Minutes of the Board
24 September 2019
Windsor House, Victoria Street, London, SW1H 0TL

Present:

Members	**Attendees**
Mark McAllister - Chair	Mina Golshan - Director, SDFW and
Penny Boys - Non-Executive Director	SSAC SRO (items 4 and 7)
Oona Muirhead - Non-Executive Director	Mike Finnerty - Director, New Reactors (item 5)
Sarika Patel - Non-Executive Director	(item 6)
Simon Lister - Non-Executive Director	Paul Fyfe - Director, Security and Safeguards
Bronwyn Hill - Non-Executive Director	(item 6)
Mark Foy - Chief Nuclear Inspector	Donald Urquhart - Director, Operating Facilities
Dave Caton - HR Director	(item 7)
Sarah High - Finance Director	Vik Winspear-Roberts and Luke Carter - WIReD
	(item 8)
	Andy Harrison, Ines Osborne, Nikki Howard and
	Danny Lansley – GEO (item 9)
	Hugh Chalmers - Safeguards Officer (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 the Chief Executive, Technical Director and the Director of Policy and Communications.

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 July 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 reported that since the previous Board he had:

   i.   Participated in the DWP-led shortlisting exercise for the ONR NED recruitment competition on 5 September and updated the Board on the current position.
   ii.   Visited Hinkley Point B and C accompanied by the Chief Executive and Chief Nuclear Inspector on 7 and 8 August. The visit had been very informative and their apprenticeship programme had been of particular interest.
   iii. Met with the Director General, Energy and Security, BEIS to discuss matters of mutual interest.

3.2 He concluded by touching on the importance of fully understanding ONR costs as a regulator and the cost of our regulatory decisions. He acknowledged that this would be subject to further discussion at item 5.

4 UK State System of Accountancy for and Control of Nuclear Material (SSAC) Project Update and IPA Summary Report

4.1 The UK SSAC SRO presented a paper providing an overview of the Infrastructure Projects Authority (IPA) two-part review of the project (1) a post-implementation review of Phase 1 of the SSAC and (2) the Critical Friend review of SSAC plans for Phase 2, conducted in parallel in July 2019. The paper also provided an update on the progress made on Phase 2 delivery, including assurance on the overall progress of the SSAC, risks and associated mitigations.

4.2 The IPA review confirmed that Phase 1 objectives had been successfully delivered, rating it GREEN and concluded that successful delivery of the plans for Phase 2 appears highly probable, rating it AMBER/GREEN.

4.3 To address the policy recommendations, relating to Euratom equivalence, the IPA recommended agreeing with BEIS the baseline deliverables for Phase 2. Considerable progress has been made in this area, a paper having since been presented to BEIS setting out deliverables for Euratom equivalence for agreement. This will be formalised through the Euratom Exit Programme Board in November 2019. BEIS has agreed to fund the project closure, and we anticipate that additional funding for BAU will be confirmed by BEIS before the end of 2019.

4.4 Key project risks relate to formalising arrangements to secure project closure funding, to maintaining team morale and focus on delivery in a highly dynamic political environment. Appropriate plans are in place and are effectively mitigating the risks at this stage.

4.5 Much work remains to deliver Phase 2, transition of the operational function to Civil Nuclear Security and Safeguards (CNSS) and to close out the project. Continued focus and stakeholder support, along with ensuring availability of identified resource, is required to maintain the pace of the project.

4.6 In discussion the Board:

   i. Asked whether slightly different interpretations of Euratom Equivalence was problematic. The SRO confirmed that ONR's role is defined in law through Safeguards Legislation.
   ii. Noted that some of the IPA recommendations were relevant to other change programmes across ONR more generally and asked if we were learning the lessons in other areas. The CNI commented that SSAC is an exemplar project of how we deliver projects. A review and learn would be carried out and good practice incorporated into the Project Management Office portfolio. The SSAC SRO would take a paper on this to the Senior Leadership Team (SLT).

Action 1: Paper to be shared with the Board on Euratom Equivalence, once this has been agreed with BEIS – SRO SSAC.

4.7   The Board noted the report.

5   Management Response to the NERA report on the Economic Impact of ONR Safety Regulation

5.1   The Director, New Reactors, presented a paper summarising the progress in addressing actions agreed in response to the NERA report.

5.2   As at the end of August 2019, 13 out of the 17 actions had been completed and closed. Good progress is being made against the four open actions.

