



Minutes of the Board

4 June 2019

Windsor House, Victoria Street, London, SW1H 0TL

Present:

Members

Mark McAllister - 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
Katie Day - Director of Policy and
Communications
Mina Golshan - Director, Sellafield, DFW
(item 4)
Rachel Grant - Head of Policy (item 12)
Lynne Mackay - Head of Domestic Safeguards
Policy (item 12)
Julie Wareing - Head of External Communications
(item 12)
Rachel Hatton - Head of Internal Communications
(item 12)
Cenbee Bullock - 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. An apology for absence was received from Simon Lister, Non-Executive Director.
- 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 30 April were agreed as a correct record.
- 2.2 At the forthcoming Board visit to Sellafield in July, arrangements would include a meeting with Safety representatives.
- 2.3 All items on the action log were complete.

3 Chair's Report

- 3.1 The Chair reported that since the previous Board he had:
 - i. An introductory meeting with the new BEIS Minister, Andrew Stephenson MP, accompanied by the Chief Executive and the Chief Nuclear Inspector.
 - ii. An introductory meeting with Dr Tim Stone CBE, Chair of the Nuclear Industry Association, accompanied by the Chief Executive.
 - iii. Attended a PCF Dinner and Annual Conference. The theme was Trust, Leadership and Social Cohesion and the keynote speaker was the Minister of Implementation, Cabinet Office. He highlighted a telephone discussion with the Civil Aviation Authority making reference to their approach to risk management.

- iv. Had an introductory meeting with the HSE Chair to discuss matters of mutual interest, including the forthcoming Integrated Regulatory Review Service (IRRS) Mission.
- v. Had joined the Chief Nuclear Inspector on a visit to BAE Systems Marine Limited in Barrow. He highlighted BAE's corporate social responsibility agenda.

4 Regulation of the Nuclear Decommissioning Authority (NDA) through Change

- 4.1 The Director, Sellafield, Decommissioning, Fuel and Waste (SDFW) presented a paper providing an overview of the regulatory interactions between ONR and the NDA as it undergoes significant organisational change in the way it delivers its mission.
- 4.2 She explained the NDA is one of our key licensees and a very important duty holder. Under a new CEO, it had reviewed its organisation and is implementing significant structural and strategic changes. For the majority of its clean-up work, NDA is now moving to a model of Site Licence Companies (SLC) becoming NDA's wholly owned subsidiaries. On 1 September, the transfer of the twelve Magnox Limited (ML) sites to the NDA as its wholly-owned subsidiary would take place. This will leave the Dounreay and Low Level Waste Repository sites as the only Parent Body Organisation operated sites.
- 4.3 Whilst the new model alters the way the NDA discharges its responsibilities and its relationship with the SLC, it does not fundamentally change its duties under health, safety and security law. The NDA is considered by ONR as a duty-holder that chooses to employ SLC to implement its undertakings.
- 4.4 ONR is routinely consulted by NDA on strategy development and other aspects of its work. The recently published 'One NDA' handbook embodies NDA's intent to oversee a group of businesses working together more effectively and efficiently through a common goal. In November 2018, ONR developed a two stage intervention to ensure that safety and security considerations were adequately reflected in the handbook. ONR is continuing its engagement to ensure that any changes that may affect safety and security are properly considered. We are doing this by targeting key areas of interest such as NDA's new functional strategies on safety, security, people and the supply chain.
- 4.5 ONR has been engaged in discussions on the NDA Spending Review 2019. Given the long term funding requirements to complete decommissioning and remediation work across the NDA sites, especially at Sellafield, we will continue engagement with the NDA spending review process to secure a well justified basis for its bid.
- 4.6 In discussion the Board:
 - i. Requested a separate Board paper on the ONR Waste and Decommissioning Strategy to include the NDA approach to decommissioning the Magnox sites and the ONR view on that.
 - ii. Welcomed the more formal and systematic arrangements in place in our engagements with the NDA given the changes highlighted.

- iii. Asked the Director what her main concerns were. She highlighted the need for the spending review to ensure safety and security priorities are properly considered.

