



Minutes of the Board
13 June 2018
Redgrave Court, Bootle, L20 7HS

Present:

Members

Nick Baldwin - Chair
Penny Boys – Non-Executive Director
Oona Muirhead – Non-Executive Director
Bronwyn Hill – Non-Executive Director
Sarika Patel – Non-Executive Director
Simon Lister – Non-Executive Director
Adrienne Kelbie – Chief Executive
Sarah High – Finance Director
Dave Caton – HR Director

Attendees

Anthony Hart -Technical Director
Katie Day - Director Policy and
Communications
Mina Golshan – Director Sellafield,
Decommissioning, Fuel and Waste/
SSAC SRO (item 9)
Greg Hawes - SSAC Project (item 9)
Brian Jones - SSAC Project (item 9)
Andrew MacKay - Head of Financial
Accounting and Reporting (observer)

Secretariat: Charlotte Cooper, Head of Corporate 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 Mark Foy, Chief Nuclear Inspector who was overseas on business.
- 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 24 April 2018 were agreed as a correct record.
- 2.2 It was noted that all items on the action log were either completed or on track. Action 2 from the April 2018 Board was now closed.
- 2.3 An additional action point to be added to the log from the April 2018 Board on the UK State System of Accountancy for and Control of Nuclear Material (SSAC). The Board asked that we include the different types of sites / facilities (including numbers) in the current and UK future regimes to enable a greater appreciation of size and scale.

Action 1: SSAC action point to be added to the log – Board Secretary.

3 Chair's Report

- 3.1 The Chair, on behalf of the Board, passed on his thanks to all those who organised and participated in the successful ONR Industry Conference held on 9 May 2018.

3.2 He reported that since the Board meeting on 24 April he had:

- 1) An introductory meeting with the new Chair and Chief Executive of EDF Energy, accompanied by the Chief Executive and Chief Nuclear Inspector, to discuss matters of mutual interest.
- 2) Attended a Public Chairs' Forum (PCF) event on 6 June on Diversity, Inclusion and Equality for Boards.
- 3) Met with Tom Smith, NDA Chair on matters of mutual interest.
- 4) Contributed to the Tailored Review of the Health and Safety Executive (HSE), including discussion on ONR/HSE joint Board membership.

3.3 Oona Muirhead, Non-Executive Director, provided feedback on the Powerful Women Conference held on 23 May 2018. She also provided feedback on a conversation with colleagues from the Oil and Gas Industry. This prompted a discussion on our Board site visits and how the Board could get a different perspective and diverse rounded picture of the organisations we regulate, by engaging with duty holders at all levels. The Board were keen to understand the ways in which ONR regulates corporate culture and suggested this could be a topic for discussion at a future Board Regulatory Workshop which would then inform our Board site visit arrangements.

Action 2: How ONR regulates corporate culture to be a topic for discussion at a Board Regulatory Workshop – CNI / Board Secretary.

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 The single corporate milestone due was delivered. All others are rated 'green.' Of the 15 key performance indicators (KPIs) five would be reported annually, seven quarterly and three monthly. All three monthly KPIs had been met.

4.3 April spend was £0.3m below budget, largely due to longer lead in times for recruitment than forecasted.

4.4 The Annual Report and Accounts 2017/18 are expected to be laid on 21 June 2018.

ST2 – Inspiring a climate of stakeholder respect, trust and confidence

4.5 ONR had been strong and assertive in its media handling in the reporting period.

4.6 As reported at the last Board, the DWP / ONR Framework document is delayed due to HMT interest. DWP is seeking to resolve.

4.7 ONR had now received the BEIS / ONR Prioritisation Letter which sets out the detailed asks of ONR and handling of requests. These are categorised against

top, medium and routine priority. The Chief Executive would circulate this to Board for information.

4.8 An oral update was provided on the leak of internal SSAC documentation.

ST 3 - Getting the Best out of our People

4.9 ONR had now procured independent parties to undertake complex investigations, and provide professional mediation. This had proved successful in two recent cases and has significantly reduced the loading on ONR managers.

