

**Minutes of the Board
30 July 2019
Sella Park Hotel, Seascale, CA20 1DW**

Present:

Members

Mark McAllister - Chair
Penny Boys - Non-Executive Director
Oona Muirhead - Non-Executive Director
Sarika Patel - Non-Executive Director
Simon Lister - 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, SDFW and SSAC SRO
Bruce Archer – Head of Weapons Regulation
Fiona Hunter – Site Inspector, SDFW (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 Bronwyn Hill, 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 4 June 2019 were agreed as a correct record.
- 2.2 All items on the action log were complete.

3 Chair's Report

- 3.1 The Chair thanked all those involved in the Sellafield site visit yesterday. On behalf of the Board he would write to the Chair, Sellafield Limited, to pass on the Board's thanks for making the time to host the visit.
- 3.2 The Chair reported that since the previous Board he had:
 - i. Attended the DWP planning meeting with ONR colleagues, DWP, BEIS, and Cabinet Office officials, on 4 June, to agree requirements for ONR's forthcoming Non-Executive Director recruitment competition.
 - ii. Attended the HSE Board informal lunch, on 12 June, accompanied by the Director of Policy and Communications where the theme for the event was 'Regulating for Innovation and Sustainable Economic Growth.'
 - iii. Had an introductory meeting with the Director General, Energy and Security, BEIS, on 19 June, to discuss matters of mutual interest.
 - iv. Had an introductory meeting with the Chair and Chief Executive of the Environment Agency, accompanied by the Chief Executive, on 15 July.

- v. Had visited Rosyth Dockyard, on 23 July, where he was shown around the site by Simon Lister.

3.3 He concluded by reinforcing the need to ensure appropriate Board reporting on both the IT Separation and WIRed projects as Non-Executive Directors did not currently have an appropriate level of assurance on either project.

4 CNI Annual Report – Safety, Security and Safeguards Performance of GB Nuclear Industry

4.1 The CNI presented his draft annual report highlighting this was the first CNI annual report on Safety, Security and Safeguards performance of the GB Nuclear Industry. He thanked Board members for their helpful comments, to date, which he would address. He was keen to seek Board's views on the report, in particular, whether it covered the right things and whether the balance felt right. In the interests of openness and transparency the report had also been circulated internally and externally to ensure factual accuracy.

4.2 The CNI Office would now work to finalise the content and format with support from Policy and Communications Directorate. The Annual Report will be published in October. Work is on-going to develop an appropriate engagement plan with Ministers.

4.3 In discussion the Board:

- i. Agreed the report was excellent and a good and tangible example of transparency.
- ii. Reinforced the need for the report to be well judged, accurately based and relevant.
- iii. Asked that the prosecutions narrative sufficiently highlights Health and Safety.
- iv. Acknowledged that tone and impact would be improved by the highlighting of the three themes of prime importance and through the planned editorial to address inconsistencies.

4.4 The Board noted the Annual Report and the CNI's commitment to address Board comments.

5 Organisational Effectiveness Indicator (OEI) Framework

5.1 The Finance Director presented the Quarter 1 2019/20 Organisational Effectiveness Indicator Performance Dashboard for review and comment.

5.2 She commented that the new OEI Framework is aligned to the ten OECD Nuclear Energy Agency (NEA) 'Characteristics of an effective regulator' and replaces the current suite of Key Performance Indicators with a suite of initial indicators to demonstrate ONR effectiveness.

5.3 She set out the reporting hierarchy and timetable. Board Tier 1 OEIs would be reported quarterly, through a dashboard which provides a snapshot of the overall health with which ONR is delivering against its mission measured across the ten

characteristics, and trended across the year. This is still work in progress and opportunities for improvement would be introduced for the next reporting period.

5.4 In discussion the Board:

- i. Asked whether the dashboard would support improved management attention and focus in the organisation. The CNI confirmed this would be the case with Tier 2 reporting at both the Senior Leadership Team (SLT) and Regulatory Leadership Team (RLT).
- ii. Supported the proposed deep dives, at Board, on sites in enhanced attention.