4.7 The Board noted the paper.

Action 1: Board paper to be prepared on the ONR Decommissioning and Waste Strategy for a future Board – Director, SDFW.

5 Review of the Vires for Regulation of Nuclear Sites used for Defence Purposes

- 5.1 The CNI presented a paper, on behalf of the Director, Operating Facilities, to update Board on the status and preliminary findings from a review of ONR's legal vires for the regulation of nuclear sites used for defence purposes, informed by the apparent complexity of arrangements to regulate licensed sites at the working level.
- 5.2 The aim of the review is to provide assurance that ONR is fully discharging its statutory functions, and that efficient and effective regulation is being delivered across the nuclear sites for defence purposes. The project, set up to undertake the review, also seeks to establish a clear legal basis for the assignment of regulatory responsibilities between ONR and the Defence Nuclear Safety Regulator (DNSR).
- 5.3 ONR's work over the last twelve months has established a greater understanding on a number of important matters of legal interpretation relating to the Nuclear Installations Act 1965. Understanding such legal interpretations have now been progressed as far as is possible, recognising the absence of case law. Residual matters of interpretation would be subject to ONR and MoD joint working to develop policy positions based on the newly established legal foundation.
- 5.4 The CNI confirmed that this work is about establishing clear roles and accountabilities in relation to the legal framework in the UK and is not about any extension of ONR's role and influence on military matters in specific areas. The project has been collaborative with both the MoD and DNSR. Appropriate governance and working arrangements had been put in place with the MoD to ensure mutually acceptable arrangements are developed following the vires review.
- 5.5 In terms of next steps, he highlighted five areas of work that are underway, which seek to establish clarity on regulatory boundaries and responsibilities and ONR's ability to influence on Crown estates. These are:
 - 1) Non-Statutory notices (Crown notices and Censure);
 - 2) Establishment of 'Crown control' criteria;
 - 3) Revised definition of 'Reactor Comprised in a Means of Transport (RCiMT);
 - 4) Regulatory Assurance; and
 - 5) Transfer of responsibility (if considerations suggest this may be appropriate).
- 5.6 There is no fixed end date for this work and the ONR, MoD and DNSR are working together. Full engagement would take place with licensees and the Safety Directors' Forum with a view to developing a clear framework over the next 12 – 18 months.

5.7 In discussion the Board:

- i. Welcomed the review and approach taken to provide assurance that ONR is fully discharging its statutory functions, and that efficient and effective regulation is being delivered across the nuclear sites for defence purposes.
- ii. Asked that lines to take be developed, at the right time, focusing on accountability and ownership.

5.8 The Board noted the report.

6 Business Critical Roles and Resilience / Succession Planning

6.1 The HR Director presented a paper setting out the developing approach for resilience and succession planning for business critical roles in ONR, our focus on building management capability and integration with performance and talent management arrangements.

6.2 He highlighted a number of separate arrangements in place to manage and oversee performance management, development and deployment. The lack of integration and shortfalls in our arrangements impact on individuals and is an inhibitor to our cultural change. He set out the interim approach being taken through the establishment of a business critical roles (BCR) grid to enable identification and focus on ensuring there is resilience across business critical roles and potential successors are supported.

6.3 Longer term, ONR plans to develop and embed a comprehensive process across ONR based on a three year approach. This plan will incorporate a cyclical process for identifying talent, providing development, creating talent pools and undertaking regular reviews. The plan will see integration of the various building blocks onto the Academy on-line system ensuring that we have a sustainable, robust and automated approach that is monitored and is proportionate. This will bring together performance management, career development, talent management and succession planning.

6.4 The CNI commented on the identification of Business Critical Roles in the Regulatory Directorate (RD), with a RAG rating focusing on priority areas, commenting that this had enabled the Management Team to have more targeted conversations. The Technical Director explained the current approach to deployment and resilience in the RD through his Regulatory Deployment and Resilience Group.