4.10 ONR's Shaping ONR Leadership Conference had taken place on 6 June 2018. The Chief Executive invited those who attended to share their reflections on what had been an extremely positive day.

ST 4 – Developing a High Performing, Sustainable Organisation

4.11 The Chief Executive referred to the magnitude of the project and the scope and scale. She offered a Board session on the Academy should that be welcomed.

4.12 The WIReD business case would come to Board in September 2018.

4.13 There had been a lengthy session at the Audit and Risk Assurance Committee (ARAC) on 12 June 2018 on IT Separation and Modernisation. ONR is now clear on its position which is informing discussion with the HSE. It is essential that we now make progress in delivering our Separation Plan. A Change Request had been submitted, to the HSE, for procurement of an internal team to assist ONR.

4.14 In discussion the Board:

- i. Sought clarification over references to Whistleblowing and Protected Disclosure policies to ensure consistency in language. The HR Director confirmed there was inconsistency in how we interchanged references. This would be addressed in our guidance to prevent any potential for confusion.
- ii. Welcomed a session on the Academy at some point in the year, with a focus on the capability and training needs analysis and plans to address the gaps identified.
- iii. Understood the IT challenge and, whilst ONR is certain of its position, it is essential that we now made progress on our Separation Plan.
- iv. Noted that the WIReD business case would come to the Board for approval in September.
- v. Noted that a paper on ONR's Business Continuity Plan would be presented to the ARAC in September.
- vi. Passed on their congratulations to the HR Recruitment Team in reaching the final of the HR Excellence Awards 2018.

Action 3: BEIS Prioritisation Letter to be circulated to Board – Chief Executive.

Action 4: Session on the Academy to be arranged later in the year, with a focus on the capability and training needs analysis and plans to address the gaps identified - HR Director.

Action 5: WIReD business case to be presented to the Board for approval in September – Chief Executive.

4.15 The Board noted the report.

5 Chief Nuclear Inspector's Report

5.1 The Technical Director 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 The ONR operating environment remains demanding. All seven planned milestones in April had been met.

5.3 A detailed review and update of Strategic Risk R-010 'Failure to deliver effective and efficient regulation of GB duty-holders across ONR's purposes' had been completed to ensure the mitigating actions and control measures in place and planned are robust.

5.4 In recent weeks the proposed date for laying the new Approved Code of Practice (ACOP) and RIPPIR regulations in Parliament has been delayed to April 2019. Based on this timescale, the regulations will not now come into force until June 2019.

5.5 An oral update was provided on three open investigations.

ST 1 – Influencing Improvements in Nuclear Safety and Security

5.6 An oral update was provided on Hunterston B, Reactor 3 and the decision by EDF Energy to delay the return to service pending further assessments.

5.7 The Technical Director updated the Board on the Security Assessment Principles (SyAPs) following our assessment of the pilot submission which is underway, and other security plans that are now emerging. There are skills and prioritisation challenges that will be managed through working more closely with the industry and by redeploying people into the SyAPs assessment area.

5.8 The Director, Sellafield, Decommissioning, Fuel and Waste had been appointed as Chair of the IAEA Waste Safety Standards Committee (WASSC). This is a prestigious appointment for ONR to influence and shape international standards on radioactive waste management.

5.9 Work is underway to look at the management structures in the Regulatory Directorate to make them more appropriate to the business. A new Career Development Manager (CDM) structure will be rolled out in the autumn.

5.10 In discussion the Board:

- i. Commented on the importance of ensuring ONR had the corporate competency to undertake prosecutions.
- ii. Were assured that ONR has suitable and sufficient resource and capability to deliver the ACOP in accordance with parliamentary timescales.
- iii. Noted the challenges associated with the SyAPs assessments and, given this is a significant reputational issue for ONR, were re-assured by the actions taken by management to work closer with industry and to realign ONR resource to this work.
- iv. Passed on their congratulations to the Director, Sellafield, Decommissioning, Fuel and Waste on her appointment as Chair of the IAEA WASSC.

