**Minutes of the ONR Board**

**29 March 2023**

**Boardroom, Windsor House, 50 Victoria Street, London**

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| **Present:**  Mark McAllister - Chair  Sarika Patel - Non-Executive Director  Tracey Matthews - Non-Executive Director  Jean Llewellyn - Non-Executive Director  Janet Wilson - Non-Executive Director  Sue Gray - Non-Executive Director  Mark Foy - Chief Executive/Chief Nuclear Inspector  Sarah High – Deputy Chief Executive  Donald Urquhart – Executive Director of Regulation  Geoff Hawker – Finance Director | **In Attendance:**  Dave Caton – HR Director  Jane Loughran, Head of Communications  Jonathan Downing, Technical Advisor to the Executive Director of Regulation  (item 5)  Inês Osborne, Executive Advisor to the ONR Executive Team (item 7)  Dan Harte, Chief Information Security Officer (item 8)  **Observer:** John Turner, Principal Inspector Nuclear Safety - Quality Inspection Lead, Technical Division |
| **Secretariat:** Nikki Howard, Governance and Compliance Manager (Board Secretary) | |

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| **1** | **Welcome, Apologies for Absence and Declarations of Interest** |
| 1.1 | The Chair welcomed everyone to the meeting. There were no apologies for absence. |
| 1.2 | There were no declarations of interest. |
| **2** | **Minutes, Matters Arising and Action Points** |
| 2.1 | The minutes of the meeting held on 1 February 2023 were approved as a correct record. |
| 2.2 | The Board noted an urgent decision made by the Chair, in consultation with the Audit and Risk Assurance Committee (ARAC) Chair, to approve a payment of £250 to redress a formal pension complaint. The Board also endorsed the decision to give delegated authority to the Finance Director to approve any novel and contentious payments up to £500, noting that any such payments would be reported to the ARAC on a quarterly basis. |
| 2.3 | The Board noted all actions were either complete or on track, and agreed that the Well-Informed Regulatory Decisions (WIReD) Benefits Realisation Plan, to be presented in September 2023, will be provided by the Executive Director of Regulation and the Chief Information Officer (action no. 4 – 29/09/22). |
| **3** | **Chair’s Report** |
| 3.1 | The Chair reported on a recent visit to two decommissioning sites at Trawsfynydd and Wyfla, at which he was accompanied by the Chair of Magnox Limited and the Executive Director of Regulation. The visit also provided an opportunity to discuss matters of mutual interest with the Chief Executive Officer of Magnox Limited. |
| 3.2 | The Chair commented on recent Public Chairs’ Forum events, making specific reference to a session he had chaired on Arm’s Length Bodies and the beneficial role they can play in influencing policy making due to their: (i) technical expertise; (ii) impartiality; and (iii) length of corporate memory. |
| 3.3 | He provided feedback on his separate introductory meetings during February and March 2023, with the Minister of State for Defence Procurement, the Minister for Pensions (ONR’s Sponsor Minister at the Department for Work and Pensions (DWP)) and the Minister for Nuclear and Networks at the Department for Energy, Security and Net Zero (DESNZ). |
| **4** | **Executive Board Report** |
| 4.1 | The Chief Executive/Chief Nuclear Inspector (CE/CNI) presented the summary report on key strategic, operational and financial matters and respective summary assessments from the ONR Executive Team (OET) and the Finance Director (FD). |
| 4.2 | The CE/CNI reported that OET and the wider director community were all aligned to the priorities for next year. The four areas of focus will be the three Organisational Review workstreams (a) Organisation Structure, (b) Pay and Grading, and (c) integration of Civil Nuclear Safety and Security into other regulatory purposes, the fourth being on the delivery of efficiencies across ONR. |
| 4.3 | He referred to the Post Implementation Review (PIR) findings and work being done with DWP and DESNZ to close out the recommendations. Information on the PIR recommendations proposed for closure had been provided and he sought endorsement from the Board to agree these can be closed out. Endorsement to close out the remaining recommendations will be sought in due course. Some of the finer details of the governance process are being finalised in consultation with DWP to provide absolute clarity in respect of the final sign off process. |
| 4.4 | He commented on the Organisational Review and the feedback on introducing the business delivery model. Reference was made to the important role Professional Leads will play in helping to support this. |
| 4.5 | He reported that OET had recently received the findings from the cultural assessment work carried out by the Alliance Manchester Business School, the details of which will be provided to Board at its meeting in April 2023. |
| 4.6 | He advised that the OET had started to consider the development of the ONR Strategy to 2030, and it will be undertaking a structured approach to scenario planning over the coming months. |
| 4.7 | In making reference to the recent Convention on Nuclear Safety (CNS) at which he was head of the UK delegation, the CE/CNI highlighted that there would be value in providing greater insight into ONR’s international work in supporting the development of international standards and how it contributes to ONR’s domestic and international reputation. He suggested this as a future Board agenda item, which the Board supported. |
