



**Sellafield (Windscale Works and Calder Works)  
Agreement to Sellafield Model Change – Share Transfer**

Project Assessment Report ONR-SEL-PAR-15-017  
Revision 0  
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## EXECUTIVE SUMMARY

### Title

Agreement to Sellafield Model Change – Share Transfer.

### Permission Requested

Sellafield Ltd has submitted a proposal under its Licence Condition 36 (LC36) arrangements to change the ownership of Sellafield Ltd from Nuclear Management Partners Ltd (NMP) to the Nuclear Decommissioning Authority (NDA) from 1 April 2016. This change is categorised as 'Major+' under the licensee's arrangements and so cannot proceed without ONR's written agreement.

### Background

Sellafield Ltd (SL) is the site licence company that operates the Sellafield (Windscale Works and Calder Works) and Windscale nuclear licensed sites. The Parent Body Organisation (PBO) model (placing SL under NMP ownership) was introduced at Sellafield in 2008. In the following five years it became apparent to NDA that the PBO model was not delivering the intended benefits.

A review led by NDA concluded that in the SL context, due to the site's complexity and future technical uncertainties, the PBO model is not suitable for Sellafield. NDA therefore examined a wide range of alternative models and concluded that the "*Market Enhanced SLC*" was the most appropriate model to give SL the best chance of success. On 13 January 2015, Secretary of State for Energy and Climate Change formally announced the decision to change the business model for SL.

SL's preparatory work on making this change resulted (in line with its LC36 arrangements for management of change) in the present submission, which justifies how nuclear safety will be maintained during and subsequent to this change in SL's organisational structure.

### Assessment and inspection work carried out by ONR in consideration of this request

The overall aim of my assessment has been to seek assurance that the nuclear safety implications of the proposed change have been adequately considered, an appropriate risk assessment has been carried out commensurate with the potential impact on safety and that arrangements are in place to monitor its implementation. A particular risk that my assessment focused upon was whether SL would remain an autonomous organisation with effective safety governance as a result of the change.

My assessment has been informed by a series of interactions with SL and NDA during the last twelve months. The review of SL documentation was followed by interviews with relevant SL personnel and observation of the second (of three) internal readiness reviews. My assessment focussed on the following three questions:

- Question 1 – Will adequate arrangements be in place for the licensee to manage risks to nuclear safety and 'self-regulate' the transition through to close-out?
- Question 2 – Will the new Board and governance structure be such that SL retains the autonomy required of a licensee?
- Question 3 – Will sufficient clarity of roles, responsibilities and authorities remain through the transition process to avoid undue disruption, confusion or delay to decisions affecting nuclear safety?

## **Matters arising from ONR's work**

No issues preventing the issue of the requested permission arose from the assessment of the Sellafield Ltd submission.

## **Conclusions**

I am broadly satisfied with the approach taken and evidence provided by Sellafield Ltd as the change proposal meets the expectations set out in relevant good practice guidance. I consider that the nuclear safety implications of the proposed change have been adequately considered, an appropriate risk assessment has been carried out commensurate with the potential impacts on safety, suitable measures for risk mitigation have been planned and arrangements are in place to monitor their implementation.

I received satisfactory answers to my three questions and consider that SL is controlling this change to its organisational structure in a manner that ensures the continued safe operation of the licensed site, i.e. in compliance with LC36.

However, as the autonomy risk is inherent and dependant on the right behaviours continuing to be exercised, I am recommending that ONR further monitors this situation following the change.

## **Recommendations**

My recommendations are as follows.

- Recommendation 1: ONR should issue Licence Instrument Number 896 agreeing to the proposed Sellafield model change and share transfer.
- Recommendation 2: ONR should monitor the implementation of the ownership model change to ensure that Sellafield Ltd retains suitable autonomy consistent with its duties as a nuclear licensee.

## LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
EHS&Q	Environment, Health, Safety & Quality (a Sellafield Ltd department)
IPAG	Independent Project Assurance Group
LC	Licence Condition
MOCRA	Management of Change Risk Assessment
NDA	Nuclear Decommissioning Authority
NED	Non-Executive Director
NICOP	Nuclear Industry Code Of Practice
NMP	Nuclear Management Partners Ltd
NRES	Nuclear, Radiological and Environmental Safety
NSC	Nuclear Safety Committee
ONR	Office for Nuclear Regulation
ORC	Owner's Representative Committee
PBO	Parent Body Organisation
SAP	Safety Assessment Principle(s)
SL	Sellafield Ltd
SLC	Site Licence Company
SMC	Sellafield Ltd Model Change
TAG	Technical Assessment Guide(s)
WS	Work Stream

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### Table(s)

Table 1: Relevant Safety Assessment Principles Considered During the Assessment

## 1 PERMISSION REQUESTED

1 In December 2015, Sellafield Ltd (SL) submitted proposals for Sellafield Ltd Model Change (SMC) to the Office for Nuclear Regulation (ONR) requesting ONR's permission for the ownership of SL to transfer from Nuclear Management Partners Ltd (NMP) to the Nuclear Decommissioning Authority (NDA) from 1 April 2016. (Refs. 1 and 2). Under SL's Licence Condition 36 arrangements (management of change), a Licence Instrument providing ONR's Agreement is needed before this 'Major+' organisational change can proceed.

## 2 BACKGROUND

2 SL (the Licensee) is the site licence company (SLC) that operates the Sellafield (Windscale Works and Calder Works) and Windscale nuclear licensed sites. The Parent Body Organisation (PBO) model (placing SL under NMP ownership) was introduced at Sellafield in 2008. In the following five years it became apparent to NDA that the PBO model was not delivering the intended benefits.

3 A review led by NDA concluded that in the SL context, due to the site complexity and future technical uncertainties, the PBO model is not suitable for Sellafield.

4 NDA examined a wide range of alternative models and concluded that the "*Market Enhanced SLC*" was the most appropriate model to give SL the best chance of success (Ref. 11). On 13 January 2015, Secretary of State for Energy and Climate Change formally announced the decision to change the business model for SL.

5 SL's preparatory work on SMC resulted (in line with its LC36 arrangements for management of change) in the present submission, which justifies how nuclear safety will be maintained during and subsequent to this change in SL's organisational structure. In accordance with the ONR Sellafield Programme Permissioning Guidance (Ref. 3), a permission strategy has been agreed and recorded in a Decision Record (Ref. 4).

6 In line with SL's arrangements and in the interests of efficient regulation, SL has only requested a single Licence Instrument even though it is the site licensee for two licensed sites (i.e. Sellafield and Windscale, the latter forming an enclave within the wider Sellafield site). This is appropriate since the management arrangements being considered here apply to both licensed sites and have been assessed by ONR accordingly.

### 2.1 Scope

7 ONR Technical Assessment Guide NS-TAST-GD-048 'Organisational Capability' Principle 5 (Ref. 8) sets out ONR's expectations for identifying the potential safety significance of a change proposal, establishing a suitable categorisation for determining the level of analysis and justification of the safety of the proposed change, and arrangements for monitoring its implementation. I have applied this guidance to inform my assessment of SL's change proposal.

### 2.2 Methodology

8 The methodology for this assessment follows HOW2 guidance on mechanics of assessment within ONR (Ref. 5) and has been carried out in accordance with HOW2 guide NS-PER-GD-014, "Purpose and Scope of Permissioning" (Ref. 13).

9 This assessment has been informed by a series of interactions with SL and the NDA during last twelve months (Ref. 6). SL has provided relevant documentation associated with the change to ONR. Items for clarification and the need for additional information

were regularly discussed with SL. Our document review was followed by interviews with relevant SL personnel and observation of the second (of three) internal readiness reviews conducted by SL (Ref. 16).