5.5 The Board noted the report.

6 Regulation of Sellafield Site – Progress to date, Future Plans and Challenges

- 6.1 The Director of Sellafield, Decommissioning Fuel and Waste (SDFW) presented a paper to provide an overview of and assurance on the effective regulation of Sellafield. The paper included a summary of progress made in respect of hazard and risk reduction at the site since the current regulatory strategy was introduced in 2014 and highlights ONR's current and future focus and challenges.
- 6.2 She commented that ONR's regulation of Sellafield is divided into two areas, project delivery and compliance. The strategy is aimed at encouraging accelerated hazard and risk reduction, while securing compliance with the law; making the site safer sooner. The fundamental principles of the strategy include enabling progress through a regulatory approach that considers fit for purpose solutions, innovations, avoidance of diversions and distractions and effective use of resources.
- 6.3 She highlighted a number of areas where considerable progress had been made on several projects, since the last Board report, thereby reducing hazards and risks on site. She also highlighted a number of future focus areas and challenges.
- 6.4 With regard to the Spending Review 2019, ONR is participating in the BEIS-led scenario planning, through constructive challenge and advice to ensure an agreed set of priority projects. Given the long term funding requirements to complete remediation work at Sellafield, we will continue our engagement with the NDA spending review process to secure a well justified basis for its bid.
- 6.5 Notwithstanding progress to date, there remains decades of work to deal with the legacies on the site. It is important to recognise that we have to accept a (controlled) short term increase in risk during the retrievals / retrieval preparations in order to secure long terms hazard and risk reduction on site. Sellafield would continue to receive significantly enhanced attention from ONR and will remain our top regulatory priority for many years.
- 6.6 We are working with key stakeholders to emphasise the importance of hazard and risk reduction at Sellafield. We will continue to report on progress and highlight the challenges through the CNI's Board report, through deep dives and through the newly developed OEI Framework.

- 6.7 The approach to regulation of Sellafield was highlighted as Good Practice at the 5th review meeting of the Joint Convention in 2015. Since then we have been approached by regulatory peers to share our experience.
- 6.8 In discussion the Board:
- i. Noted the significant progress that had been made in hazard and risk reduction at Sellafield, whilst recognising that there remains decades of work to deal with the legacies on the site.
 - ii. Supported the (controlled) short term increase in risk during the retrievals / retrieval preparations in order to secure long terms hazards and risk reduction on site and reinforced the importance of clear communications on this based on tolerable outcomes to deal with intolerable risk. This should be the subject of discussion at the next G6 meeting.
- 6.9 The Board noted the report and thanked the Director, SDFW for a comprehensive Board update which was very timely and well received given the Board Site visit to Sellafield the previous day.

7 **AWE Update**

- 7.1 The Head of Weapons Regulation provided an update on AWE's progress on moving to routine regulatory attention. He set out the background on the two AWE sites at Aldermaston and Burghfield, operated by AWE plc, the nuclear site licence holder. He advised that both sites had been in enhanced regulatory attention for approximately six years.
- 7.2 He highlighted current performance against Regulatory Strategy Success Criteria. The ONR strategy strikes an appropriate balance between enabling regulation and enforcement in accordance with the Regulators' Code and the ONR Enforcement Policy Statement, reflecting the need to protect workers and the public whilst encouraging long term improvements at the site. The strategy is influencing cultural and behavioural change at all levels, with the aim of AWE being able to move into routine regulatory attention. This is a long term plan and a number of historic challenges remain, with further cultural change still required.
- 7.3 AWE's current performance is in line with regulatory expectations for this stage in the implementation of its programme of safety improvements. A number of notable successes were highlighted, including enabling regulation for the AWE Structured Improvement Programme; enabling regulation for the Assembly Technology Centre upgrades; and optimising relationships.
- 7.4 A number of on-going challenges remain, including the need to improve safety culture; the need to continue to influence AWE to improve short- term compliance shortfalls; and maintaining an ONR Weapons team with the diverse leadership, skills and expertise required to manage the complexity of the long terms cultural issues at AWE.
- 7.5 Progress towards routine regulatory attention is monitored regularly through our Strategy Delivery Plan and regular engagement is in place with AWE through the Regulatory Interface meetings and weekly ONR / Executive conversations. ONR also works closely at all levels with the MoD to develop trusted relationships based on

openness and increasing understanding of each other's drivers and requirements. This has supported more effective A6 meetings.