5.3   He informed Board that whilst the Regulatory Leadership Team (RLT) felt good progress had been made on addressing the recommendations, they did not believe ONR had sufficiently addressed the fundamental issue to ensure a greater understanding of the economic impact of our decisions and the need to overtly include in our processes a way to consider the economic impact of regulation.

5.4   RLT had asked for a detailed plan for developing and implementing the approach for improving ONR's knowledge of the costs imposed by regulatory decisions, and the need to explicitly incorporate this into relevant processes, including engaging with the Well Informed Regulatory Decisions (WIReD) Project. Subject to the detailed plan, it is currently intended to implement this approach by the end of 2019/20.

5.5   He set out the outline approach, highlighting why we need to improve knowledge of costs, its scope, how Inspectors could become more aware of costs, cost impact and the plan to embedding this approach into regulatory processes. He also touched on the implementation plan and limitations.

5.6   In discussion the Board:

    i.   Noted this is work in progress but welcomed the approach which would help establish the cost benefit that arrives from our work in terms of discrete charges, investment and changing demand.
    ii. Questioned how continuous improvement is built into the approach. The CNI commented that, as part of our enabling approach, we would have to come to a judgement on when enough is enough. Whilst there is a change in culture at the top of the organisation, the challenge is embedding this across the organisation. Building the approach into WIReD processes from the outset will help to embed this into the organisational culture.
    iii. Asked whether the CNI had discussed the approach with his Independent Advisory Panel. The CNI confirmed this had been subject to discussion and was supported. It is recognised that as we develop the approach we may need some economic expertise / advice. The process would also benefit from our ability to compare costs to other nuclear regulators across the world taking into account differences in size and scale.

5.7   The Board noted the report and asked for the new approach on the cost of regulatory work to be brought back in 12 to 18 months' time.

Action 2: To add the new approach on the cost of regulatory work to the Board forward look – timing to be determined by the CNI.

6   Cyber Security, Strategy and Regulation

6.1   The Director, Security and Safeguards, presented a paper to provide assurance that ONR is delivering its regulatory commitments made within the BEIS Civil Nuclear Cyber Security Strategy (CNCSS) at the mid-way point of the Strategy's five-year validity (2016/17 to 2020/21).

6.2   The paper also sets out the good progress made in developing ONR's approach to the regulation of cyber security. Considerable progress had been made in developing our regulatory approach to enable the cyber security transformation of the UK nuclear sector.

6.3   Three challenges were highlighted: (1) an emerging risk around the potential expansion of the network for Information Security Regulations 2018 to generation of electricity by nuclear operators; (2) a risk around ensuring we retain cyber security capability and (3) an emergent issue around the development of a senior level cadre of cyber regulatory staff. Work continues with HR colleagues to ensure we have the right package in place for our cyber regulatory staff.

6.4   In discussion the Board:

i.   Asked about industry awareness of level intensity and threat of attack. The Director, Security and Safeguards, confirmed industry is asking the right questions of the National Cyber Security Centre.
ii.   Asked how we gain assurance from duty holders that they are doing everything possible to protect themselves in a proportionate way. The Director set out the process that is in place.
iii. Referred to the development of meaningful metrics for industry.

6.5   The Finance Director expressed her thanks for the capability and expertise that had supported ONR internally, whilst recognising that we needed to grow corporate capability in this area.

6.6   The Board noted the report.

7   Organisational Effectiveness Indicator 3 Case Studies on Dounreay, AWE Aldermaston / Burghfield, and Devonport Royal Dockyard Limited

7.1   The Director, SDFW and Director, Operating Facilities, presented a paper to provide a performance overview of three sites receiving enhanced levels of regulatory attention.

7.2   ONR undertakes annual assessments of safety and security performance of sites receiving enhanced levels of regulatory attention which complement an exercise in November, each year, in which we assign attention levels for all licensees and other duty holders by exception. The outcome of these assessments is included as part of the new Organisational Effectiveness Indicator Framework introduced this year.

7.3   The Director, Operating Facilities presented the assessment findings for AWE Aldermaston / Burghfield and for the Devonport Royal Dockyard Limited, setting out the context of enhanced attention level, regulatory strategy effectiveness metrics and safety assessment.

7.4   The Director, SDFW, presented the assessment findings for the Dounreay Site Restoration Limited, setting out the context of enhanced attention level for safety and security, regulatory strategy safety and security effectiveness metrics, and safety and security assessment.

7.5   The assessments conclude in each instance that, in the light of licensees' performance and our own regulation during the period, regulatory strategies for securing the return to routine regulatory attention for these sites remain effective.