| **Action 1:** To provide a session on ONR’s international work in supporting the development of international standards and how it contributes to ONR’s domestic and international reputation at Board in July 2023 – CE/CNI. | |
| 4.8 | He commented on the CNS challenge for the UK and ONR which required work to be done to consider any potential radiological consequences arising from military action associated with the war in Ukraine. Progress on this work will need to be reported at the next CNS review in 2026. |
| 4.9 | He reported on AUKUS (Australia, UK and US) programme and the request to ONR for support in building the nuclear framework. |
| 4.10 | In discussion the Board:   1. Congratulated Christine Ho (ONR Operating Facilities) who had been selected as a finalist for the National Skills Academy Nuclear (NSAN) Equality, Diversity and Inclusion Champion Award 2023. 2. Commented on the Organisational Review and the importance of communication and engagement from OET, which the Non-Executive Directors offered to support. 3. Referred to the need to ensure funding is in place for any additional international work required from ONR. 4. Referred to recent performance at Sellafield and noted discussions are ongoing with DESNZ and the Nuclear Decommissioning Authority. The Board asked for a deep dive to be provided at a future meeting to assess if progress has been made. |
| **Action 2:** To provide a deep dive on Sellafield at a future Board meeting – EDR. | |
| 4.11 | The Executive Director of Regulation (EDR) reported on the significant increased focus and attention on seeking efficiency improvements and how this work links to the Organisational Review, the Annual Review of Regulation (ARoR) and integration. He highlighted that there are cultural issues that will need to be addressed. |
| 4.12 | He reported that phase two of the WIReD project was nearing completion, all of which had been delivered to time, cost and quality. The transfer of the WIReD platform to the Information, Technology and Delivery Directorate (ITDD) was progressing, and a gateway review will be carried out during the next few weeks. |
| 4.13 | He provided an update on operational matters, making specific reference to reactor operability and the potential for an increase in requests for lifetime extensions. |
| 4.14 | He reported on the launch of the next CNI themed inspection which will be on climate change. An industry-wide engagement event will be held in May this year to provide an opportunity for questions prior to tangible work commencing, and the themed inspection will be undertaken during 2023/24. |
| 4.15 | The Board commented on the existing products and frameworks which are available to help assess the impact of climate change. The EDR reported on the areas to be examined which will include assessing current projections, their potential impact and how equipped the industry is. |
| 4.16 | The Deputy Chief Executive (DCE) reported on the Organisational Review (OR) and the closing out of phase one, over the next couple of months, with staff engagement and the finalising of material to be included in the detailed resource pack which will be issued to staff. The transition to the implementation phase two will commence in May and it will be made clear to staff that they will be part of the solution process. A full communications strategy and plan (with the aim to move to the new structure from 1 April 2024) will be developed and engagement with cohorts of staff will commence next month. The three strands of the OR (pay and grading, transition to the business delivery model and integration) all need to be sequenced and aligned to ensure this organisational change is managed holistically. |
| 4.17 | The DCE reported that work is ongoing with DESNZ to develop a Memorandum of Understanding (MoU) to ensure an appropriate source of funding to enable ONR to carry out its regulatory activity unfettered and without delay. |
| 4.18 | She referred to the two-year extension of the contract for the Single Operating Platform (SOP) highlighting due diligence checks have been undertaken and ONR are involved in the negotiations for a replacement. |
| 4.19 | She reported on the extent of the destruction of electronic documents and work being undertaken on the retention policy to ensure the correct classification of documents. The documents that have been destroyed due to mis-classification can be recovered if necessary but there will be a cost involved. She highlighted this occurred due to non-compliance with ONR policies. Work will be undertaken with directors to establish future requirements and to address any consequential impact on existing policies. |
| 4.20 | Reference was made to ONR being awarded certification against Cyber Essentials+ for a second year and the importance of maintaining these standards and progressing the desired improvements. |
| 4.21 | The Finance Director (FD) reported on the Period 11 financial position, highlighting the Quarter Q3 forecast indicated a total out-turn for 2022/23 of £95.4m, against a budget of £97.3m, a £1.9m underspend. This includes reductions of £0.5m, as a result of a provision release related to restitution costs and £0.6m due to Cabinet Office’s latest estimate of the pass-through cost of vetting. Between now and year-end, risks and opportunities to the final outturn position will continue to be monitored. |
| 4.22 | The FD commented that work to improve the charging and time recording arrangements continues to progress; definitions of direct and indirect costs have been updated and this will support more-accurate reporting of management information. |
