



**Minutes of the Board  
27 November 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  
Adrienne Kelbie - Chief Executive  
Mark Foy - Chief Nuclear Inspector  
Sarah High - Finance Director  
Dave Caton - HR Director

**Attendees**

Anthony Hart - Technical Director  
Alistair Campbell - Head of IT (item 9)  
Mina Golshan - Director Sellafield,  
Decommissioning, Fuel and Waste/  
SSAC SRO (item 10)  
Richard Tate – Nuclear Safety Inspector  
(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 Jonathan Baume and Simon Lister.
- 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 September 2018 were agreed as a correct record. The Board Secretary confirmed the Board's decision to approve the WIReD Business Case, taken in correspondence on 11 October 2018.
- 2.2 It was noted that all items on the action log were complete, with the exception of two items that had been delayed:
  - a) Action 1 from the July Board – DWP clarity on public corporation roles and responsibilities; and financial management implications and alternative options as a result of ONR funding dependency on DWP – The Finance Director confirmed both issues would be presented to the Audit and Risk Assurance Committee (ARAC) in January 2019.
  - b) Action 1 January (2018) Board – Succession Planning – this would be discussed at the Nominations Committee in December 2018, prior to Board consideration.

**3 Chair's Report**

- 3.1 The Chair provided a brief update on the two on-going external effectiveness reviews of the Security Committee and the joint review of the Remuneration and Nominations Committees. He also passed on his thanks to all those involved in a successful Board Strategy Day in October.

- 3.2 He reported that since the Board meeting on 25 September he had:
- 1) Met with a representative from the National Cyber Security Centre, accompanied by ONR's Security Non-Executive Director, to discuss ONR Security Committee related matters.
  - 2) Attended an introductory meeting on 14 November with the recently appointed Director General, Energy and Security BEIS. Accompanied by ONR's Chief Executive and Chief Nuclear Inspector, discussion focused on the challenges facing ONR and other issues of common interest.
  - 3) Attended the Civil Aviation Authority-led Chairs of Safety Regulators' meeting on 14 November. Discussion focused on reporting safety information to Boards in ways that enable Boards to give good advice on their risk appetite.
- 3.3 Oona Muirhead, Non-Executive Director, provided feedback on the DWP-led ALBs' Audit and Risk Assurance Chairs' meeting on 20 November, where she substituted for ONR's ARAC Chair.
- 3.4 Bronwyn Hill, Non-Executive Director, provided feedback on the joint Public Chairs' Forum (PCF) and Association of Chief Executives'(ACE) seminar on 23 November, entitled 'Reflections of the work of the National Audit Office' led by their Comptroller General.

**Action 1:** It was agreed the feedback note on 23 November joint PCF/ACE be shared with the Senior Leadership Team – 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 Of 33 corporate milestones due by the end October, 23 are complete; the remaining ten should be recovered within year. Of the further 26 milestones due for delivery by March, one has been completed in November (Framework Document), one has been moved within year and three relating to Phase 2 laptop rollout, Permission Dungeness B (R22) reactor start-up following statutory outage and Complete SAPs review – Professional Leads (Phase 1) are expected to slip. Two milestones (Complete final draft of REPPiR Code of Practice and guidance and Consider Business Case for Phase 2 of Regulatory Knowledge Management Business Process Review Project – Gateway Review) are now expected to be delivered in 2019/20. One milestone, Complete first build of new portal to assist regulation of Cyber Security & Information Assurance in the supply chain had been deleted. This would be delivered as part of the WIRed project.
- 4.3 All KPIs have been met with the exception of Transport Compliance Inspections, Determinations under REPPiR and Financial forecasting (3.8% underspend). The Capacity KPI is expected to be recovered by year end. All inspections have

been performed to plan. All FOI/EIR requests had been responded to within statutory limits.

- 4.4 The full year spend forecast at the end of October is £84.1m, £3.2m below budget of which £3m is in the Regulatory Directorate. This related primarily to staff costs, as previously reported to Board. Forecasting is now more robust, and the revised forecast had broadly settled for three months.