- 7.6 The CNI commented that AWE's progress on moving to routine regulatory attention was the focus of significant effort. The strategy is sound and progress was being made, noting this was a long term plan. He confirmed he had postponed the planned CNI Inspection scheduled this year, to enable continued focus on the improvement programme.
- 7.7 In discussion the Board:
- i. Were keen to more fully understand the top level governance arrangements in place above the AWE plc. Board, and suggested it would be beneficial for the CNI to attend the appropriate Board, at some point in the future, to provide an update on progress, ONR expectations and highlighting any concerns that may be present at that time.
 - ii. Noted the CNI discussion planned with the Director General Nuclear, Ministry of Defence.
- 7.8 The Board noted the report and thanked the Head of Weapons Regulation for a comprehensive Board update.

8 Operational Readiness for Hosting the 2019 IRRS Mission

- 8.1 The Technical Director presented a paper to provide an update on ONR's operational readiness to host the IAEA Integrated Regulatory Review Service (IRRS) mission to the UK, which takes place in October. The mission will look at how the UK regulates radiological and nuclear safety, covering all sectors of the industry, bar defence.
- 8.2 ONR's work had involved: our own self-assessment against IAEA standards; coordination of similar assessments performed by other regulators and Government departments; providing a peer review of their submissions; coordinating the Advance Reference Material (ARM) to be submitted to IAEA; and making the practical arrangements for the mission itself. All these activities had been completed or are on track to be completed in line with the project plans.
- 8.3 A number of reviews have been commissioned to provide assurance on the project's progress towards readiness. These reviews support the Project Board's opinion that ONR will be in a suitable stage of readiness by October. The SLT set this as a Top Ten priority and then devoted considerable resources to our preparations. This included work to ensure we have addressed our five outstanding findings from previous missions, although progress is varied for each.
- 8.4 Of the five outstanding findings, we expect two of these, relating to undertaking a review of licence conditions and radiation dose assessment, to be closed by the mission team in October. We hope the remaining three findings on our management system will be closed, but a level of judgement will be required by the mission team on the totality of our improvements that will only complete a few months after the mission itself.

- 8.5 The quality of our preparations was welcomed by the leaders of IAEA's mission team at April's IRRS preparatory meeting. The project has benefited from a proactive and close working relationship with IAEA's IRRS support team in integrating UK plans with mission team objectives. The project has also benefited from BEIS emphasising the priority of the project.
- 8.6 A successful mission will have considerable reputational benefits to participating organisations and to the UK on the international nuclear stage.
- 8.7 The Board noted the paper and were assured on ONR's operational readiness to host the IRRS mission to the UK.

9 UK State System of Accountancy for and Control of Nuclear Material (SSAC) Project - Phase Two Plan

- 9.1 The SRO, for the European Exit Programme, presented a paper to provide assurance on the second phase of the SSAC Project including the plan and objectives of this phase and work underway to deliver it, including risks and associated mitigations.
- 9.2 She highlighted that through phase two of the project the SSAC would deliver, by the end of December 2020, a domestic safeguards regime equivalent in effectiveness and coverage to that provided by Euratom.
- 9.3 The project had highlighted 25 critical milestones. This included: the completion of priority safeguards guidance for ONR inspectors; agreement of future funding; readiness for integration with Civil Nuclear Security and Safeguards; and independent assurance reviews. Delivery would be through six work-streams. A detailed plan for deliverables had been produced with named resources assigned to each. This had been presented to BEIS and was well received, although formal agreement would be needed.
- 9.4 The RAG rating for the second phase of the project is AMBER. Key project risks relate to (1) determining and finalising a financing mechanism for funding the UK SSAC beyond December 2020, and (2) maintaining team morale and focus on delivery in the current dynamic political environment. Mitigations are in place for each risk.
- 9.5 Following the recent Infrastructure and Projects Authority (IPA) Review, a summary of assessment findings and recommendations would be shared with Board in September.
- 9.6 In discussion the Board:
- i. Commented on the politically uncertain environment and planning for all options. It suggested we should not undertake any further reviews until the position is clarified. The SRO confirmed no further external reviews are planned.
 - ii. Noted that we had set out our requirements relating to funding options and reinforced the importance of ONR remaining impartial at this stage.
- 9.7 The Board noted the report.