### **3 ASSESSMENT AND INSPECTION WORK CARRIED OUT BY ONR IN CONSIDERATION OF THIS REQUEST**

#### **3.1 ASSESSMENT STRATEGY**

10 The overall aim of the assessment was to seek assurance that the nuclear safety implications of the proposed change have been adequately considered, an appropriate risk assessment has been carried out (commensurate with the potential impact on safety) and that suitable arrangements will be put in place to monitor its implementation. A particular risk that my assessment focused upon was whether SL would remain an autonomous organisation with effective safety governance as a result of the change.

##### **3.1.1 Standards and Criteria**

11 The relevant standards and criteria adopted within this assessment are principally the Safety Assessment Principles (SAP) (Ref. 7), internal ONR Technical Assessment Guides (TAG) (Ref. 8), relevant national and international standards and relevant good practice informed from existing practices adopted on UK nuclear licensed sites.

12 The key SAPs and relevant TAGs are detailed below. National and international standards and guidance have been referenced where appropriate within this report. Relevant good practice, where applicable, has also been cited within the body of the assessment.

##### **3.1.2 Safety Assessment Principles**

13 The key SAPs applied within the assessment are listed in Table 1 of this report.

##### **3.1.3 Technical Assessment Guides**

14 The following TAGs have been used as part of this assessment (Ref. 8):

- NS-TAST-GD-048 Revision 4.
- NS-TAST-GD-065 Revision 2.
- NS-TAST-GD-072 Revision 2.
- NS-TAST-GD-080 Revision 2.

##### **3.1.4 National and International Standards and Guidance**

15 This assessment is consistent with the principles identified in the Nuclear Industry Code of Practice (NICOP) on 'Nuclear Baseline and the Management of Organisational Change' (Ref. 9).

##### **3.1.5 Use of Technical Support Contractors**

16 No technical support contractors were used to support this assessment.

##### **3.1.6 Integration with Other Assessment Topics**

17 No interfaces with other assessment topic areas or assessment work were identified during this assessment.

##### **3.1.7 Out of Scope Items**

18 No out of scope items were identified. Any subsequent changes will be managed in line with SL's LC36 arrangements.

### 3.2 LICENSEE'S SUBMISSION

- 19 The submission letter states that the proposed changes are described in Management of Change Risk Assessment (MOCRA No 6152) dated 9 November 2015 (Ref. 2). It also refers to three readiness reviews scheduled for December 2015, February 2016 and March 2016.
- 20 The MOCRA refers to the SMC Programme LC36 Principles Paper for the basis of the change (Ref. 10). It states that in the five years subsequent to the PBO model being introduced at SL in 2008, it became apparent to a number of stakeholders that the model was unable to deliver the required benefits. A review led by NDA concluded that in the SL context, due to the site complexity and future technical uncertainties, the PBO model is not suitable for Sellafield. The proposed change in the business model is then a direct consequence of the Secretary of State's decision that the current PBO model for SL is inappropriate for delivering the SL mission. Subsequently, a "Market enhanced SLC" was chosen as the new model (Ref. 11). The key changes are:
- The removal of the PBO. A consequential change is that SL becomes a wholly owned subsidiary of NDA.
  - The private sector is employed directly by SL and risk is transferred, where appropriate, at project level (rather than enterprise level). Responsibility for enterprise risk is retained by NDA.
  - SL appoints a Strategic Partner(s), as appropriate, to supplement any capability gaps at Sellafield.
- 21 The SMC Programme consists of four phases:
- Decision phase – NDA work prior to the Ministerial announcement on 13 January 2015.
  - Transition work – Work enabling the transfer of SL ownership from NMP to NDA on 31 March 2016.
  - Consolidation phase – Activities to fully implement the change including SL procurement of the Strategic Partner(s) in about Q1 2017. Additionally, this phase includes implementation of the revised SL/NDA interface.
  - Benefits realisation and reviews.
- 22 SL and NDA developed the change programme applying the following assumptions:
- Until any share transfer to NDA on (proposed for 1 April 2016), NMP remains accountable for the corporate governance of SL; this includes oversight of the transition activities.
  - SL is the Site Licence Company and must satisfy itself that it is able continue to operate as the "controlling mind".
  - The "Market Enhanced SLC model" is sufficiently defined to enable a governmental decision. However, the model requires further development and refinement. This can only be achieved subject to compliance with SL's LC36 arrangements.
- 23 At outset, the change programme identified the following risks associated with the transition project:
- Poorly defined or deployed corporate governance arrangements could potentially undermine SL's ability to act as the "controlling mind" (during and post transition).
  - Issues from other change programmes could swamp the SL team resulting in the transition project stalling.
  - NDA might be unable to appoint a suitable independent Chair to lead the SL Board.

