

**Minutes of the Board
28 November 2017
Castle Hotel, Taunton, TA1 1NF**

Present:

Members

Nick Baldwin - Chair
John Crackett - Non-Executive Director
Jonathan Baume – Non-Executive Director
Oona Muirhead – Non-Executive Director
Bronwyn Hill – Non-Executive Director
Penny Boys – Non-Executive Director
Sarika Patel – Non-Executive Director
Mark Foy – Chief Nuclear Inspector
Dave Caton – HR Director
Sarah High – Finance Director

Attendees

Anthony Hart -Technical Director
Mark Stanyer – Director of Information and
Technology (item 9)
Mike Harrison - Safety and Assurance
Director, EDF (item 8)
Katie Day - Head of Policy

Observer

Mike Finnerty - Director, New Reactors

Secretariat: Charlotte Cooper, Head of Governance and Board Secretary

1 Welcome, Introductions, Apologies for Absence and Declarations of Interest

- 1.1 The Chair welcomed everyone to the meeting. He welcomed Sarika Patel to ONR in her role as our new Non-Executive Director. Apologies for absence were received from Adrienne Kelbie, Dan Grice and Sarah Atherden.
- 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 25 October 2017 were agreed as a correct record. It was noted that all items on the action log were either completed or on track.

3 Chair's Report

- 3.1 The Chair commented on the success of the Board visit to Hinkley Point C (HPC) yesterday which had been both interesting and inspiring. It was particularly helpful for the Board members to undertake the visit together, not only to appreciate the sheer scale of the HPC site, but to enhance our joint knowledge and understanding of the significant challenges faced. The Chair confirmed he would write, on behalf of the Board, to the Managing Director, HPC to thank him and his staff for hosting the visit.
- 3.2 The Chair reported that since the Board meeting on 25 October he had attended an Institute for Government event on 1 November entitled 'Preparing for Brexit: What should ALBs do and what do they need?' At the event he shared ONR experience on preparations to put in place a domestic safeguards regime.

- 3.3 Oona Muirhead, on behalf of the Chair, attended a Public Chairs' Forum Induction for Chairs event on 20 November led by Lord Bew, Chair of the Committee for Standards in Public Life. Oona provided a short debrief from the session which looked at the Nolan principles. In particular discussion focused on 'selflessness' and what that means as a principle of public life and how we hold Chairs / Chief Executives to account. Discussion also focused on 'trust', how this can be increased and the difficulty in getting trust back once it is lost.

4 Chief Executive's Report

- 4.1 The Finance Director, on behalf of the Chief Executive, presented a paper to enable the Board to satisfy itself that ONR is being properly managed to deliver its strategic intent and to consider corporate risk mitigation.

Overview

- 4.2 It has been a busy month with a mix of challenges and achievements. The corporate milestone 'plan on a page' reflects changes, slippage and prioritisation in response to external environment changes and resource challenges.
- 4.3 Of our 65 milestones, 31 have been completed. Of the eight Red and two Amber, recovery is anticipated in-year of all bar two: ST2 – Insight Hub; ST3 – Staff Survey, both of which had been previously reported to Board.
- 4.4 Interviews for the vacant Deputy Chief Inspector role would take place on 1 December.
- 4.5 356 responses have been received on the stakeholder survey. YouGov perceive this is a good response rate that will provide a legitimate data set, supported by 20 in-depth interviews by end of December. Findings will be discussed at Board in January.
- 4.6 The milestone to develop a Stakeholder Insight Hub to bring together corporate intelligence about insights gained by our various stakeholders, via a searchable database, cannot be recovered in year. This is due to delayed implementation of Sharepoint. The Executive Management Team (EMT) would consider the issue in December.