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

- 4.5 The Senior Leadership Team (SLT) has been considering our potential approaches to consultation and / or engagement regarding our 2020-2025 strategic plan. Having reflected on discussion at the Board Strategy Session, it is SLT's view that there are likely to be limited changes to our overall direction, but that certain elements such as regulatory innovation and international co-operations, organisational modernisation and our operating model will be emphasised. The Chief Executive would bring an early paper to January Board, setting out the detailed engagement approach which is likely to be through our existing channels. Board would also explore future scenarios to test our emerging new strategy. The Chief Executive commented that work had already begun in advance of a new Chair being appointed in April 2019.

*ST 4 – Developing a high performing and sustainable organisation*

- 4.6 The Chief Executive is working closely with the Strategic Director for IT and Head of IT to give more scrutiny and support to our IT separation and modernisation plans.

- 4.7 In discussion the Board:

- i. Questioned whether it would be helpful for the Audit and Risk Assurance Committee to have a more granular look at IT and / or whether a Gateway zero equivalent review would help to bring an external perspective. The Chief Executive commented that both suggestions would be helpful and confirmed that we intended to have a Gateway zero equivalent review around April 2019.
- ii. Welcomed the work and approach to developing the 2020-2025 strategic plan. This would be an opportunity to do some fresh thinking and reflect what's changing, be globally aware, what the thinking with core partners is, and set out a critical path for engagement. In addition to the Board receiving a paper detailing our approach to consultation and / or engagement, they welcomed the planned workshop session on scenarios.
- iii. Stressed the importance of agreeing the 2020- 2025 strategic plan with the new Chair early in their tenure and that this should be part of their induction.
- iv. Sought assurance that we have all issues in hand, in case of a hard Brexit and areas where we are dependent on government for, for example, legislation which may be delayed in this event. The Chief Executive confirmed that we were well prepared and she would discuss the Brexit risks further with the Director of Policy and Communications. This would be the subject of a deep dive by the ARAC in January.

- v. Made reference to the early staff survey findings. In particular that 20% of respondents didn't want to say in which area they worked. The Chief Executive offered assurance that this is most likely to reflect the fact that some worked in two areas. The Board requested sight of the full report on the staff survey to highlight comparative data against the previous survey. The full findings and analysis would be presented to January Board.
- vi. Noted the appointment of Tim Stone as the Chair of the Nuclear Industry Association. The Board may wish to consider inviting him to a Board dinner in due course.
- vii. Noted the Chief Executive's intention to be ONR's Qualified Person, subject to Ministerial Agreement. The Board were assured on the reasons for the decision and agreed that, should a complaint be received about the Chief Executive, then this would be referred to the ONR Chair.

**Action 2:** ONR 2020 – 2025 Consultation Approach and Scenario Workshop to be addressed at January Board - Chief Executive.

4.8 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 the reporting period, a total of 11 milestones were due for completion; eight had been delivered and three corporate milestones missed: Consent for Bradwell to enter into care and maintenance; Permission to Interim storage of AGR fuel and Sellafield; RICS Technical Cell Capability Improvement Programme.

5.3 Following corrective action to address continued staff cost-underspend in the Regulatory Directorate, actual performance has been within 1% of forecast for the reporting period.

### *Regulatory Oversight*

5.4 The Regulatory Oversight review of the decision to grant Hinkley Point C Nuclear Island Consent concluded that the project had maintained a high degree of governance and control in relation to the granting of the Licence Instrument.

5.5 Two independent Regulatory Assurance reviews had been completed to schedule. The Strategic Review of the implementation of Investigations Process improvements across ONR received a moderate assurance rating. The strategic review of ONR's arrangements to fulfil its emergency response role, and to respond to an event that may challenge the delivery of its regulatory purposes also received a moderate assurance rating.