- SL might be unable to retain the existing Managing Director, resulting in loss of leadership continuity and stalling the pace of change.
  - An uncontrolled loss of NMP secondees at Executive level could result in loss of leadership continuity and stall the pace of change.
  - An uncontrolled loss of NMP reach-back personnel might result in loss of important knowledge.
- 24 The Principles Paper outlines the overall programme governance applied by SL and NDA. The project was led by a joint SL/NDA Programme Management Office. Composition of the Project Board and the Programme Board and the roles are detailed in the Principles Paper appendices.
- 25 Overall, the structure of the MOCRA follows SL guidance and arrangements for organisational changes. Part 1 of the MOCRA briefly describes the current situation with regards to the current Organisational Baseline and proposed changes. The key components of the proposed change are listed as follows:
- Change of SL ownership.
  - Formation of a new SL Board.
  - Formation of a new SL Executive (and displacement of PBO secondees).
  - Displacement of PBO reach-back staff.
- 26 The change was categorised in line with SL guidance as 'Major+' (i.e. the highest category) due to the nature of the structural changes to SL corporate governance arrangements it entails.
- 27 Part 5 of the MOCRA confirms that the proposed change has been considered by the SL Nuclear Safety Committee (NSC) and formally approved in December 2015 (Ref. 12).
- 28 Part 6 contains review criteria for a planned (post-implementation) review in December 2016 after which the organisational change can be considered to be complete.
- 29 The MOCRA also specifies that the number of reach back-staff was significantly reduced in the last two years from about 120 to current 18. The Site Employee Development Group identified 6 posts that need to be retained beyond the termination of the PBO contact (until Q3/Q4 2016).

### **3.3 ONR Assessment**

#### **3.3.1 Scope of Assessment Undertaken**

- 30 The overall aim of ONR's assessment was to seek assurance that the nuclear safety implications of the proposed change have been adequately considered, an appropriate risk assessment has been carried out commensurate with the potential impact on safety and that suitable arrangements will be put in place to monitor its implementation. A particular risk my assessment focused upon was whether SL would remain an autonomous organisation with effective safety governance. Relevant expectations (set out in NS-TAST-GD-048 Principle 5) were used for the assessment of the change documentation submitted by SL.
- 31 This assessment has been informed by a series of interactions with SL and the NDA during last twelve months (Ref. 6). SL has provided relevant documentation associated with the change to ONR. Items for clarification and the need for additional information were regularly discussed with SL. The document review was followed by interviews with relevant SL personnel and observation of the second (of three) internal readiness reviews conducted by SL (Ref. 16).

### 3.3.2 Assessment

- 32 I based my assessment on relevant expectations set out in SAPs MS.1 to MS.4 (Ref. 7), generic criteria in NICOP (Ref. 9) and NS-TAST-GD-048 Principle 5 (Ref. 8), which expects a licensee to assess and justify the safety of the proposed change, commensurate with its potential impact on safety, and monitor its implementation.