ST 3 - Getting the Best out of our People

- 4.7 The Shaping ONR leadership event in November focused on challenging feedback and cultural issues relating to leadership behaviour. The Band 1 / Director session was very challenging with hard hitting messages. Overwhelmingly positive feedback has been received. The challenge is to maintain momentum and focus on personal accountability and on embedding personal leadership behaviours.
- 4.8 The Programme Management Office (PMO) is severely under-resourced due to resignations and vacancies. Whilst recruitment is underway for Strategic Improvement Projects (SIPs) Programme Managers, it would not be possible to mitigate all delays to the project work as a result.

ST 4 – Developing a High Performing, Sustainable Organisation

4.9 The ONR Training Academy will launch in late November, with modern branding to help staff identify with the improvements being made to help them achieve their potential and help ONR improve.

4.10 The ONR Business Continuity Plan (BCP) remains out of date, and to update it we need to rely heavily on HSE Business Continuity and IT Disaster Recovery Plans. These have been undergoing revisions and as soon as they are made available we will update our BCP and IT Disaster Recovery Plan. We will formally raise with HSE the need for a firm completion date to help us schedule this work.

4.11 In discussion the Board:

- i. Questioned whether the PMO was assigned to the right Directorate. They sought clarity on how it would enable and add value to the whole organisation and asked for a short note summarising the scope and benefits of the PMO, including its Terms of Reference and what it is designed to deliver strategically. The note should also make reference to the recent recruitment challenges, explaining the issues and providing assurance around adequacy of future resourcing.
- ii. Agreed to leave comments on Cyber Security and General Data Protection Regulation (GDPR) until item 9, when the Director of Information and Technology would be in attendance.
- iii. Sought confirmation on the outcome of discussion with DWP on the potential ONR governance review, discussed at the meeting with the BEIS Permanent Secretary in October. The Head of Policy confirmed that following discussion with DWP and BEIS, the appropriate time to undertake a review would be in the post implementation review of the Energy Act, due in 2020, as per the new Safeguards Bill.
- iv. Expressed concern that the BCP remains out of date and noted that this would be reviewed by the Audit and Risk Assurance Committee in April.
- v. Were pleased to see the standing reports focus on performance. However, reports still feel too long and there is often repetition of issues in different papers.

Action 1: Note to be circulated to the Board summarising the scope and benefits of the PMO, including its Terms of Reference and what it is designed to deliver strategically. The recent recruitment challenges should also be addressed – Director of Information and Technology.

Action 2: To review the length of standing reports and avoid repetition of issues – Executive Directors.

4.12 The Board noted the report.

5 Chief Nuclear Inspector's Report

- 5.1 The Chief Nuclear Inspector presented his report to provide assurance to the Board that our regulatory activities have been effective across the nuclear sector; holding industry to account on behalf of the public and influencing to enable safety and nuclear security delivery.

Overview

- 5.2 Good progress has been made. Four Regulatory Directorate (RD) milestones were due for completion in period; three have been delivered and one has been missed. This relates to the Integrated Regulatory Review Service (IRRS) Mission to Belgium. It is expected that this will be delivered in year.

Forward Look

- 5.3 The Licence Condition Review Corporate Milestone falling in December is on track with Safety Directors' Forum engagement arranged. The next significant milestone is in March 2018. ONR work to meet this is on schedule. However our Business Impact Target assessment is reliant on input from HSE economists who have indicated they are under resourced to support this. The review is unlikely to be delivered this financial year. Delivery in Q2 2018/19 is predicted. We will monitor the situation and re-baseline when we have a clear indication of timescales.