Action 6: Board briefing to be prepared on the legal process relating to prosecutions. This should also address ONR's corporate competency to undertake prosecutions – CNI.

5.11 The Board noted the report.

6 Finance Report

6.1 The Finance Director presented a paper on ONR's financial performance, governance to 30 April 2018.

6.2 Attention had focused on finalising the Annual Report and Accounts 2017/18, negotiations with landlords to finalise lease arrangements for Cheltenham, finalising plans and commencing works for our London office move, planning our Industry Finance Seminars and continuing discussion with DWP on banking and funding arrangements.

6.3 All ten milestones due to be delivered in April 2018 were completed. One of the four milestones deferred from 2017/18, Corporate Calendar publication, had been completed.

6.4 At 30 April 2018 the full year forecast is £83.8m against a budget of £83.9m.

6.5 ONR's net grant cash requirement for 2018/19 is forecast at £1.8m which is significantly higher than the original SR15 allocation of £0.9m. DWP had notified ONR that it will increase the 2018/19 net cash allocation to £1.8m. The new figures will be updated in the period 2 accounts (May 2018).

6.6 The ONR Scheme of Delegation, Compliance Policy Framework and Fraud Policy and Bribery and Corruption Policy had been published.

6.7 A paper on the funding principles, process and accounting treatment for managing prosecution costs had been sent to DWP for endorsement.

- 6.8 An oral update was provided on the latest position on banking and funding arrangements with DWP. This was discussed at length at the ARAC on 12 June 2018. The Chief Executive advised the Board that she is waiting to be informed of DWP's position and risks. The Finance Director confirmed she would prepare a Board briefing setting out the issues associated with being in or out of the DWP suite of accounts.
- 6.9 A successful appointment had been made to the Head of Finance and Commercial.

Action 7: Board briefing to be circulated setting out the issues associated with being in or out of the DWP suite of accounts – Finance Director.

6.10 In discussion the Board:

- i. Welcomed the planned industry finance seminars and looked forward to feedback.
- ii. Noted the Board briefing to be circulated on ONR's banking and funding arrangements with DWP.

6.11 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 and for its people.
- 7.2 Good progress had been made in the reporting period. The twelve milestones due in the period had been completed.
- 7.3 In the reporting period we had: launched the new Diversity Declaration Campaign; developed a framework to provide external investigation / mediation support; launched new bullying and harassment procedures and implemented the Pay Deal and 2018 high performance awards.
- 7.4 ONR had been shortlisted for another recruitment award by the Chartered Institute of Personnel Development.
- 7.5 At 31 May 2018, we employed 580 FTE, of which 381 FTE were technical specialists. This reflects a net increase of four since the start of 2018/19.
- 7.6 An oral update was provided on the analysis relating to the Exit interviews conducted in 2017/18. The HR Director advised that: work was on-going to increase the ratio of staff undertaking exit interviews; all leavers would receive a confidential HR exit interview irrespective of whether their Career Development Manager had discussed or met with them; and that work would continue to gather intelligence on an individual and organisational basis to look for recurring themes or management hot spots.

7.7 In discussion the Board supported the cultural change programme being undertaken by management and were assured that HR had got a clear handle on the issues raised in the Exit interviews.

7.8 The Board noted the report.

8 Annual Report and Accounts 2017/18

8.1 The Finance Director presented a paper to update the Board on the latest position and audit of the 2017/18 Annual Report and Accounts (ARA) and to provide assurance on the progress towards publishing the document and laying in the House of Commons, following certification by the Comptroller and Auditor General.

8.2 The Finance Director confirmed that at its meeting on 12 June 2018, the ARAC had recommended the Board approve the ARA. The ARAC's comments had now been incorporated into the version presented to Board for approval.

8.3 The Board approved the 2017/18 Annual Report and Accounts and authorised the Accounting Officer to sign the document.

