Director.

10 Redgrave Court Lease Options

10.1 The Finance Director presented a paper setting out information to support a decision on the future of ONR's office location in the Liverpool conurbation. The paper takes account of the location principles set out in the ONR Estates Strategy 2017-2020 which was approved by Board in January 2017.

10.2 The Board considered the context, noted the engagement to date, costs and risks associated with the options presented.

10.3 The Board agreed option one, to remain in Redgrave Court occupying the same space to lease expiry in August 2024.

11 UK SSAC Project – Progress Report

11.1 The SRO for the ONR Euratom Exit Programme presented a paper to report on the progress made with establishing the UK State System of Accountancy for and Control of Nuclear Material (SSAC), providing an update on supporting BEIS in delivering the required legislation and to highlight the risks and mitigations.

11.2 She updated the Board on the latest position on the Safeguards Information Management and Reporting System, SIMRS (IT system) tender. The contract award is expected on 1 May 2018.

11.3 The project has been successful in meeting recruitment targets and training towards warranted inspectors. Further resource is being made available from the Regulatory Directorate. ONR's contribution had also resulted in meeting the target for publishing the draft Safeguards Regulations.

11.4 She highlighted a number of risks and uncertainties that remain: equipment workstreams; tight timescales for awarding the SIMRS contract; BEIS clarity on ONR delivery scope for meeting UK international obligations and Euratom equivalence; and future change of delivery lead. She confirmed the overall project RAG rating of RED this month, reflecting the dynamic nature of the project.

11.5 The transition or implementation period, starting from 30 March 2019 and concluding on 31 December 2020, has been specifically mentioned in the EU27 draft withdrawal agreement. We are seeking further clarity on the scope of work needed during this period and are working with BEIS to ensure that assistance from Euratom on key areas is negotiated.

11.6 The Board passed on their thanks to John Donald for his work on the project.

11.7 The Board noted the report.

12 Any Other Business

12.1 There was no other business raised.

13 Information Papers:

13.1 The Board noted the following information papers:

- 1) Policy Digest and Horizon Scan Update: September 2017 – March 2018.
This was a welcome development.
- 2) Mitigating IT Modernisation Related Risks
- 3) Board Forward Look
- 4) Audit and Risk Assurance Committee – 23 January 2018 minutes
- 5) Security Committee – 8 March 2018 minutes. The Committee Chair highlighted the 2017 Annual Assessment of Security Performance of the UK's Civil Nuclear Industry, highlighting the good practice in the Civil Nuclear Security Division on providing assurance on the state of the industry to the Board. She also made reference to Security Assessment Principles (SyAPs) progress, in particular recognition of the amount of work required to submit a plan of the right quality.

Minutes approved by the Board:

Signed... 
Nick Baldwin, ONR Chair

Date... 24/4/18