ST 1 – Influencing Improvements in Nuclear Safety and Security

- 5.4 With regard to the delivery of the State System of Accountancy and Control (SSAC), the CNI informed the Board that the Deputy Director-General, Energy, European Commission has confirmed engagement with ONR. This is a significant and positive step forward.
- 5.5 The CNI provided an oral update on the ONR assessment of the Atomic Weapons Establishment (AWE) B Site Periodic Review of Safety.
- 5.6. All Stakeholders have agreed the change in the Materials Consolidation (Exotics) Strategy to 'ship then treat' approach. ONR supports the revised strategy, but has reinforced the need to produce an adequate safety case and security plan to demonstrate the safe handling, treatment and storage of material. The CNI confirmed Sellafield Board reservations regarding the potential condition of received packages and inheriting further legacy / liability under the revised strategy. This had been recognised, and assessment work / substantiation to address this would be completed before moves of certain material commenced.
- 5.7 Discussion continues with BEIS regarding its strategy for the development of Advanced Nuclear Technologies formerly known as Small Modular Reactors (SMRs). We have yet to sign the charging agreement with BEIS to provide access to the £5m funding to up-skill our staff. The CNI will discuss this with BEIS senior officials in the next few weeks; if it is not resolved satisfactorily we will stop work until agreement on funding is reached.
- 5.8 GDA Step 2 of CGN'sUK HPR1000 commenced on 16 November 2017.

- 5.9 The BSSD project is now progressing reasonably well. The Technical Director provided an update on discussions that are taking place between ONR, BEIS, HSE and MoD on implementation arrangements.
- 5.10 BEIS has completed the public consultation for the new REPIR regulations. Timings to deliver the new regulations are being kept closely under review due to the dependencies to ONR's own project to write the supporting Approved Code of Practice (ACOP). For now, ONR is continuing to make determinations under the current regulations.
- 5.11 Following close work with Cabinet Office and BEIS the 2015/16 Safeguards inventory difference figures were published on 8 September 2017.
- 5.12 There remains an issue with a number of inspectors not achieving full warrant status within 18 months of joining ONR. It appears that this is due to pressing business needs resulting in inspectors not getting the breadth of experience needed to achieve full warrant status. The CNI advised he would be initiating a review of the situation to address the issue.
- 5.13 The Regulatory Management Team considered a paper on future options for delivery of Conventional Health and Safety (CHS) regulation which will see the CHS complement increased.
- 5.14 The CNI has been working with the Finance Directorate on a series of budget options in preparation for the budget discussion at the January Board.
- 5.15 In discussion the Board:
- i. Asked to see the agenda agreed by the CNI for the next meeting of the Independent Advisory Panel and asked for a report back following the meeting.
 - ii. Supported the CNI's view that we may need to recruit economists to provide an in-house provision.
 - iii. Reinforced the importance of stakeholder engagement at a senior level on the issues raised in the oral update on the ONR assessment of the Atomic Weapons Establishment (AWE) B Site Periodic Review of Safety.
 - iv. Passed on their congratulations to the Director, New Reactors Division and his team for completing Generic Design Assessment Step 1.
 - v. Sought assurance from the CNI that we have a robust process in place on Safeguards inventory figures. The CNI confirmed new arrangements had been put in place which had been tested and that BEIS were content.
 - vi. Asked whether we would meet our recruitment target this year. The HR Director confirmed that we were on target to meet our growth target by the end of the year.

Action 3: Circulate the agenda, agreed by the CNI, for the next meeting of the Independent Advisory Panel and ensure a report back from the CNI following the meeting - CNI.