8.4 Following signature the Finance Director would immediately submit the ARA to DWP.

9 UK State System of Accountancy for and Control of Nuclear Material (SSAC)

9.1 The SRO for the UK SSAC Project presented a paper to update on progress and highlight the risks and mitigations.

9.2 The project is delivering within tolerance. Significant progress had been made with the Nuclear Safeguards Information and Reporting System (SIMRS) and the contract had now been awarded. Work to develop a detailed SIMRS delivery plan is underway.

9.3 The project had met its target for recruiting 14 individuals to become safeguards inspectors to meet international obligations and training is underway.

9.4 A number of risks and uncertainties remain, but given the sufficient progress made, an amber/red rating is appropriate this month reflecting the dynamic nature of the project.

9.5 Good progress is being made on the Regulatory Framework aimed at developing details of the regulatory approach for delivering SSAC that (a) enables the UK to meet international Safeguards obligations by the end of March 2019, and (b) subsequently expands to reach full State System capability (Euratom equivalence).

- 9.6 Following the recommendations of the Infrastructure and Projects Authority (IPA) reviews of both the BEIS overall programme and ONR's SSAC Project, we are working with BEIS on the development of an integrated assurance framework. The IPA would be conducting an operational readiness review mid-autumn.
- 9.7 Greg Hawes, SIMRS Procurement Manager presented a paper reporting on the outcome of the procurement of the SIMRS and key elements of the resulting contract, including the procurement process, contract award and contract overview. The contract secures a firm price for the defined Work Packages whilst retaining the flexibility ONR requires.
- 9.8 Brian Jones, SIMRS Project Team, added that we would receive the first working version of SIMRS by the end of June 2018. The system would be operational at the end of December, followed by parallel running January to March 2019.
- 9.9 In discussion, the Board:
- i. Sought confirmation on whether secondary legislation would be required. The SRO confirmed that this was the case. She set out the expected timeline leading to the laying of secondary legislation in January 2019.
 - ii. Commented on the need to continually and consistently articulate what we will deliver on day one - a system that enables us to meet international obligations and then build on that to meet Euratom equivalence.
 - iii. Reinforced the need to test the SIMRS at volume with users and have a fall-back position if something does not work.
 - iv. Asked that we include the different types of sites / facilities (including numbers) in the current and UK future regimes to enable a greater appreciation of size and scale to enable Board to understand the optics.
 - v. Asked that we pay careful attention to value for money and optimisation of costs and benefits against potentially changing targets.
- 9.10 The Board thanked the SRO for her report which demonstrated that she was running an effective project. This is an important project that could impact ONR's reputation and the Board were assured that work is progressing to mitigate the risks.

10 Remuneration Committee Annual Report 2017/18

- 10.1 The Remuneration Committee Chair presented the Committee Annual Report 2017/18 and reported on the internal review of effectiveness. A minor change to the Committee's Terms of Reference is proposed to recognise the ONR Chair as a member of the Remuneration Committee.
- 10.2 The Board noted the Annual Report 2017/18, including the outcome of the effectiveness review, and agreed the minor revision to the Committee Terms of Reference to recognise the ONR Chair as a member of the Committee.


11 Any Other Business

- 11.1 Observer Feedback – Andrew MacKay, Head of Financial Accounting and Reporting, thanked the Board for the opportunity to observe the meeting. He had found it extremely helpful to observe the discussion on the Annual Report and Accounts and commented on the Board's openness and transparency, positive engagement and focus on issues and risks.
- 11.2 There was no other business raised.

12 Information Papers:

12.1 The Board noted the following information papers:

- 1) IT Separation and Modernisation Update.
- 2) Cyber Security Risk Status.
- 3) Audit and Risk Assurance Committee Annual Report 2017/18.
- 4) Security Committee Annual Report 2017/18.
- 5) Audit and Risk Assurance Committee minutes – 11 April 2018.
- 6) Board Forward Plan.

Minutes approved by the Board:	
Signed.....	
	Nick Baldwin, ONR Chair
Date.....	28/08/18.