#### 3.3.2.1 POTENTIAL SAFETY CONSEQUENCES

- 33 Under SL's arrangements for the management of change, all change proposals are allocated a category, the safety significance of which means that the higher the category, the greater the degree of scrutiny and oversight the change will attract within SL and by the regulator. This change was categorised as Major+, the highest category, in line with SL's arrangements) given the nature of the changes to SL's ownership and governance it entails. This categorisation meant that close scrutiny and significant oversight of the change process were applied by SL throughout the process. The Major+ category also requires ONR's agreement before the change may proceed.
- 34 As the proposed changes have site-wide consequences to how the business is run and is intended to be permanent, the Major+ rating was therefore correctly attributed in my view.

#### 3.3.2.2 RISK ASSESSMENT AND MONITORING OF THE IMPLEMENTATION

- 35 I focused in detail on the following three questions, which were chosen by applying the SAPs to reflect the nature of the proposed change and its impact on safety:

- Question 1 – Will adequate arrangements be in place for the licensee to manage risks to nuclear safety and 'self-regulate' the transition through to close-out?
- Question 2 – Will the new Board and governance structure be such that SL retains the autonomy required of a licensee?
- Question 3 – Will sufficient clarity of roles, responsibilities and authorities remain through the transition process to avoid undue disruption, confusion or delay to decisions affecting nuclear safety?

- 36 These questions were tested during a series of interviews, held with members of the SL designate Board, executives, NDA and personnel preparing the change (Ref. 16). The interviews and observation of SL's second internal readiness review also brought new information about current progress and drafts of documents developed in line with the SMC Programme (Refs. 17, 18, 19, 20, 21, 22, 23 and 24). I sampled the documents provided and was satisfied with their content.

#### **Question 1 – Will adequate arrangements be in place for the licensee to manage risks to nuclear safety and 'self-regulate' the transition through to close-out?**

- 37 Question 1 relates to a risk which generally applies to every organisational change. The positive outcome of any change can be only achieved when the risks affected by the change are properly managed. The proposed organisational change falls into the highest classification category of changes, which if inadequately conceived or executed, could result in a major reduction in the standards of nuclear safety with the potential for on-site and off-site impacts. Thus, the licensee's arrangements, risk management processes and 'self-regulation' are important aspects for ensuring the change is conducted safely.
- 38 SL has consulted in regard to the proposed change with ONR early, widely and over a period of more than 12 months (Ref. 6). Its original intentions set in the business case

- (Ref. 11) were followed closely during the change proposal development and we saw no deviations.
- 39 The change documentation is presented in the change proposal, which is summarised in Section 3.2 of this report. The documentation is an important part of the assessment of a complex change as it provides evidence for scrutiny of how risks were considered and what is being done to manage them.
- 40 I reviewed the submission against current SL arrangements for organisational changes (Ref. 14) and came to conclusion that these arrangements were fully complied with.
- 41 I compared the content of the change proposal against relevant good practice as described in the NICOP (Ref. 9). I found no explicit reference to the Nuclear Baseline; however, this was adequately compensated for by a clear description of the current situation compared to the proposal. Therefore I consider that the content of the MOCRA to be complete.
- 42 Overall I assess that the change proposal meets relevant good practice (i.e. the NICOP), and provided evidence that risks to continued safe operation of Sellafield were adequately identified and are being managed as discussed further below.
- 43 The risks and their management are outlined in SL's change proposal. I am satisfied with the risks identified, their description, assessment, control measures and fall back positions.
- 44 The SMC programme contained three readiness reviews scheduled for December 2015, February 2016 and March 2016 as a part of internal hold points.
- 45 The notes from the first internal readiness review (Ref. 25) provide good evidence that SL's due process was followed.
- 46 ONR inspectors witnessed the second readiness review on 12 February 2016 in order to gain confidence that self-regulation was being applied adequately to both shorter term and longer-term risks. The meeting comprised a panel drawn from relevant stakeholders including the (SL and NDA) joint transition team, NMP, NDA Assurance, SL Environment, Health, Safety & Quality (EHS&Q) and SL Internal Regulation.
- 47 The review panel concluded that there were no significant issues or risks which would prevent the project progressing to share transfer. The review concluded that of the 58 items reviewed this time, many of which were safety matters, 24 items were complete and 34 were ongoing with no associated issues. No areas were identified as ongoing with risks or with issues. Significant progress was evidenced on each of the review items and it was noted that the risk areas previously noted (in the first readiness review) had been mitigated to completion or to a level of maturity where the items were ongoing with no risk likely to necessitate delaying the share transfer (Ref. 26).
- 48 I was satisfied that the meeting was well run, included a good degree of questioning and challenge, and represented an effective element of safety assurance for the transition. Most items discussed had been progressed well and no significant issues were raised in or by the meeting (Ref. 16).
- 49 SL will track the remaining open items through to completion and the output will be fed into the third and final readiness review scheduled for the 18 March 2016. SL's progress to date in implementing the change programme gives me confidence that SL is on track to complete the necessary mitigating actions prior to the proposed date for the organisational change.