Action 4: Circulate a copy of the GDA news from CGN's website - Board Secretary

5.16 The Board noted the report.

6 Finance Report

- 6.1 The Finance Director presented a paper providing an update on ONR's financial performance, governance and risk management to 31 October 2017.
- 6.2 Attention has continued to focus on enabling the 2018/19 corporate planning activity, providing support to Directors with their annual budget bids for 2018/19 and working with government colleagues to secure suitable London accommodation. We also hosted a visit by the Head of Internal Audit United Arab Emirates (UAE) Federal Authority for Nuclear Regulation (FANR).
- 6.3 Of the 48 milestones due by 31 October 2017, 31 were delivered on time, three have been completed late (ARA, Risk Appetite, London options) and a further six have been abandoned following Ministerial agreement to pause Fees Regulations. Eight have slipped but are scheduled to be recovered in year.
- 6.4 At 31 October 2017 the full year forecast is £73.9m against a budget of £81.1m. The Finance Director provided indicative summaries of the drivers for the under-spend, which had stabilised at period seven, specifically reduced demand, slippage, efficiency or price.
- 6.5 ONR's net grant requirement for 2017/18 is forecast at £1.8m which aligns with the original SR15 cash profile. This is as a result of focused activity to drive out costs relating to grant funding and incorporates the impact of delaying the implementation of Fees Regulations.
- 6.6 The £2.1m requirement for Brexit related Safeguards resource has increased significantly from last month. The full year resource requirement has been confirmed by the UK State System of Accountancy for and Control of Nuclear Material (SSAC) Programme, including the recruitment of additional specialists in the forecast. Whilst BEIS has indicated they will fund these additional costs, there have been delays in formalising the arrangement in the Charging Agreement. The Finance Director highlighted her concerns and the escalation to date in BEIS and DWP. Legal advice has also been sought.
- 6.7 The Executive Management Team (EMT) had signed off the revised ONR Expenses Policy and supporting guidance for implementation from 1 January 2018. The Policy would now be circulated to the Board for information.
- 6.8 Following the Board's steer in October, a Lease Moratorium Exception Request (LMER) was submitted to the Government Property Agency on 1 November requesting permission to remain in St James House following expiry of our lease.
- 6.9 ONR has been selected for an Employer Compliance and VAT Review by HMRC. The review will cover all aspects of tax, national insurance contributions, VAT, benefits and expenses. Early indications suggest the visit will take place during January 2018.

6.10 In discussion the Board:

- i. Were fully supportive of the robust stance on safeguards and the need to continue to seek clarity to mitigate any regularity and propriety risk
- ii. Stressed the need for clear messaging on the 2017/18 budget underspend.

6.11 The Board noted the report.

7 HR Director's Report

- 7.1 The HR Director presented a paper to enable the Board to assure itself that people issues are being managed appropriately and that ONR is getting the best out of its people. A full update on progress against Diversity and Inclusion activity is provided at appendix B.
- 7.2 Continued progress has been made against HR Directorate milestones. 66 milestones have been delivered, 40 milestones remain on track, including six that have been rescheduled, through change control, for delivery in year. Three milestones have been moved to 2018/19 relating to agreement to undertake the 2018 staff survey in October 2018.
- 7.3 The building of HR capability, particularly in relation to organisational development (OD), has moved forward significantly. Two OD practitioners have joined ONR which has enabled a realignment of resource across the Directorate which is now structured around three distinct functional areas: Organisational Development; Learning and Development; and People Services.
- 7.4 At 31 October 2017, overall staff numbers reflect a headcount net gain of three technical specialists and three corporate support staff. We have a further 12 technical specialists who have accepted offers so remain on track to achieve our net regulatory growth of 37 for 2017/2018.
- 7.5 New core skills training has been re-planned for the remainder of the financial year targeting those areas with the greatest need including refreshed line management (CDM) training, which is mission critical. The recent budget submissions for 2018/19 have built in provision for people to carry out the CDM role.
- 7.6 The HR Director provided an oral update on Pay Deal negotiations.
- 7.7 The HR Director presented the Diversity and Inclusion update on activities undertaken across ONR, highlighting key risks. He made reference to the introduction of a Confidential Advisor Network to provide staff with a safe space for staff to raise issues. He provided an oral update on early findings from the interim final report on achieving National Equality Standard by 30 September 2018.

7.8 In discussion the Board:

- i. Commented on whether ONR had initiative fatigue given the 26 corporate initiatives referred to in the Staff Survey. The HR Director confirmed that focus was on twelve significant corporate actions.
- ii. Made reference to standards in public life and the recent issues of inappropriate behaviour in the news. The Board asked the HR Director to think about what this means for ONR in terms of past behaviours and existing behaviours and whether this poses any risks to ONR. The HR Director provided an initial response making reference to a review of our policies and processes and other work that he had initiated.
- iii. Asked to see a highlights version of the Diversity and Inclusion Action Plan, in correspondence.
- iv. Asked to see the new Training Academy in January.