7.6   In discussion the Board:

     i.   Wanted to understand the concerns around timely delivery of adequate safety case submissions at AWE plc (Aldermaston and Burghfield).
     ii. Acknowledged that each site is in enhanced attention for different reasons.

7.7   The Board noted the excellent case studies which had supported a deeper understanding of the sites in enhanced attention.

8   WIReD Project Status Update Presentation

8.1   The WIReD SRO presented a paper on the project status position to support the presentation.

8.2   The regulatory process review is forecast to end as planned at the end of September. She highlighted project challenges including adopting an agile approach, developing new commercial arrangements with new suppliers, embedding governance, and reporting and working with continuing unknowns relating to IT separation dependencies.

8.3   Phase 1 scope is the completion of the regulatory process review, model office and prototyping of the systems for users which will be completed at the end of September. The project would then focus on governance and assurance to enable a decision on commencing Phase 2, as described in the baseline business case.

8.4   In parallel, and to maintain the schedule for preparing for the pilot, the Project Team will continue with configuration of the processes on the new environment and enterprise architecture systems.

8.5   To enable costing of the project into two phases, Phase 1 will include the transition period and the preparations for piloting and will run until early December and until the decision on Phase 2 in known.

8.6   The SRO gave a presentation to Board, supported by Luke Carter from the WIReD Project Team. The presentation covered the regulatory process review, engagement overview, and a tangible demonstration on functionality.

8.7 In discussion the Board:

   i. Commented on the positivity of engagement with Inspectors and industry to support a deeper understanding of impact on them.
   ii. Were keen to understand the minimum viable product we needed post testing. The Finance Director confirmed that a decision would be needed on the size and scale of delivery. A meeting is scheduled with the Chief Executive and Project Lead to look at different options, from the best possible option to the minimum viable product. She highlighted that in bringing the Phase 2 Business Case to Board, this is likely to set out a number of different options and the pros and cons of each.
   iii. Were keen to understand more about data capture and how we would use this in the future. They suggested the SRO discusses a data link principle with Informed Solutions.

8.8 The Board noted the report and thanked the SRO for a very informative and helpful presentation.

9 Governance and Executive Office Presentation

9.1 The Head of Corporate Governance set the context for the presentation to show the breadth of GEO functions, its vision, journey, and the value added as well as the challenges that need to be addressed in 2020/21 and beyond.

9.2 She introduced the function Heads who spoke about GEO's role in protecting people, information and reputation.

9.3 In discussion the Board:

   i. Acknowledged the role of the governance function in challenging the organisation on standards and expectations on Board reporting.
   ii. Passed on their personal appreciation for the high standards of support provided to Board members.
   iii. Noted the challenges ahead for GEO, in particular their role in ONR Strategic Change Projects.

9.4 The Board thanked the Head of Corporate Governance and her team for an interesting presentation.

10 Standing Reports – by Exception

10.1 **Chief Executive's Report** – In the absence of the Chief Executive, the Finance Director provided an update on Charging, the 2020-2025 Strategy, and the Pay Offer.

10.2 Charging – the reduction of safety days from our work plan and re-deployment to 'common good' work and the consequential impact on duty-holder charges. The Finance Director set out how we had got into this position, highlighted areas of biggest impact on duty-holders, and action taken to ensure surprises are avoided in the future. We are also taking action to address potential reputational and operational issues. A Finance Industry Engagement Event had been held on 18 September 2019, and

provided the opportunity to explore future charging options with duty-holders. The event had been positive with high levels of engagement.

10.3 The CNI confirmed he would share an SLT paper with Board to provide an understanding of the factors leading to the deviation between forecast and actual costs, directly chargeable staff days, the impact leading to significantly increased costs to a number of licensees that was not foreseen and a series of improvement actions proposed.

10.4 2020-2025 Strategy – draft strategy document produced and shared for comment, on which to base our development and associated plans.

10.5 Pay Offer – both trade unions rejected the ONR pay offer on question of 'is 1.5% an acceptable offer?' The ONR view is that the total offer was 4.1%. We have now imposed the pay deal and it will be received by staff with their September pay.

10.6 In discussion the Board:

Charging
  i. Noted the attention from SLT and the Audit and Risk Assurance Committee (ARAC) on how we should manage operational deployment and the impact on duty holders this year.
  ii. Recognised the more fundamental change needed to explore our charging methodology options. The Finance Director confirmed this would be subject to discussion at the Board Strategy Event in October.
  Strategy
  iii. Asked to see the groundwork which sets out the range of possible outcomes of demand for regulatory services of ONR and the impact on size and shape of the organisation. They asked that this be built up and presented in layers, beginning with the most certain and adding layers in reducing order of certainty of demand. This would help Board to understand the range of possible options.