50 SL plans to conduct a further, post-transfer review in December 2016. I have assessed the criteria set for this review and agree these are appropriate. Once the post-transfer review has been completed satisfactorily, the organisational change may be considered complete.

51 Overall I am satisfied with the evidence provided by SL with regards to Question 1 that the risks will be adequately managed and the transition will be adequately 'self-regulated'.

**Question 2 – Will the new board and governance structure be such that SL retains the autonomy required of a licensee?**

52 Question 2 reflects the fact that the primary responsibility for safety on nuclear sites rests with the licensee. There is an inherent risk for any licensee which is a subsidiary of another body, that its autonomy could become undermined in a manner detrimental to its duties as a site licensee. An adequate board and governance structure is usually the most effective mitigation to this inherent risk.

53 I noted that the SL autonomy was considered in the Principles Paper (Ref. 10) and is further reflected in the constitution of the Board. Copies of other relevant documents were shared including the draft Service Agreement between NDA and SL (Ref. 18).

54 The majority of the Board will be non-executive members, including the Chair, three independent Non-Executive Directors (NEDs) and up to two from NDA (although NDA is only taking up one of these in the first instance). The role of the non-executive members includes holding the Board's three executive members (CEO, Strategy Director and Planning and Finance Director) to account. In addition the EHS&Q Director will attend Board meetings, albeit not as a full member.

55 The new independent chair was recruited and announced by NDA in January 2016 as per the transition plans.

56 ONR interviewed the NDA Owner's Representative designate. Areas of enquiry and information provided were as follows:

- The changes NDA is hoping for in SL – NDA wishes to enable SL become more efficient through the new structure.
- What the relationship will be with SL as NDA will be both owner and customer – NDA is clear that SL needs to be the 'controlling mind' licensee, with NDA providing challenge on performance. Success criteria for this have not yet been developed though.
- How the Service Agreement will be applied in practice – The change documentation sets out a structure including an Owner's Representative Committee (ORC) within the NDA who will monitor performance through a joint 'Independent Project Assurance Group' (IPAG). The ORC will be around 20-strong and replace the current 40-strong NDA site-facing team. There is an SL and NDA workstream developing behavioural expectations on both sides (Refs. 22 and 23). I was informed that for safety and security purposes, NDA assurance will interface with SL internal regulator.

57 From this meeting I perceived no evidence of NDA over-extending its role or responsibilities. I saw no evidence that SL would lack the autonomy required of a nuclear site licensee (Ref. 16).

58 ONR also interviewed the NDA non-executive director designate. Areas of enquiry and information provided were as follows:

- His specific role on the Board – He would aim for alignment between NDA and SL by ensuring that the SL Board understands the NDA ‘environment’, and aims to help SL with its interface with the Government. He was clear that his legal responsibility as a Director was to SL. He advised that his brief from NDA was not to exert control over SL. He highlighted of his considerable experience as a NED on a number of other boards and of his intention to work on the SL Board in the same manner.
- He will undergo one week’s training to be Suitably Qualified and Experienced Person (SQEP) for his SL Board role. He has already arranged meetings with the other NEDs on the Board.