10 Single Tender Action: Coaching and Leadership Development

10.1 The HR Director presented a paper seeking Board approval for a multiple single tender approach for coaching and leadership services, including design and facilitation services for the July Shaping ONR leadership event, from River Leadership Consultancy (RLC). The paper also seeks agreement to further planned use of RLC for leadership services during 2019/20.

10.2 Although not on our coaching or facilitation framework, RLC were identified as providing specific expertise to deliver executive coaching to the Chief Executive and to design and deliver an SLT event in February 2019; the latter was pivotal to addressing the challenges to ensure effective conversations that would facilitate the leadership and cultural change required.

10.3 The Finance Director had endorsed the single tender approach in the circumstances as being both appropriate and proportionate. She had advised that this should now be referred to the Board on the basis that the single tender action is potentially novel and contentious due to multiple commissions, the cumulative value and the associated procurement risk to ONR.

10.4 In discussion the Board:

- i. Were unhappy that the Executive had allowed us to get into this position. The Chief Executive took responsibility for this.
- ii. Sought assurance that we were demonstrating value for money and that we were not opening ourselves up to grievances from other organisations due to the associated procurement risk to ONR.

10.5 The Board retrospectively approved:

1. The multiple single tender approach to use RLC for leadership services, including the design and facilitation of the July 2019 Shaping ONR leadership event.
2. The planned continued single tender approach to utilise RLC to provide follow-up facilitation and support of a SLT event in September and the Shaping ONR Leadership event in March 2020.
3. Noted that this work would be fully completed from April 2020.

10.6 In approving the single tender, this was subject to two important mitigations (1) confirmation that every member of SLT was content to continue with the arrangement, and (2) every member of SLT confirmed there are no conflicts of interest, and that this is recorded.

10.7 The Board asked the Executive to consider competing sooner, rather than waiting until April 2020.

Action 1: SLT members to confirm they are content with the current arrangement and that there are no conflicts of interest – HR Director.

11 Standing Reports – by Exception

- 11.1 **Chief Executive’s Report** – an update was provided on Whistleblowing activity, WIReD, the IT Separation Project and ONR costing mechanisms.
- 11.2 Whistleblowing – a short note was provided to Board providing an overview of concerns / whistleblowing / complaints cases which we are handling. Individual cases are under consideration by the relevant Regulatory Divisions, with co-ordination via Private Office. In addition, a task group (including the Chief Executive and Chief Nuclear Inspector) has been formed to consider the wider emerging themes with a cross-directorate approach. Reactive lines to take have been developed.
- 11.3 WIReD Project – significant focus has been on sequencing activity very clearly and on ensuring the Business Case has been through appropriate governance prior to being submitted to Board. The pilot will run from January to June 2020 prior to roll-out from July to December 2020. Another full time resource had been allocated to the Project to address emerging capacity issues. The Project will present to Board in September focussing on tangible delivery to date.
- 11.4 IT Separation Project – The GIAA Gateway 0 Review has just reported and findings have yet to be reviewed in detail. There was no single baseline plan in advance of the review. The findings would be presented to the next IT Separation Project Board. This would be the focus of significant attention in the coming weeks as we look to reduce some of the risk associated with the project. This is not a technically difficult project, and we now have suppliers in place who are working with our team to plot a path to successful separation by March 2020.
- 11.5 Costing mechanisms / forecasting – we have seen some quite big swings in operational forecasts across the divisions and a larger proportion of organisational overhead, although we expect these to even out over the course of the year. Greater awareness is needed across ONR to more fully understand the impact of deployment decisions on costs and to strengthen our internal forecasting arrangements. The Finance Director is writing to her counterparts across industry to set out the position.
- 11.6 ONR 2020/2025 Strategy Development – the Director of Policy and Communications has spoken to Non-Executive Directors to establish common themes to be addressed. The Chief Executive committed to sharing an early draft of the Strategy mid-August for discussion prior to this being shared with Board to enable contributions to be made in advance of the Board Strategy Session in October.
- 11.7 In discussion the Board:
- i. Sought a more detailed understanding of our charging formula, including our direct / indirect and fixed / variable costs and noted this would be addressed at the Board Strategy Event.
 - ii. Welcomed the seriousness with which the whistleblowing cases were being addressed.
 - iii. Welcomed the WIReD update to September Board.
 - iv. Noted that the WIReD pilot timeline had changed as a result of the new approach to ensure an end to end pilot before roll out.