Action 3: To provide Board with evidence of the project demand for regulatory services up to 2025, built up in layers of probability, to better inform the shape and size of the organisation – CNI/HR Director – 30 October.

10.7 **Chief Nuclear Inspector Report** – The CNI reported on the ARAC Deep Dive on Strategic Risk 10 Efficient and Effective Regulation. ARAC agreed with the CNI's assessment that the risk articulates the cause and effects well, but noted that there are links to the new strategic risk on operational deployment and forecasting. It was suggested that the overall risk be separated into two risks differentiating between the risk of ineffective regulation (SR010) and inefficient regulation (SR020) to allow a sharper focus on the causes to be identified.

10.8 Hunterston B, Reactor 4 has now restarted. Reactor 3 remains shut down awaiting our assessment of a new safety case.

10.9 The AWE Burghfield Assembly Technology Centre is in its maintenance shutdown period. AWE has committed not to recommence active operations until the safety upgrades required from the periodic safety review have been implemented.

10.10 We have not been able to secure additional funding for Advanced Nuclear Technologies beyond that which allows us to complete the residual activity under the existing Phase 1 programme of work. We are working hard to resolve this with BEIS.

10.11 The UK HPR1000 export licence is in place but there are a number of constraints being imposed. Whilst this presents an on-going risk, we have continued to engage with all parties to ensure this does not impact unduly on technical exchanges.

10.12 The Approved Code of Practice (ACOP) to assist dutyholder compliance with the new Radiation (Emergency Preparedness and Public Information) Regulations 2019 (REPPIR) was approved by the HSE Board on 11 September 2019. The HSE Board was complimentary about the role of ONR. We are now seeking final endorsement by the Secretary of State.

10.13 **Finance Director's Report** – Phase 1 of the Bootle Workspace Project was delivered successfully in August 2019.

10.14 We are on target to launch OTiS time recording on 30 September 2019.

10.15 The DWP loan of £9.8m was approved at the end of August on similar terms to the commercial loan.

10.16 An update was provided on IT, following the Finance Director assuming the SRO role for IT Separation on 2 September 2019. Initial attention had been on refocusing and resetting project governance, refreshing Project Board membership, clarifying roles and responsibilities and initiating activity to develop and baseline the integrated implementation plan to support the full suite of operational delivery activities. We are now in the process of assessing and clarifying business impact, articulating User Acceptance Testing scope and support arrangements, completing an Equality Impact Assessment, developing a Device Allocation policy and finalising communications, engagement and training plans to inform the overarching integrated plan.

10.17 **HR Director Report** – The HR Director provided an overview of the independent Pay and Grading Review to determine whether it supports our reward strategy and if there are any barriers to achieving our intent or opportunities to improve. We expect to be able to share the Executive Summary of the report with staff as part of our commitment to openness and transparency.

10.18 We are seeing some evidence of positive impact from our investment in mandatory Career Development Manager (CDM) training and the review of the CDM role profile and structure.

10.19 We have concerns around the level of understanding, support and application of some of our grievance, disciplinary and associated appeals processes. We are reviewing the level of capability of HR support being provided in these cases and looking at opportunities to develop a more informed and knowledgeable cadre of appeal managers and monitoring on a monthly basis.

10.20 In discussion the Board:

   i.   Thanked the Finance Director for her holistic change management approach to IT Separation.
   ii. Asked to see a copy of the Executive Summary report on the Pay and Grading Review.

Action 4: SLT paper on Regulatory Directorate Staff Deployment & Forecast Deviations to be shared with Board – CNI/HRD

Action 5: Pay and Grading Review Executive Summary report to be shared with Board – HR Director.

10.21 The Board noted the four standing reports.

11   Any Other Business

11.1 Observer Feedback – Hugh Chalmers, Safeguards Officer, thanked the Board for allowing him to observe the meeting. He had found the meeting to be very beneficial and reassuring in terms of the constructive challenge and support provided.

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

12   Information Papers:

12.1 The Board noted the following information papers:

   1)   IT Separation Update
   2)   Integrated Incident Management Framework Update
   3)   Audit and Risk Assurance Committee Update – 11 September 2019
   4)   Board Forward Plan

Minutes approved by the Board:

Signed _____
        Mark McAllister, Chair

Date _____