59 ONR also interviewed the SL Company Secretary and Governance Process Owner. SL explained that the main pillars of governance are intended to be:

- Assurance, including the following Board committees:
  - Executive Committee;
  - Audit and Risk Assurance;
- The Service Agreement – monitored by the NDA ORC (Ref. 18);
- Incentivisation of managers (there will no longer be commercial incentives for the company).

60 It is intended that the Board and Executive committees will be streamlined and reduced in number. Strategic risk oversight at Board level will be by the Audit and Risk Assurance Committee. Risk management will be overseen by a Safety and Assurance Committee that will report to the Executive Committee rather than to the full Board. (Ref. 17).

61 I am satisfied that the arrangements and structure of the Board are compatible with effective safety and security governance (Ref. 16).

62 Overall, I am satisfied with the evidence provided by SL with regards to Question 2. It is my opinion that adequate steps have been taken so that SL will retain both its autonomy and effective arrangements for independent safety governance. However, as the autonomy risk is inherent and dependant on the right behaviours continuing to be exercised, I am recommending that ONR further monitors this situation following the change.

**Question 3 – Will sufficient clarity of roles, responsibilities and authorities remain through the transition process to avoid undue disruption, confusion or delay to decisions affecting nuclear safety?**

63 Question 3 deals with continued safe operation and hazard remediation at Sellafield, which is a top ONR regulatory priority. There is a risk that, if the proposed change is inadequately conceived or executed, SL’s progress in hazard reduction and remediation could be affected adversely. Clarity of roles, responsibilities and authorities are a crucial aspect of avoiding this.

64 The SL arrangements for monitoring the impact of the proposed change on safety performance are presented in the change proposal. This includes SL arrangements both to monitor short-term impacts of the change during transition (including ensuring that there is no disruption to safe operation and decommissioning) and its plans to monitor the medium-term outcome of the change and its impact.

65 Concerning management of short-term impacts, SL has provided relevant monitoring reports and details of actions taken (Ref. 15).

66 I am satisfied with the portfolio of the indicators SL has applied, their intelligent use and how SL has updated and monitored them in order to help manage the change.

- 67 SL will be retaining its current Managing Director. This continuity has and will help ensure a sense of stability to SL personnel during the change (Ref. 15). In addition, existing NEDs are to be retained.
- 68 The departure of PBO is being managed in stages. For instance, six posts identified in key areas beyond the termination of PBO contract will be retained until Q3/Q4 2016 through commercial arrangements with the individual PBO organisations. However, there is a potential capability gap in the areas of strategy, people transformation and programme and project management. NDA and SL have recognised the need to provide support in these areas and I am comfortable with their plans in this regard.
- 69 Sample interviews with prospective directors confirmed a clear SQEPing process for new directors and a well-defined knowledge transfer process are being undertaken.
- 70 SL has developed new Roles, Responsibilities, Accountabilities and Authorities for all members of its new Executive Committee (Ref. 24). I was satisfied with the content of the sample documentation I reviewed.
- 71 Overall, I am satisfied with the evidence provided by SL with regards to Question 3. It is my opinion that adequate steps are being taken to retain sufficient clarity of roles, responsibilities and authorities throughout the proposed change, that relevant good practice is being met and that no negative impacts on nuclear safety arising from the change appear likely.

### **3.3.3 Specific Areas of Assessment**

- 72 No specific areas were assessed.