| 4.23 | He provided an update on the lease reviews for two of ONR’s office locations; the request to remain in St James House in Cheltenham, at a reduced size, had been accepted in principle subject to comparable costs being sought on the current market in Cheltenham/revised lease terms before final approval is given. This work should be completed by the end of June 2023. The request to remain in a central London location (Zone 1) will require DWP Permanent Secretary endorsement and work to finalise the case for the London Planning Board is progressing. |
| 4.24 | He advised that a comprehensive review of ONR’s strategic risks (SR) by the OET and the ARAC concluded that there are still challenges to ensure accurate and timely reporting of risk mitigations/controls; he will look to secure some external training provision. |
| 4.25 | In discussion, the Board:   1. Suggested the remaining restitution costs should be deducted from dutyholders’ payments to ONR. 2. Highlighted that ARAC did not agree that the rating had reduced for: (a) SR - Environmental Social Governance (ESG) - Inability to reduce ONR's impact on the environment; and (b) SR - Commercial Delivery-Ineffective Management of Commercial Contracts to secure delivery of strategic outcomes. 3. Commented that ONR’s risk management process should not be over complex. It is about increasing knowledge and awareness of risk escalation/de-escalation and the definition of what a mitigation/control is; the provision of training will help. |
| 4.26 | The Board noted the report and endorsed the proposal to close out the PIR recommendations as detailed in the appendix to the report. |
| **5** | **How Regulatory Decisions are Made with Consistency and Proportionality** |
| 5.1 | The Technical Advisor to the EDR provided a presentation on how regulatory decisions are made with consistency and proportionality. He highlighted the principles behind regulatory decision making; the types of regulatory decisions; the goal setting regulatory framework and its benefits; the star chamber review process; resolving internal and external differences of opinion; and continuous improvement activity. |
| 5.2 | He explained (a) the levels of sign off for permissioning decisions and the support from colleagues in the Communications team to communicate these externally, (b) that a review of an enforcement decision will be to ensure due process was followed, (c) a review of a permissioning decision can be more complex as it may cut across multiple disciplines, therefore a holistic view is needed, and (d) that accountability rests with the decision maker; however if there is a difference of opinion it lies with the arbitrator. |
| 5.3 | In discussion, the Board:   1. Commented on resolving differences of opinion and the availability of information to see what has happened in previous cases. This should now be made easier with the WIReD platform. 2. Commented on whether the layers of decision-making could be reduced. The Board was advised that the majority of decisions are not contested so the process is efficient. It becomes more complex if a decision is considered novel, contentious or repercussive and the resources to address these cases will be included in the project report. The way ONR engages with industry means these differences of opinion processes are rarely used. 3. Commented on previous stakeholder survey findings on consistency and proportionality and the lack of specific examples. The Board was advised that the ARoR had provided greater insight into comments relating to consistency and proportionality enabling more direct engagement. It helped to identify areas for improvement (e.g. how we bring people in and their early messages, training provided by the ONR Academy and effective handovers). 4. Noted the integration work will also help to further improve consistency and proportionality. Intervention plans are now kept in one place enabling us to more easily assess if we are doing too much or too little in one area. Predictive recruitment will also help to enable more effective handovers of work. |
| 5.4 | The Board thanked Jonathan Downing for an informative presentation, the contents of which were noted. |
| **6** | **2023/24 Budget – Final Budget Proposal** |
| 6.1 | Following the consideration of a detailed preliminary budget proposal by Board on 1 February 2023, the FD submitted the final 2023/24 budget proposal, highlighting the key messages, assumptions and associated risks. |
| 6.2 | He confirmed that following an extensive review, the budget required to deliver ONR’s strategic objectives in 2023/24 is £102.1m. This is an increase of £7.2m (7.6%) against the 2022/23 Period 10 full year forecast (FYF) of £94.9m and is £4.8m (4.9%) higher than the 2022/23 budget of £97.3m. He highlighted that there had been extensive deep dives into the submissions from each directorate, along with executive reviews of the staffing requirements, and a 3% cost saving overlay had been applied. As a result the final budget sought of £102.1m has reduced from the proposal submitted in February 2023 by £2.1m. |
| 6.3 | The Chair commented on the detailed discussions on the preliminary budget proposal at the Board meeting on 1 February 2023. He suggested the areas of focus for discussion at this meeting were the analysis of permanent FTE and the cost base over time, and the five-year high-level budget view. The Board had supported previously the need for pre-emptive recruitment; the questions were on whether the recruitment ambitions were realistic and how the five-year profile aligns with the work on integration and efficiencies. |