*ST 1 – Influencing Improvements in Nuclear Safety and Security*

- 5.6 The CNI provided Board with an update on his recent meeting with the BEIS Secretary of State, accompanied by the DCI Sellafield, Decommissioning, Fuel and Waste. In addition to our view on hazard and risk reduction, discussion also focused on how ONR is seeking to be innovative as a regulator and how we are facilitating innovation in the industry.
- 5.7 An oral update was provided on prosecutions.
- 5.8 During the reporting period, two significant Sellafield permissions were issued: (1) Enable commencement of sludge retrievals from the First Generation Magnox Storage Pond. This is a substantial milestone for Sellafield in its journey to reduce hazard and risk on the site; (2) Enable the installation of the Waste Retrievals and Containerisation area of the Pile Fuel Cladding Silo (PFCS). This is a significant enabler to the early retrieval of waste from the PFCS.
- 5.9 An update was provided on current reactor outages. Hunterston B, Reactor 3 remains shutdown pending receipt of a return to service safety case. Reactor 4 was also shutdown in October 2018, for graphite inspection outage. Discussions are on-going.
- 5.10 NuGen has now been wound up. It had formally notified ONR that all nuclear security information and records have been destroyed in accordance with Government procedures. The proposed development and construction of the Moorside site had ceased and it had asked ONR to revoke its Construction Site Security Plan.
- 5.11 We expect to publish revised GDA guidance to Requesting Parties that implements improvements to the GDA process in January 2019.

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

- 5.12 The UK was rated equal 1<sup>st</sup> and 1<sup>st</sup> in the recent Nuclear Threat Index assessment for theft and sabotage security (equal 1<sup>st</sup>) and control measures (1<sup>st</sup>). This is largely the result of various improvements we have made such as publishing SyAPs and amending Nuclear Industry Security Regulation to include a requirement for cyber contingency plans and exercises.
- 5.13 In discussion the Board:
- i. Recognised the two significant Sellafield permissions that had been issued and passed on their congratulations to all involved in the journey to reduce hazard and risk reduction on the site.
  - ii. Commented on the risks to delivery of key milestones because of reliance on a single individual and asked whether the organisational resilience risk addressed this issue. The CNI made reference to the review of priorities over the next 12 to 18 months alongside succession planning and talent management.
  - iii. Recognised the significant achievement in the Nuclear Threat Index assessment and passed on thanks to all those concerned.

- iv. Welcomed the additional one year secondments for three graduates who are due to complete the graduate scheme next month.

5.14 The Board noted the report.

## **6 Finance Report**

- 6.1 The Finance Director presented a paper on ONR's financial performance and governance to 31 October 2018.
- 6.2 Focus had been on developing the 2019/20 Business Plan, preparing for its Directorate Management Team Event, commencing activity to support the production of the Annual Report and Accounts 2018/19, establishing a Project Board for our Bootle Workspace Project, drafting our Integrated Audit and Assurance Plan 2019/20, finalising the Framework Document and negotiating arrangements for the commercial bank loan agreements.
- 6.3 The Directorate has 61 milestones to deliver during the remainder of the year. All of those due in month are on track for completion. The two milestones at risk relate to:
  - (1) Confirmation of the 2019/20 HSE SMA provision in January 2019 which is dependent on further clarity from the IT Separation project to define service requirements and the step-down plan. The HSE Service Management Agreement costings for 2018/19 have subsequently been reviewed. As a result of recent engagement and challenge the costs have been revised downwards by in excess of £100k.
  - (2) Finalising ONR's Business Continuity Plan in March 2019. The milestone to hold an Industry Engagement event in February 2019 has been abandoned, preferring to hold an annual event in June 2019.
- 6.4 At 31 October 2018 the full year forecast is £81.4m against a budget of £84.6m.
- 6.5 The Finance Director confirmed that DWP had committed to make a loan to cover our capital investment, via the Framework Document.
- 6.6 The Charging Agreement between BEIS and ONR in respect of UK SSAC was signed on 30 October 2018, with BEIS committing to underwrite costs to June 2020. We are continuing to work with BEIS to identify future funding requirements relating to the duration of the programme in good time to inform BEIS budgets and the relevant HM Treasury budget planning exercises.
- 6.7 The Board noted the report and welcomed the clarity on the UK SSAC costs.