Action 5: Diversity and Inclusion Action Plan, highlights report to be circulated to the Board – HR Director.

7.9 The Board noted the report.

8 Security Assessment Principles - Update

8.1 Mike Harrison, Safety and Assurance Director, EDF, provided an update on Security Assessment Principles (SyAPs) from an EDF perspective.

8.2 He explained how security integrates with how EDF operate a safe power station. He highlighted the nuclear site security plan revisions, making reference to the Heysham 2017 pilot. This included development of a holistic, accessible and sustainable security case supported by arguments and evidence. He set out the SyAPs' benefits to EDF Energy NG and the return on investment.

8.3 In discussion the Board:

- i. Were keen to hear Mike's views on further improvements that could be made, particularly on the SyAPs' documentation, which would help inform the ONR lessons learnt exercise.
- ii. Commented that SyAPs was a cultural shift for ONR itself and that it would take some time to embed relationships and deliver cultural change.
- iii. Supported a further discussion post implementation to assess the effectiveness of delivery and whether or not our collective objectives had been achieved.

Action 6: Consider scheduling a further Board discussion post implementation – CNI / Board Secretary

8.4 The Board thanked Mike Harrison for his presentation.

9 Mitigating IT Modernisation Related Risks

- 9.1 Before presenting his paper the Director of Information and Technology provided an update on two issues raised in the Chief Executive's Board report at item 3.
- 9.2 On Cyber Security, he advised that ONR would be accelerating our change to replace the COIN time recording system, currently on Windows 2003 servers. The milestone to define requirements is February 2018, with replacement by the end of March 2019. This would be a proprietary not bespoke solution.
- 9.3 On General Data Protection Regulation (GDPR) we will have new duties from 25 May 2018. A recent audit review concluded that significant leadership and work is required to deliver on this, whilst acknowledging steps are being taken. He advised that we would be looking to recruit GDPR expertise and is confident that we will ensure compliance. The internal audit recommendations set out what we need to do overall and a readiness review was scheduled for the ARAC in April.
- 9.4 The Director presented a paper to provide assurance that our IT Modernisation Programme is being managed to effectively mitigate strategic risks and deliver a fit for purpose infrastructure for the separation of ONR from HSE.
- 9.5 He advised the Board that we are planning network elements of our separation direct with Steria and had made significant progress, planning in detail all of the technical aspects of the new network design. This is the critical first step to give ONR a platform to build on. He confirmed that he was confident we could build our new network by March 2018 and that this would give us the base infrastructure to build on.
- 9.6 In discussion the Board:
 - i. Were pleased to see that we had taken control of ONR's IT separation although they felt the plan was very IT focused. They wanted to see the commercial plan that takes account of the issues, dependencies and impacts outside the immediate IT community so we can be clear on the critical path.
 - ii. Suggested that IT separation should be a major project with attention focused on the impact on the wider organisation including commercial, HR, financials and Regulatory Directorate.
 - iii. Sought clarity on the interaction with the Safeguards Information Management and Reporting (SIMS) replacement system, including ONR capabilities and experience to deliver given the significance of the work and dependencies.
 - iv. Commented on the need to maintain vision on the three year IT strategy with clear year one imperatives.
- 9.7 The Director noted Board comments, provided a brief update on the on-going commercial work with HSE that was not reflected in the paper. He also confirmed that ONR had an intelligent customer capability for the SIM replacement system. He concluded by seeking continued Board support of both HSE and Steria during transformation.

9.8 The Board offered full support, understood the risks the Director is managing and the reasons for separation.

9.9 The Board noted the report.

10 Accommodation – London Update

10.1 The Finance Director presented a paper updating the Board on recent developments to support accommodation for our London based staff. This included legal advice on the implications of non-compliance with the Lease Moratorium Exception Request (LMER).

10.2 She discussed the critical timescales for the move and confirmed the project plan allows for six months leading up to 31 August 2018.