6.5 In discussion the Board:

- i. Noted the challenges the Executive had recognised in developing succession planning;
- ii. Were assured by the approach being taken to developing the plan;
- iii. Noted the relatively good position on successors in business critical roles. Board commented all they need is assurance that there is a pool of individuals for business critical roles (not named individuals).

6.6 The Board noted the paper and welcomed regular progress reports at key stages of the plan.

- 6.7 The HR Director drew Board's attention to ONR's cultural assessment, a summary of which was appended to the HR Director's Report at item 16. Following on from the cultural issues identified during the initial National Equality Standard (NES) accreditation and staff survey, Ernst and Young were commissioned to collect evidence to support the diagnosis of the prevailing cultures within ONR. This would provide a deeper understanding of ONR's dominant cultures, potential cultural drivers and support targeted action.
- 6.8 He highlighted assessment findings within the three themes of (1) unconscious bias, (2) inhibition to speak up / voice challenge, (3) bullying and harassment. He provided a demographic analysis of responses, discussed legacy issues and set out next steps.
- 6.9 The Chief Executive made reference to the forthcoming Shaping ONR event in July where the agenda would be refocused on addressing some of the findings from the assessment and look to develop a clear set of values for the organisation. The Chief Nuclear Inspector made reference to leadership in the organisation and the need for the behavioural framework to fully embed and for all leaders to lead by example and hold individuals to account. Further attention was needed by the Senior Leadership Team to ensure equal attention on delivery and behaviours and to a lack of accountability for ensuring consistently clear conversations are happening across ONR.
- 6.10 In discussion the Board:
- i. Discussed the key findings and thanked the Executive for their response. It was clear that the issues had been acknowledged and plans were being put in place to deal with the issues. It was pleasing to see that this is now up front and centre at the next leadership session, providing a clear signal of its importance.
 - ii. Asked that we use the whistleblowing re-launch as another tool to encourage people to speak up, reinforcing the Non-Executive Director Whistleblowing Lead role. The Chief Executive referred to the whole menu of tools available to staff to speak up. The Confidential Advisor Network is a supportive place to go and has a high degree of traffic.
- 6.11 The Board noted the assessment findings and welcomed the next steps set out by the Executive given the importance.

7 Annual Report and Accounts 2018/19

- 7.1 The Finance Director presented a paper to update the Board on the latest position and audit of the 2018/19 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.
- 7.2 She commented that this year's NAO audit had been more challenging and extensive than in previous years driven by major new areas of work that had been significant in nature, scope and complexity. This necessitated substantial new audit coverage in addition to routine audit activity. There had also been a divergence of views on one control observation relating to the capitalisation of costs incurred for WIReD and IT Separation. This issue was discussed in detail at the ARAC on 3 June, where the Committee fully endorsed the ONR management response.

- 7.3 The Finance Director confirmed that at its meeting on 3 June 2019, the ARAC had considered version three and recommended the Board approve the ARA, subject to a small number of minor amendments, none of which were material.
- 7.4 The Board approved the 2018/19 ARA and authorised the Chief Executive to sign the document for onward submission to NAO and subsequent laying before Parliament.
- 7.5 The ARA is expected to be certified by NAO on 17 June with an expected laying date of 20 June 2019.

8 Audit and Risk Assurance Committee (ARAC) Annual Report

- 8.1 The ARAC Chair presented the Committee Annual Report to inform the Board of key work during 2018/19.
- 8.2 The Board thanked the Committee for its work during the course of the year.
- 8.3 The ARAC had considered the revised Terms of Reference (ToR) on 3 June 2019 and asked for a small number of minor amendments. The amendments were not significant and focused on providing greater clarity.
- 8.4 The Board agreed the proposed change to the ARAC ToR detailed at paragraph 3.6 and appendix B to the report, including the ARAC amendments, noting the substantive change to explicitly refer to the Security Non-Executive Director being a member of ARAC.

9. Remuneration Committee and Nominations Committee Annual Reports

- 9.1 The Remuneration Committee Chair presented the Annual Reports for each Committee to inform the Board of key work during 2018/19.
- 9.2 The Board thanked each Committee for their work during the course of the year.
- 9.3 The Board agreed the ToR for the new merged Remuneration and Nominations Committee at Appendix C to the report.