- 11.8 **Chief Nuclear Inspector Report** – The CNI highlighted the Independent Regulatory Assurance review of the IRRS Pre-Mission, rating ONR’s preparedness for the 2019 Mission as ‘substantial.’ This reflects increased confidence in the delivery of a successful Mission for 2019.
- 11.9 He reported that the Security Assessment Principles (SyAPs) aligned site security plans for three sites had been approved and that there was confidence that a number of other plans would be approved during the next reporting period. Since writing the paper the SyAPs’ Project Board had subsequently agreed the project delivery RAG rating should move to AMBER.
- 11.10 Hunterston B Reactors 3 and 4 remain shut down. Assessment of the Reactor 4 safety case is nearing completion.
- 11.11 Hinkley Point B Reactor 3 was returned to service for a period of three months. Reactor 4 will reach the limits of its safety case in the near future and ONR will give priority to the assessment of a revised case submitted by EDF to extend the period of operation for both reactors. We have advised EDF of the challenging schedule and are having fortnightly conversations with them.
- 11.12 An update was given on the progress of the GDA for the UK HPR1000 reactor.
- 11.13 Devonport Royal Dockyard Limited (DRDL) pleaded guilty in relation to the Crane accident in 2018. Sentencing is due on 27 August 2020.
- 11.14 An oral update was provided on the Special Nuclear Material (SNM) transport from Dounreay to Sellafield. This is a real milestone achievement.
- 11.15 Following recent negative internal feedback on how ONR deals with poor behaviour, the RLT has looked at behaviours and committed to lead by example, exhibiting exemplary behaviours, holding others to account where appropriate, and in driving the adoption and embedding of the behavioural framework to change organisational culture.
- 11.16 **Finance Director Report** – the Finance Director provided an update on the current position relating to the DWP loan facility, up to the value of £10m at a fixed rate of 1.43% per annum with a final maturity date of November 2025. We await final approval by the Permanent Secretary, Minister and Chief Secretary to the Treasury.
- 11.17 The Board confirmed approval for ONR to enter into a loan agreement with DWP to fund its capital projects, including WIReD and IT Separation, up to the value of £10 million at a fixed rate of 1.43% per annum with a final maturity date of November 2025. The cost of the loan will be recovered through a charge to industry and government in accordance with ONR’s charging methodology, equivalent to the monthly depreciation charge for the assets purchased plus interest thereon.
- 11.18 **HR Director Report** – The HR Director provided an update on the 2019 Pay Offer. Following a significant period of negotiation and tabling our final pay offer, the Unions have informed us that they have formally rejected our offer. This is very

disappointing given the overall value reflects significant investment in our staff. Although we remain open to continuing discussion with the Trade Unions, we intend to implement the pay award, on the basis of the pay offer, in September salaries.

11.19 The Board noted the four standing reports.


12 Any Other Business

- 12.1 Observer Feedback – Fiona Hunter, Site Inspector thanked the Board for the opportunity to observe the meeting. Fiona commented that she had enjoyed the experience. She noted Board members’ ability to draw out valuable information to address important matters and make decisions. She added there had been a good sharing of experience, constructive challenge and a good understanding of industry.
- 12.2 The Head of Weapons Regulation thanked the Board for the opportunity to observe and attend the Board site visit / dinner the previous day, making reference to great positivity on site. Board had used their combined experience and knowledge well and he thanked Board for its support.
- 12.3 There was no other business raised. The Chair thanked the Board for their time and attention and formally closed the meeting.

13 Information Papers:

13.1 The Board noted the following information papers:

- 1) IT Separation and Modernisation Status
- 2) ONR 2020 – 2025 Strategy Development
- 3) Horizon Scan – May to July 2019
- 4) WIReD Update Video – July 2019
- 5) Audit and Risk Assurance Committee minutes – 3 June 2019
- 6) Board Forward Plan

Minutes approved by the Board:	
Signed 	Date.....
Mark McAllister ONR Chair	