10.3 In discussion the Board commented on the need to do all that we can to secure a positive outcome from the Minister and noted the efforts of the Finance Director in this regard.

10.4 The Board noted the paper and, subject to LMER approval, agreed to deal with any urgent decision in correspondence. Should LMER approval not be forthcoming, and a different option needed to be pursued in advance of the January Board, it was agreed that a special Board meeting would be convened. Strong Board advice would be needed from the National Audit Office (NAO) if that was the case.

11 Update on the Development of Indicators to Measure ONR's Regulatory Effectiveness

11.1 The Director, New Reactors Division, presented a paper to update the Board on progress made on the development of a framework to measure ONR's regulatory effectiveness and highlights the increase in scope of this work to incorporate measures of our performance against the Regulators' Code and our latest Key Performance Indicators.

11.2 The Technical Director suggested that the use of case studies may help us to take a strategic view of the impact of our regulatory activity on safety and security in the nuclear industry across the longer term by focusing on what is deliverable / had been delivered, thereby providing a holistic view over a longer term.

11.3 In discussion the Board:

- i. Commented that the KPIs appeared to be outputs rather than outcomes and were not convinced that this work fully enabled us to understand the impact of regulation on the safety and security of the nuclear estate.
- ii. Discussed how we could benchmark more effectively and asked that we do not over complicate this work.
- iii. Supported the proposal to develop a series of case studies.

11.4 The Board noted the report and asked the Director to reflect on Board comments in taking this work forward.

12 Audit and Risk Assurance Committee - Terms of Reference

12.1 The Committee Chair presented a paper seeking Board approval to the updated Terms of Reference (ToR) for the Audit and Risk Assurance Committee (ARAC). He commented that the proposed amendments reflect the changes to the audit and assurance framework and provide clarity on the meeting attendees to bring the ToR in line with the current organisational structure.

12.2 In discussion the Board asked the Head of Governance to consider whether we needed to specify a minimum number of meetings members should attend.

12.3 The Board agreed the changes to the ARAC ToR.

13 UK State System of Accountancy and Control of Nuclear Material Project – Progress Report

13.1 The CNI presented a paper to report on the progress made with establishing the UK State System of Accountancy for and Control of nuclear material (SSAC) including BEIS' work in delivering the required legislation to highlight the risk and mitigations.

13.2 He commented that the overall status of the project remains AMBER. Working level discussions are progressing to prepare for senior level engagement with Euratom aimed at enabling technical discussion. The technical specification is being prepared to identify a suitable contractor from an OJEU pre-approved list to deliver the SIMS. The second round of recruitment is taking place and there is agreement in principle for secondment of a material accountancy specialist from industry to ONR. Training packages and plans have been drafted and training will begin early in 2018.

13.3 The Board noted the report.

14 Information Papers:

14.1 The Board noted the following information papers:
1) Audit and Risk Assurance Committee minutes 31 October 2017
2) Board Forward Look

15 Any Other Business

15.1 Mike Finnerty, Director, New Reactors thanked the Board for the opportunity to observe and present at the Board. He commented on the robust Board challenge and questioning. The level of support, advice and guidance, particularly from the Non-Executive Directors was excellent. He added that there was a good level of humour but serious matters were dealt with appropriately. The Board was very well-chaired ensuring focus. He felt the decision to invite an external speaker was a good initiative.

15.2 The Chair passed on his thanks, on behalf of the Board, to John Crackett, Non-Executive Director and ARAC Chair, for his sterling work as a member of the ONR Board over the last six and a half years making reference to his role as Chair of the Remuneration Committee and, more recently, Chair of the Audit and Risk Assurance Committee. The Chair recognised John's enormous personal contribution, before and since ONR vested as a statutory corporation and independent nuclear regulator and commented that John was leaving ONR in a much better place than when he joined in July 2011. He wished John well for the future.

15.3 There was no other business raised.

Minutes approved by the Board:

Signed 
Nick Baldwin, ONR Chair

Date 28 February 2018