10 Security Committee Annual Report

- 10.1 The Security Committee Chair presented the Annual Report for the Committee to inform the Board of key work during 2018/19. The report makes reference to the Committee effectiveness review and the broader governance arrangements agreed by Board in March. It highlights three items for inclusion in the Board / ARAC forward plans for which there was Board support.

10.2 The CNI confirmed he would prepare two papers for inclusion on the Board Forward Plan in the coming months:

- 1) Strategic Capability and pipeline issues for security and cyber professionals
- 2) An update on how inspectors learn from relevant good practice and innovation in other (non-nuclear) industry sectors. This would be led by a professional lead.

10.3 The third item, to provide specificity of ratings across all regulatory purposes, is currently work in progress and would be addressed in the CNI's routine Board report.

Action 2: Add two items to the Board Forward Look (1) Strategic Capability and pipeline issues for security and cyber professionals, and (2) update on how inspectors learn from relevant good practice and innovation in other (non-nuclear) industry sectors – CNI / Board Secretary.

10.4 The Board thanked the Committee for its work during the course of the year.

11 Independent Member of the Audit and Risk Assurance Committee

11.1 The ARAC Chair presented a paper to update Board on the outcome of the recent recruitment competition for an independent member of the ARAC. The current independent member's appointment comes to an end on 30 September 2019.

11.2 The Board approved the recommendation to appoint Chris Wood to the position, with effect from 1 October 2019 for a three year term, subject to appropriate security clearance.

12 Policy and Communications Directorate – Presentation

12.1 The Director of Policy and Communications set the context for the presentation to provide an overview of the work of the Directorate, the value they add and challenges they face.

12.2 She introduced the function heads of her team who spoke about where they started as a Directorate, their journey, the value they add to ONR and some of the challenges and opportunities ahead for ONR and the Directorate.

12.3 The Board thanked the Director of Policy and Communications and her team for an excellent presentation, commenting on the progress that had been made, in particular its maturing capability and the Directorate's sound support to ONR colleagues in uncertain political and operating environments.

13 Standing Reports – by Exception

13.1 Chief Nuclear Inspector's Report – ONR has now notified Devonport Royal Dockyard Ltd (DRDL) of its intention to commence legal proceedings against the company under Regulation 8 of the Lifting Operations and Lifting Equipment Regulations 1998.

13.2 An oral update was provided on Hunterston B, reactors 3 and 4.

13.3 In discussion, the Board:

- i. Asked about the forthcoming Energy White Paper, its content and impact on ONR. The Chief Executive confirmed ONR hadn't seen it but that we would quickly assess its impact upon receipt and share with Board.
- ii. Reinforced the importance of having in place sound financial governance in new areas of work given political and operating environment uncertainty. The Chief Executive assured the Board that she was very alert to these issues and was taking steps to address potential risks to ONR through clear decision making and use of formal change control governance.
- iii. Asked the Chief Executive to revisit how the Board were receiving assurance on milestones and delivery on our key modernisation projects.

13.4 The Board noted the four standing reports.

14 Any Other Business

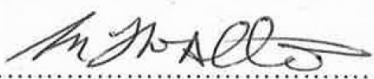
14.1 Observer Feedback – Cenbee Bullock, Nuclear Safety Inspector, Operating Facilities thanked the Board for the opportunity to observe the meeting. She commented that she had learnt a lot, and having sight of the papers in advance of the meeting had really helped. She was impressed with the Board challenge, dynamic and open and honest conversations. Non-Executive Directors had the right level of challenge and the meeting had felt very mature.

14.2 There was no other business raised. The Chair thanked the Board for their time and attention and formally closed the meeting.

15 Information Papers:

15.1 The Board noted the following information papers:

- 1) Annual Whistleblowing Report 2018/19
- 2) Audit and Risk Assurance Committee minutes – 24 April 2019
- 3) Board Forward Look

Minutes approved by the Board:	
Signed.....	
	Mark McAllister, ONR Chair
Date.....	31/7/2019