## **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 continues to be made against plan with 49 of the 55 milestones due, now completed. Six milestones have been delayed, through formal change control, but are expected to be delivered in the reporting year.
- 7.3 The Directorate remains on target to achieve all 97 milestones by the end of the year but recognises increasing risk to project delivery from the demand in supporting a growing casework load, resource required to build greater management capability and to support a range of projects including WIReD, Smarter Working, and the 2019 Integrated Regulatory Review Service (IRRS) Mission.
- 7.4 At 31 October 2018, ONR employed 587.71 FTE, of which 385.87 FTE are regulatory specialists (an overall headcount of 621). We remain on target to achieve the planned net growth in 2018/19 of 32 staff.
- 7.5 SLT has signed off an approach to begin introducing bespoke leadership development in ONR. The development focuses on inclusive leadership that consists of three phases, from new leaders up to director level, with the entire programme being in place by 2020.
- 7.6 The HR Director advised that we had provided our diversity and inclusion data to BEIS to share good practice.
- 7.7 In discussion the Board asked for a short note on the diversity and inclusion data that had been shared with BEIS, in particular a note of what ONR had done that had been successful.
- 7.8 The Board noted the report.

**Action 3** – short note to Board on the approach to improving diversity and inclusion data declaration that had been shared with BEIS, noting in particular what ONR had done that had been successful – HR Director.

## **8. ONR Pay Offer 2019/20**

- 8.1 The HR Director presented a paper seeking agreement for the development and implementation of a new pay deal for main grade staff from 1 April 2019, for a period of one year to enable a longer term deal to be developed. ONR is committed to ensure we retain a skilled and motivated workforce. We need to ensure our people feel valued, and are able to develop challenging and rewarding careers, if we are to maintain the skills that we need. Our total reward offer is a key element of that.
- 8.2 The paper set out market comparisons, highlighted the significant uncertainty on future public pay policy for 2019 and beyond, the current economic climate, the trade union position and ONR's current investment in staff.

### 8.3 In discussion the Board:

- i. Sought further detail on a number of issues in the paper around competency based pay; high performance award; and the London Weighting Allowance, to support a deeper understanding of the totality of the total reward package.
- ii. Acknowledged that the one year pay deal for 2019/20 is a holding position given the detail set out in the paper and considered it to be a well-judged proposal. Further work is needed to develop options for the Board to consider a longer term pay deal.
- iii. Noted the impact of expected increased costs from a rise in employer pension contributions and this, combined with any increase from the 2019 pay deal could lead to challenge from external stakeholders for ONR to make greater efficiency savings to fund the increases.
- iv. Noted the impact of the annual tax charge on senior staff and noted that this issue is due to be considered further by the Remuneration Committee.

### 8.4 The Board agreed:

- (1) An ONR pay increase of up to 2% consolidated for all staff who meet or exceed their objectives and behavioural standards;
- (2) Implementation of the pay increase proposal for Fire Safety Inspectors;
- (3) An increase in the London Weighting Allowance of 2% and address historical anomalies;
- (4) The pay offer to be for a one year period.

**Action 4:** HR to report the outcome of pay negotiations to the Board – HR Director.

## 9. IT Separation and Modernisation Update

9.1 The Head of IT presented a paper setting out the current position on the IT Separation and Modernisation Projects.

9.2 In the reporting period, four of the five milestones due, were delivered. Wi-Fi installation at Bootle and Cheltenham was missed, although an interim solution had been installed into Bootle. ONR is seeking an updated proposal from Sopra Steria for the full solution, ensuring this is undertaken via HSE.

### *Separation*

9.3 A successful supplier day took place on 24 October with ten potential providers in attendance, all demonstrating significant interest in working with ONR.