### **3.3.4 Comparison with Standards, Guidance and Relevant Good Practice**

- 73 I have used the standards and criteria set out in Section 3.1. during my assessment and my conclusions are as follows:
- 74 I consider that the information presented in SL's change proposal meets relevant expectations set out in SAPs MS.1 to MS.4 (Ref. 7), NS-TAST-GD-048 Principle 5 (Ref. 8) and generic criteria in NICOP (Ref. 9).

### **3.4 Liaison with Other regulators**

- 75 I have confirmed that the Environment Agency has no issues with the proposed organisational change (Ref. 27).

## **4 MATTERS ARISING FROM ONR'S WORK**

- 76 No matters preventing the issue of the requested Licence Instrument arose from my assessment of SL's submission.

## 5 CONCLUSIONS

77 This report presents the findings of my assessment of Sellafield Ltd's management of change proposal, describing the organisational change arising from the ownership of Sellafield Ltd transferring from Nuclear Management Partners Ltd (NMP) to the Nuclear Decommissioning Authority (NDA) on 1 April 2016.

78 My assessment focussed on the following three questions:

- Question 1 – Will adequate arrangements be in place for the licensee to manage risks to nuclear safety and 'self-regulate' the transition through to close-out?
- Question 2 – Will the new Board and governance structure be such that SL retains the autonomy required of a licensee?
- Question 3 – Will sufficient clarity of roles, responsibilities and authorities remain through the transition process to avoid undue disruption, confusion or delay to decisions affecting nuclear safety?

79 I am broadly satisfied with the approach taken and evidence provided by Sellafield Ltd as the change proposal meets the expectations set out in SAPs MS.1 to MS.4 (Ref. 7), NS-TAST-GD-048 Principle 5 (Ref. 8) and generic criteria in NICOP (Ref. 9). I consider that the nuclear safety implications of the proposed change have been adequately considered, an appropriate risk assessment has been carried out commensurate with the potential impacts on safety, suitable measures for risk mitigation have been planned and arrangements are in place to monitor their implementation.

80 I received satisfactory answers to my three questions and consider that SL is controlling this change to its organisational structure in a manner that ensures the continued safe operation of the licensed site, i.e. in compliance with LC36.

81 However, as the autonomy risk is inherent and dependant on the right behaviours continuing to be exercised, I am recommending that ONR further monitors this situation following the change.

## 6 RECOMMENDATIONS

82 My recommendations are as follows.

- Recommendation 1: ONR should issue Licence Instrument Number 896 agreeing to the proposed Sellafield model change and share transfer.
- Recommendation 2: ONR should monitor the implementation of the ownership model change to ensure that Sellafield Ltd retains suitable autonomy consistent with its duties as a nuclear licensee.

## 7 REFERENCES

- 1 Letter Ref. ONR/15/11829/02. TRIM Reference 2016/56658.
- 2 Letter Ref. ONR/15/11829/01 and Management of Change Risk Assessment ID No: 6152. Sellafield Model Change (SMC) – Share Transfer v7.3. TRIM Reference 2015/477840.
- 3 ONR Sellafield Programme Permissioning, Assessment Reports and Audit Trail Guidance. TRIM Reference 2014/459482.
- 4 Decision record ONR-SEL-DR-15-037, Proposed Agreement within Sellafield's arrangements for compliance with LC36(2). TRIM Reference 2016/6120.
- 5 Guidance on Mechanics of Assessment within the Office for Nuclear Regulation (ONR). TRIM Reference 2013/204124.
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**Table 1**

Relevant Safety Assessment Principles Considered During the Assessment

SAP No	SAP Title	Description
MS.1	Leadership	Directors, managers and leaders at all levels should focus the organisation on achieving and sustaining high standards of safety and on delivering the characteristics of a high reliability organisation.
MS.2	Capable organisation	The organisation should have the ability to secure and maintain the safety of its undertakings.
MS.3	Decision making	Decisions at all levels that affect safety should be rational, objective, transparent and prudent.
MS.4	Learning from experience	Lessons should be learned from internal and external sources to continually improve leadership, organisational capability, safety decision making and safety performance.