| 6.4 | The FD referred to the five-year high-level budget view making specific reference to Generic Design Assessment assumptions, the proposed IT and estates activities, recruitment assumptions, pay inflation of 2% and efficiency targets. |
| 6.5 | In discussion the Board:   1. Commented on the need to be clear on the difference between cost savings, deferred spend and the cash/non-cash elements, including productivity relating to efficiencies. 2. Referred to the proposed increase of FTEs (net 85 FTE) and resources required and questioned (a) whether there was the capacity in ONR to recruit and induct them into the organisation, (b) whether this is realistic and (c) who is accountable (and the reputational impact) if it is not achieved. The Board was advised on the recruitment and training programme in place. The recruitment figure is the absolute maximum, the ambition being to address the ageing demographic, it is not repercussive and if it is determined this number is not needed, the figure will be reduced. 3. Commented the five-year high level budget shows significant increases in headcount, it does not reflect the new ways of working proposals going forward which should enable this recruitment figure to reduce over time. 4. Referred to the need to ensure that ONR has sufficient resources to deliver planned activities, but this is balanced against an organisation that has continued to grow in size year on year. While it is recognised that pre-emptive recruitment is needed, active progress also needs to be made to deliver ONR’s efficiency agenda. 5. Noted the commitment by the EDR to absorb 2023/24 demand increases (equivalent to c.27 FTE) through generating efficiencies/ redeployment. 6. Noted the proposed figures are a best estimate providing an envelope which ONR can operate within while also being committed to securing efficiencies. 7. Recognised the difference in recruitment between (a) routine backfill for leavers and (b) pre-emptive/anticipatory recruitment to establish a pipeline of resource to insure against future leavers, particularly due to the demographic challenge. 8. Asked for future efficiencies, cost savings and the recruitment position to be clearly articulated in the executive report to Board at each meeting, and for a five-year look ahead on FTE to support pre-emptive recruitment. |
| 6.6 | The Board approved the 2023/24 budget of £102.1m (noting this would now be presented to DWP for ministerial approval) and asked for a scorecard to be produced to report headcount, cost savings, cost avoidance, efficiencies, etc. across the organisation and a five-year look ahead on FTE. |
| **Action 3:** To provide a scorecard as part of the executive report to Board to demonstrate the efficiencies, cost savings, cost avoidance and FTE across the organisation and a five-year look ahead on FTE – FD – July 2023 and thereafter. | |
| **7** | **2023/24 Draft Corporate Plan** |
| 7.1 | The CE/CNI submitted the draft Corporate Plan for 2023/24. He highlighted this is a more succinct document, showing greater alignment with organisational effectiveness indicators and other corporate publications. |
| 7.2 | The Executive Advisor to the OET reported that, as part of the simplification and efficiency drive to improve our corporate publications, the draft Corporate Plan had been streamlined, with a more focussed approach, removing any duplication. |
| 7.3 | In discussion the Board:   1. Welcomed this higher quality approach with the assurance that the final product will meet accessibility requirements. 2. Commented on some of the key deliverables and the need for these to reflect the intended outcomes. 3. Asked for a plan on a page, showing delivery against milestones. 4. Agreed an amendment to strategic theme three to replace ‘shortage of nuclear skills’ with ‘shortage of skills for nuclear’ 5. Asked for the plan to have a more corporate feel, and for it to reflect the significant deliverables in IT, digital, organisation review, budget and efficiency. |
| 7.4 | The Board approved the draft ONR Corporate Plan 2023/24 and delegated accountability for final changes to the CE/CNI. |
| **Action 4:** To provide a plan on a page, showing delivery against milestones, as part of the Executive Board Report – CE/CNI – April 2023. | |
| **8** | **Any Other Business, Summing Up and Close** |
| 8.1 | The Chief Information Security Officer provided details of the purpose of SteerCo which had been established to provide direction to the Incident Management Team (IMT) on the most sensitive or highly strategic issues during a Priority 1 incident (e.g. ransomware attack). The Board was advised that the SteerCo terms of reference will be included in ONR’s Corporate Governance Framework and the testing of its arrangements will be included in future IMT exercise activity. |
| 8.2 | The Board noted the information. |
| 8.3 | John Turner thanked the Board for the opportunity to attend the meeting, highlighting that there had been good open and honest discussions with a healthy level of tension and challenge. |
| 8.4 | The Chair thanked everyone for their attendance and contribution and summarised each item and the actions agreed. The Chair formally closed the meeting at 12.45. |
|  | **Date and Location of Next Meeting**: 26 April 2023, MS Teams. |
| **9** | **Items for information:**   * Audit and Risk Assurance Committee minutes – 18 January 2023 * Summary of impact assessment of failing to service predictive   recruitment challenges (additional information to support the discussion  at item 6)   * SRO exception reports:   + Back-up resilience   + CM9 upgrade * Board Forward Look |