9.4 High level requirements had been completed and included in the Supplier Questionnaire to be returned by 19 December. Responses would inform the shortlist suppliers to progress to a full Invitation to Tender in January 2019.

### *Modernisation*

9.5 Lap top role out has commenced and 66 staff have had new laptops issued to date. The remainder of the 200 laptops are scheduled to be issued to staff by

the end of November. The TRIM (CM9) upgrade has been confirmed for 7-9 December.

9.6 A detailed update was provided on recent IT issues together with planned mitigations.

9.7 In discussion the Board:

- i. Agreed a paper should be presented to ARAC in January, looking in detail at progress against plan, risk and mitigation. This should be followed by a paper to Board in January, providing a longer term view of the IT projects and dependencies covering: delivery; dependencies; long term approach/target; assurances; and impact on the organisation such as staff engagement and training.
- ii. Commented on the need to have oversight and assurance of our modernisation agenda and a better understanding of how it all fits together.

**Action 5:** detailed IT paper to be presented to the January ARAC, and January Board – Head of IT.

9.8 The Board noted the paper.

## **10. UK State System of Accountancy for and Control of Nuclear Material (SSAC)**

10.1 The SRO presented a paper to update on progress, highlight the risks and mitigations and findings of the Infrastructure and Projects Authority (IPA) Review and recommendations.

10.2 The project continues to make good progress across all work streams. Delivery of SIMRS remains on schedule. The operating model is being developed and tested as planned. Recruitment for the second phase of the project (beyond March 2019) remains on track and inspectors' regulatory, technical and on the job training is on target.

10.3 The RAG risk rating for the first phase of the project (enabling the UK to meet international obligations) is AMBER/GREEN. The current project risks reflect the tight timescales, the large volume of work remaining and the dynamic operational and political environment.

10.4 The BEIS Euratom Exit Programme and ONR UK SSAC Project underwent a review in the reporting period. The Review focused on delivery readiness for negotiated and no deal scenarios and on understanding risks, barriers to successful delivery and identification of potential mitigations. The review received a B rating (equivalent to amber/green). Two recommendations were raised for ONR consideration (1) the need to put in place a systematic approach to operational readiness of the SSAC; (2) maintain strong focus on delivery of the SSAC in order to maintain the current momentum towards meeting international obligations by 31 March 2019.

- 10.5 Whilst a comprehensive plan for the second phase of the project is in place, beyond March 2019, given the uncertainties and the scope and extent of the remaining work the RAG rating for the second phase of the project (Euratom equivalence) is AMBER.
- 10.6 The deadline for laying the Nuclear Safeguards Regulations in Parliament had been brought forward to avoid any potential delay caused by a large volume of other essential EU Exit related legislation. The ONR team is working closely with BEIS to resolve outstanding matters.
- 10.7 Focus in the next period will be on the completion of SIMRS integration testing; continued work on the operating model; preparation for upcoming Infrastructure and Projects Authority Review; working with BEIS to support the laying of Nuclear Safeguards Regulations in Parliament and addressing the exemptions matter in an appropriate and proportionate manner.
- 10.8 The Board noted the paper and the positive progress that continues to be made.

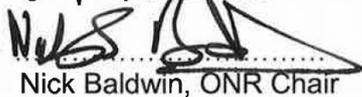
## 11 Any Other Business

- 11.1 Observer Feedback – Richard Tate, Nuclear Safety Inspector, thanked the Board for the opportunity to observe an interesting meeting, with clear papers, a lack of jargon and constructive challenge from Board members.
- 11.2 There was no other business raised.

## 12 Information Papers:

12.1 The Board noted the following information papers:

- 1) Security Committee Minutes – 18 September 2018.
- 2) Audit and Risk Assurance Committee minutes – 12 September 2018.
- 3) Modernisation and IT Separation Leaflet.
- 4) Board Forward Plan.

Minutes agreed by the Board:	
Signed	 Nick Baldwin, ONR Chair
Date	24/1/19